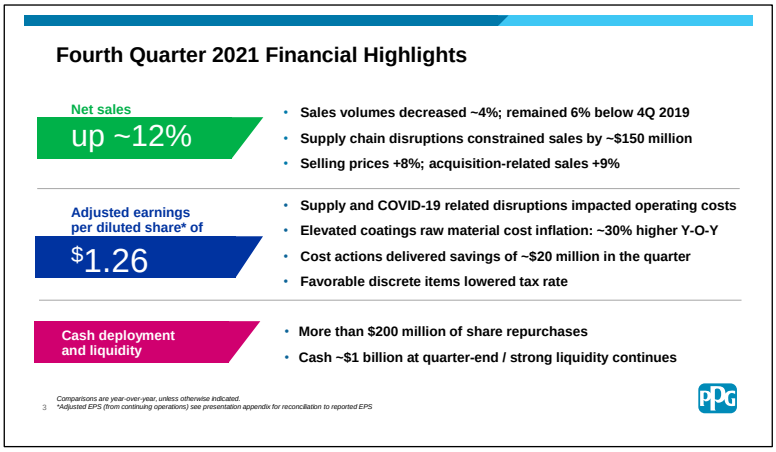
PPG Fourth Quarter 2021 Financial Results

Earnings Brief – January 20, 2022

These prepared remarks should be read in conjunction with PPG's earnings press release and related presentation that were posted on PPG's website (investor.ppg.com) on January 20, 2022. In addition, these detailed remarks supplement the commentary that the company will make on its fourth quarter 2021 earnings conference call on January 21, 2022.



Fourth Quarter Financial Highlights

PPG achieved record fourth quarter 2021 net sales of approximately $4.2 billion - an increase of about 12% versus the prior year. While underlying demand in most end-use markets remained strong, fourth quarter results continued to be significantly impacted by supply chain disruptions and customer production constraints due to input component shortages, logistics bottlenecks, and worsening availability of labor due to rising COVID-19 cases.

On a two year comparison basis, fourth quarter 2021 net sales compared to the fourth quarter 2019 net sales were up about 14%, despite sales volumes remaining about 6% below 2019 levels. The volume declines primarily stemmed from the effects of the global pandemic and the delayed recovery due to global supply chain interruptions. Volume declines continue to be most pronounced in the automotive original equipment manufacturer (OEM), aerospace, and automotive refinish coatings businesses, where aggregate sales volumes were lower by a mid-teen percentage compared to the fourth quarter 2019. We expect each of these end-use markets to recover in 2022 and 2023. In comparison to 2019 quarter, selling prices increased by about 10%, with about 8% of this price gain realized in the fourth quarter of 2021 to help partially mitigate severe cost inflation.

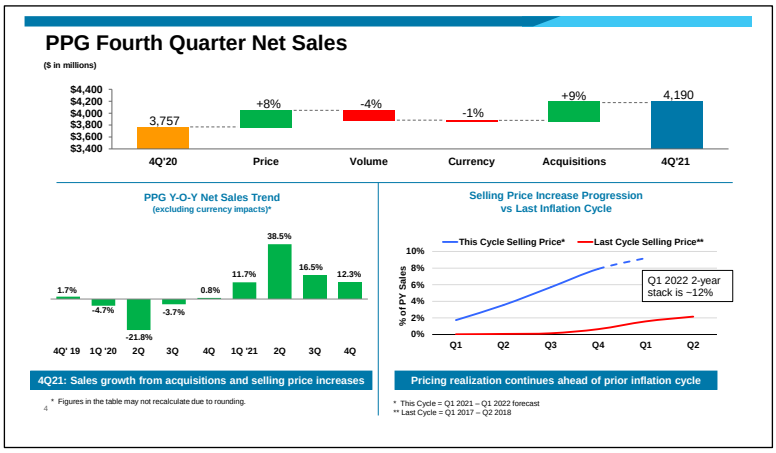
Fourth quarter reported earnings per diluted share (EPS) was $1.12 compared to $1.14 in the prior-year quarter. Adjusted earnings per diluted share was $1.26, compared to $1.69 in the fourth quarter 2020. Adjusted fourth quarter 2021 EPS excludes $0.15 of acquisition-related amortization. Lower year-over-year earnings were driven by historically high raw material cost inflation and availability issues, worsening transportation reliability, and manufacturing interruptions at both our factories and those of our customers and suppliers, which significantly impacted our operating costs. Raw material cost inflation was up by about 30% year-over-year, driven by ongoing supply constraints, including various force majeure declarations, higher energy prices, maintenance outages at many of our suppliers, energy surcharges in Europe, and transportation shortages. It is expected that raw material costs will be between 25% and 30% higher on a year-over-year basis in the first quarter 2022. The company will continue to prioritize additional selling price increases in the first quarter. Restructuring actions delivered about $20 million of structural cost savings in the quarter.

Due to the disruptions noted above, the company incurred significantly higher operating cost and periodic interruptions in procuring inputs. The company continues to further diversify its supplier base and is leveraging its capacity of internally controlled resin capability to help mitigate supply disruptions. The company has in-house resin manufacturing capability in all major regions of the world and is expanding

these capabilities. As an example, in PPG-Comex the company sources the majority of its resins internally which has resulted in only moderate supply disruptions to date. The resin expansion projects include in-house and toller manufacturing, with a goal to increase these supply alternatives to achieve more of the company's architectural U.S. and Canada requirements compared to current levels. This includes resin assets acquired in our recent Ennis-Flint acquisition where we intend to add more internal resin capacity in 2022.

Reported earnings per diluted share included charges for business restructuring that incorporate actions related to recent acquisitions and a pension settlement charge associated with the de-risking of company's Canadian pension plans. In addition, income was recognized as the company reduced its reserve for asbestos-related claims to reflect the company's current estimate of potential liability for these claims.

The company's reported and adjusted effective tax rates for the fourth quarter were about 1% and 5%, respectively. The fourth quarter tax rate was lower than expected due to the geographic mix of earnings in the fourth quarter and certain favorable discrete tax items. The full-year reported and adjusted tax rates for 2021 were 20.6% and 20.0%, respectively which were comparable to the 2020 rates of 21.4% and 22.6%.



PPG Fourth Quarter Net Sales

PPG's fourth quarter record net sales of about $4.2 billion were about 12% higher compared to the prior year. Aggregate global demand patterns remained robust. However, net sales were unfavorably impacted by the supply and operating disruptions noted above, which resulted in an estimated unfavorable impact to fourth quarter net sales of about $150 million. The majority of the impact is expected to be recovered in future quarters, particularly in the automotive OEM, aerospace and automotive refinish coatings businesses. In aggregate, company sales volumes decreased by 4% versus the prior-year fourth quarter. The prior year fourth quarter included strong sales growth across many industrial end-use markets stemming from initial recovery from the pandemic. Fourth quarter 2021 sales volumes remained about 6% below pre-pandemic 2019 levels largely due to the supply issues, the muted recovery status of the aerospace commercial new build end-use market, and industry-wide component shortages in automotive OEM.

Aggregate selling price increases were supported by strong sequential contributions from both reporting segments, including about an 8.5% year-over-year increase in the Industrial Coatings segment. These selling price increases continue to be primarily structural in nature. Additional selling price increases are being prioritized in the first quarter to mitigate expected higher raw material, logistics and labor-related cost inflation. The five recent acquisitions (Ennis-Flint, VersaFlex, Cetelon, Wörwag, and Tikkurila) increased the company's net sales by about 9%, or about $340 million, in the quarter. The U.S. dollar strengthened year over year compared to the company's overall basket of currencies, resulting in an unfavorable foreign currency translation impact to net sales of about $30 million in the fourth quarter. For the first quarter 2022, foreign currency translation is expected to have an unfavorable, year-over-year impact to net sales of about $80 million to $100 million.

Fourth Quarter Sales Volumes

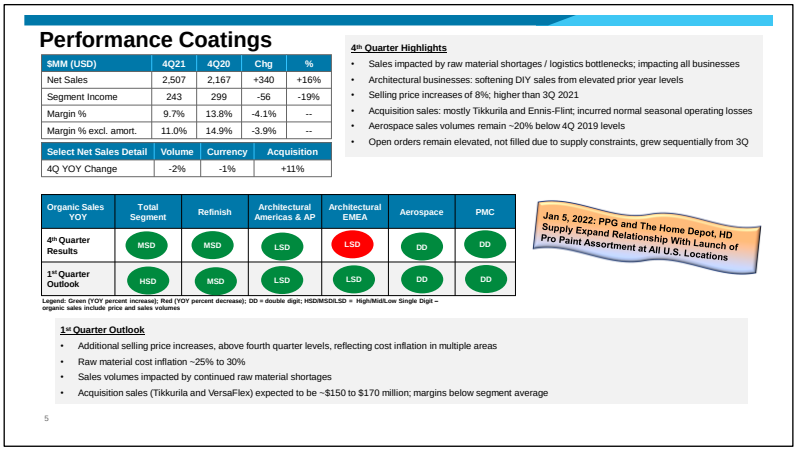
Aggregate year-over-year global sales volumes decreased by about 4%.

In the U.S. and Canada, sales volumes were slightly lower compared to the prior year. Solid year-over-year increases in aerospace, automotive refinish, and packaging coatings were principally offset by lower year-over-year sales volumes in U.S. and Canada architectural and automotive OEM coatings. Same-store-sales were higher by a low-to-mid-single digit percentage in architectural coatings. Aggregate regional sales volumes remain about 10% lower than the fourth quarter 2019.

In the Europe, Middle East and Africa (EMEA) region, sales volumes were down by about 10% on a year-over-year basis. Strong year over year increases in aerospace, industrial, and packaging coatings were offset by lower year-over-year sales volumes in architectural and automotive OEM coatings. For the full year 2021, the Western European automotive OEM industry totaled 10.6 million builds as pandemic-related restrictions and the global semiconductor shortage caused production to be below the pandemic-struck 2020 total. Looking ahead, third-party consultants are projecting 2022 builds to be up nearly 10% compared to 2021. Sales in the architectural coatings business were largely impacted by lower do-it-yourself (DIY) demand compared with elevated levels in the prior-year fourth quarter and raw material availability. Sales volumes in automotive refinish coatings remained sluggish due to constrained mobility. Aggregate sales volumes in the region remain about 7% lower than the fourth quarter 2019.

Sales volumes in the Asia Pacific region declined by a mid-single-digit percentage year-over-year, as strong, above-market performance in protective and marine coatings was offset by lower year over year sales volumes in automotive OEM and industrial coatings. In aggregate, the prior-year fourth quarter was a strong sales quarter in the region, making for difficult comparisons in the current year. In addition, demand was impacted by China's continuing mandate to reduce energy consumption (dual control) that has decreased various industrial production activity. Net sales were higher in all of the company's major countries as increased selling prices and acquisition-related sales offset the lower sales volumes. Aggregate sales volumes in the region are slightly ahead of the fourth quarter 2019.

In Latin America, sales volumes declined by a mid-single-digit percentage year-over-year. PPG-Comex delivered another strong year achieving full-year record sales and above-market performance in the architectural coatings business. Sales activity in the region was unfavorably impacted by the automotive OEM production supply shortages which impacted industry production rates.



Performance Coatings

Fourth quarter net sales for the Performance Coatings segment were $2.5 billion, up about 16% versus the prior year. Selling prices increased by about 8% year-over-year, and improved sequentially from the third quarter. Segment sales volumes were down nearly 2% compared to the fourth quarter 2020. Acquisition-related sales totaled about 11%, primarily from Tikkurila and Ennis-Flint. Unfavorable foreign currency translation reduced year over year net sales by about 1%. The level of digital sales in our global architectural businesses continued to increase, and for the full-year 2021 were about 5% of total net sales transacted, an increase of about 20% year-over-year. In comparison to 2019 levels, segment sales volumes were down about 7%.

Segment income was about $240 million, down approximately $55 million compared to the fourth quarter 2020. Earnings were favorably impacted by higher selling prices and restructuring savings, but these gains were more than offset by significantly higher manufacturing costs, raw material and logistics cost inflation, lower sales volumes, and normal seasonal operating losses at recently acquired businesses.

From a business unit perspective, year-over-year organic sales for automotive refinish coatings improved by a mid-single-digit percentage, aided by improving demand trends in the U.S. While body shop demand continues to gradually improve in all major regions, it remains 5% to 15% below pre-pandemic levels, depending on the region. Demand was mixed by country and impacted by mobility restrictions in certain countries and supply chain disruptions. Raw material availability was most impactful in the U.S. where open orders for refinish customers remain at elevated levels. In Europe, demand is gradually improving, but remains lower due to various mobility restrictions and lower congestion levels during peak driving hours compared to pre-pandemic levels. In the U.S., body-shop activity improved during the fourth quarter, positively impacted by higher miles driven, a rise in sequential collision claims, and more used cars being repaired due to new car shortages, with year-over-year claims up about 16%, but still 7% below fourth quarter 2019 levels. Globally, the business continued to convert new body shops to PPG products during the fourth quarter. In Europe, PPG has now installed about 850 Moonwalk® automated paint dispensing devices, with about 20% of these installed with new PPG customers. Entering the first quarter, order books remain strong across all regions and a gradual recovery to 2019 demand levels is expected to continue. Aggregate sales activity in the first quarter is expected to be similar to the fourth quarter, with on-going raw material and labor availability challenges persisting. Further selling price increases are being implemented.

Aerospace coatings sales volumes increased by about 15% versus fourth quarter 2020, but remain about 20% lower than fourth quarter 2019. During the quarter, demand was solid for commercial aftermarket and military applications. Production shortages during the quarter worsened causing an unfavorable impact to both sales and earnings, and resulted in increased unfilled orders. Inventory of the company's products is lower in several channels. International flight activity is still significantly below pre-pandemic levels which impacts the recovery pace for wide-body aircraft new builds. Commercial new build demand in the fourth quarter remained significantly lower compared to fourth quarter 2019. Demand for PPG technology-advantaged aerospace products remains strong and is expected to continue to trend higher in subsequent quarters due to new business wins. Sales volumes, in aggregate, are expected to be slightly higher on a sequential basis in the first quarter but remain significantly below pre-pandemic levels. In the short term, the recent and rapid increase in COVID cases is constraining global airline activity and the recovery to pre-pandemic levels.

Architectural coatings – EMEA organic sales decreased by a low-single-digit percentage year over year, including unfavorable impacts from raw material shortages and a difficult comparison to the prior year's heightened DIY sales due to elevated remodeling activity. Despite these challenges, the business delivered above-market performance in a number of countries in Europe. Net sales, excluding acquisitions, in the fourth quarter were the second highest in the company's history. Net sales for the newly acquired Tikkurila business were up more than 10% compared with the prior year, with synergies contributing to positive earnings compared with a loss in the prior year relating to lower seasonal sales pattern. In the first quarter 2022, organic sales are expected to be up a low-single-digit percentage compared to the first quarter 2021, which still includes challenging prior-year DIY comparisons. Further selling price increases are expected to be implemented during the first quarter. Tikkurila will continue to be reported as part of PPG's acquisition-related sales until it reaches the one year anniversary of the acquisition closing in June 2022.

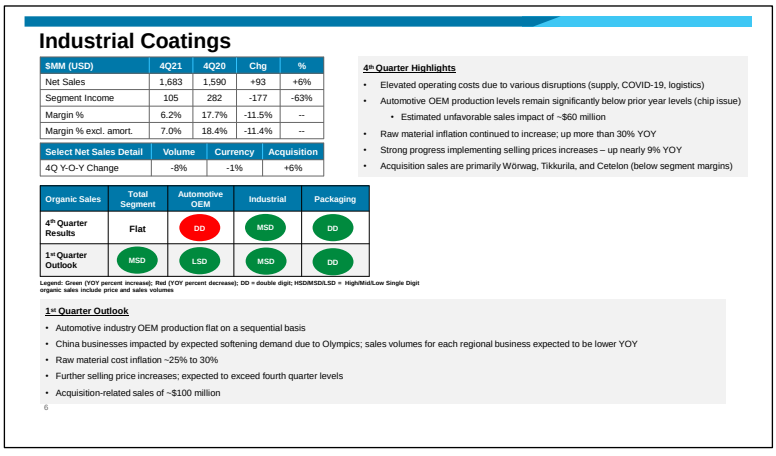
Architectural coatings - Americas and Asia-Pacific organic sales were up a low-single-digit percentage compared to the prior-year fourth quarter. Sales in the U.S. and Canada were impacted by ongoing raw material and transportation availability, decreasing sales by an estimated $60 million during the fourth quarter. Sales were also impacted by the continuing moderation of DIY paint demand. Underlying professional demand remained strong, and PPG paint contractors (customers) continue to report higher backlogs than normal. The company recently announced an extended relationship with The Home Depot and HD Supply to distribute PPG PRO painter products at more than 2,000 distribution points. In Mexico, PPG-Comex organic sales were higher, as concessionaire network demand remained solid and further selling price increases were implemented. About 100 new concessionaire locations were added in 2021, and the total store count is approaching 5,000. All regions are implementing further structural selling

price increases during the first quarter. Looking ahead, aggregate organic sales are expected to be up a low-single-digit percentage, with normal seasonal demand patterns and inclusive of continuing raw material availability challenges.

Protective and marine coatings organic sales increased by more than 20% compared with the prior-year fourth quarter, driven by strong, above-market growth in most regions. In particular, strong demand in the Asia Pacific region continued, driven by PPG's technology-advantaged products. Demand for protective coatings that are used in the U.S. oil and gas industry improved on a sequential basis, and was higher than the fourth quarter 2019 levels. A third-party consultant reports full year 2021 marine new build contracting activity is up 20% from pre-pandemic levels in 2019, led by container ships. In addition, there is a significant increase in new build prices which are at their highest level in the last ten years. Infrastructure investments in China, Europe and the U.S. are expected to aid demand in 2022 and 2023. The performance of the Versaflex acquisition continues to exceed original expectations. It will reach its one year anniversary in February, thus only the first two months of first quarter sales will be reported as acquisition-related sales. First quarter organic sales are expected to be above 10% compared to the first quarter 2021, including positive year-over-year sales volumes.

Fourth quarter net sales for the traffic solutions business, which is the recently acquired Ennis-Flint business, met expectations for the quarter. Integration and synergy capture continues. Historical first quarter sales activity in the traffic solutions business is similar to the lower seasonal levels of the fourth quarter, given the weather dependency of the business. The acquisition reached its one-year anniversary at the end of December and will no longer be reported as acquisition-related sales. Securing all necessary raw materials needed to fulfill significant order backlogs continues to be challenging and a modest operating loss in the first quarter is expected, consistent with historical performance. It is expected that the recently passed U.S. infrastructure bill will provide additional demand growth later in 2022 and 2023.

Looking ahead, disruptions in the supply chain and manufacturing environment are expected to continue, but gradually improve as the quarter progresses. The supply of several key inputs remain tight, which will continue to constrain sales. Further selling price increases have been secured or are being initiated during the quarter for all businesses. The company will continue to execute against various cost-savings initiatives. Aggregate sales volumes are anticipated to be down a low-to-mid-single-digit percentage compared to the first quarter 2021, which still exhibited elevated architectural DIY demand in many regions. First quarter acquisition-related sales are estimated to be between $150 million and $170 million from Tikkurila and VersaFlex. Historically, Tikkurila sales improve sequentially in the first quarter as it supports building inventory in its distribution channel.



Industrial Coatings

Fourth quarter net sales for the Industrial Coatings segment were nearly $1.7 billion, up by nearly 6% year over year. Segment sales volumes were lower by a high-single-digit percentage due to lower customer production rates related to semiconductor chip shortages that led to lower sales in the automotive OEM coatings business, softer economic activity in China as compared to the fourth quarter of 2020, and transportation and labor shortages related to COVID. In comparison to 2019, sales volumes were down 4%. Aggregate selling prices were higher year over year by nearly 9% and were sequentially higher compared to the third quarter 2021. Unfavorable foreign currency translation reduced sales by nearly 1%. Acquisition-related sales, primarily from the Wörwag and Cetelon acquisitions, added about 6% to sales.

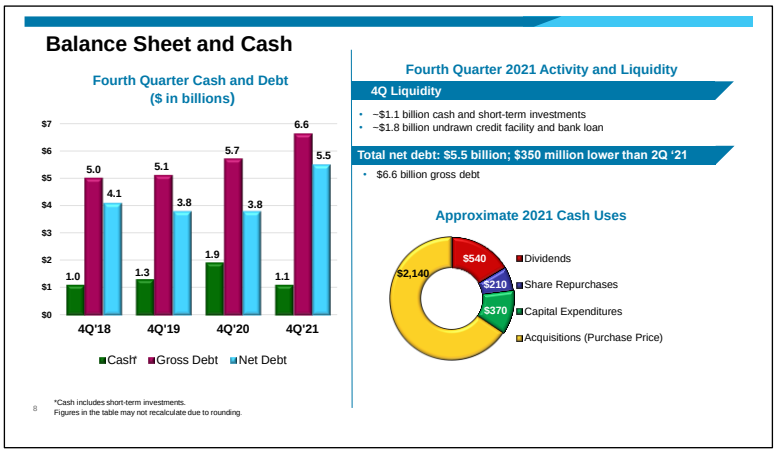
Segment income of about $105 million was down $177 million year over year. Earnings were favorably impacted by higher selling prices, cost-mitigation actions, restructuring savings, and acquisition-related earnings, but were more than offset by significant manufacturing cost increases, raw material and logistics cost inflation and lower sales volumes.

From a business unit perspective, global automotive OEM coatings year-over-year sales volumes decreased by a mid-teen-percentage versus the prior year, and were slightly lower than global industry production due to customer and regional mix. During the quarter, industry production disruptions continued, but were not as severe as originally anticipated. While automotive OEM customers were able to produce more cars than expected, the production was more intermittent which drove operational challenges and higher operating costs. PPG sales were still unfavorably impacted by an estimated $60 million due to the industry component shortages, which was about $100 million less than originally anticipated in October. In China, automotive industry retail sales were about 11% below prior year in the fourth quarter, but remained about 5% higher than fourth quarter 2019 levels. Global industry production did not keep pace with continued strong demand. In the U.S., automotive dealer retail inventories remained at historically low levels as consumer demand remained very robust. The business continued to make good progress implementing selling price increases. Looking ahead, semiconductor chip shortages are expected to continue into 2022, with gradual improvement in industry production rates as the year progresses. Aggregate sales volumes are expected to be down by a mid-single-digit percentage in the first quarter on a year-over-year basis, mostly due to supply interruptions.

Fourth quarter industrial coatings sales volumes were down a mid-single-digit percentage compared to the prior year, mainly due to slower year-over-year economic activity in China, raw material shortages, and difficult comparisons to strong sales in the prior year fourth quarter. Organic sales were up a mid-single-digit percentage compared to the prior year, which includes a strong increase in selling prices year over year. Sales volumes in the EMEA region, and the global appliance, extrusion, and general finishes end-use markets delivered the strongest year-over-year growth. For the first quarter, organic sales are expected to be higher by a mid-single-digit percentage as lower sales volumes are expected to be offset by higher selling prices. The growth rates are being impacted by expected softer year-over-year sales in China driven by reduced economic activity from COVID-19 related restrictions, curtailment of energy use, reduced activity around the Winter Olympics and raw material and labor availability in the U.S.

Organic sales in packaging coatings increased by a high-teen percentage in the fourth quarter versus the prior year, led by strong selling price increases in all regions. Sales volume growth was led by the personal care segment and strong demand in the canned food segment in the EMEA region. PPG continues to secure new business stemming from beverage can capacity additions in North America and our technology-advantaged products. First quarter organic sales are expected to be up more than 10%, led by higher selling prices offsetting slightly lower sales volumes due to lower production activity in Asia, supply-chain and COVID labor-related challenges in the U.S.

Looking ahead for the segment, aggregate sales volumes are expected to be down a mid-single-digit percentage compared to the prior-year first quarter, including ongoing impacts from customer supply disruptions and coatings raw material shortages, along with continuing COVID-related operational challenges. Many of these factors are also expected to lead to additional coatings raw material cost inflation in the first quarter sequentially versus the fourth quarter. The company continues to prioritize working with customers to secure further selling price increases in all businesses. Segment margins are expected to begin improving on a sequential basis in the first half 2022. The company will also continue to aggressively manage costs, which includes executing against various cost-savings and restructuring initiatives. The acquisitions of Wörwag and Cetelon are expected to deliver sales of about $100 million in the first quarter, with margins below the segment’s average.



Balance Sheet, Cash

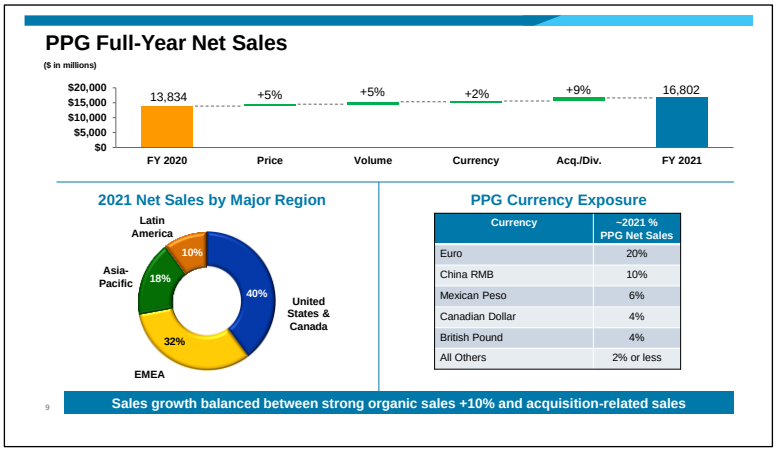
The company had cash and short-term investments totaling about $1.1 billion and net debt of $5.5 billion at the end of the fourth quarter, which is down about $350 million since funding the Tikkurila acquisition in June 2021.

Approximate uses of cash for the fourth quarter were as follows:

- Capital expenditures were about $150 million in the quarter. The Company expects full-year 2022 capital spending to be about $475 million - $525 million in support of future organic growth opportunities and reflecting lower capital spending in the past two years due to pandemic constraints.

- Dividends paid were about $140 million in the quarter. With the December 2021 dividend payment, PPG has now raised its annual dividend payout for 50 consecutive years and has paid uninterrupted annual dividends since 1899.

At the end of the fourth quarter, the company redeemed all of its EUR 600 million 0.875% notes that were scheduled to mature in March 2022. The debt had a par call option, which allowed the Company to redeem the Notes without penalty. The company borrowed $700 million under its 2021 Term Loan Credit Agreement to fund the redemption. The Term Loan Credit Agreement required that all borrowing occur before December 31, 2021 (i.e., use it or lose it), with all outstanding borrowings due in June 2024. Funding the debt redemption with shorter-term debt provides a bridge to a future long-term debt issuance and flexibility to de-lever the balance sheet.



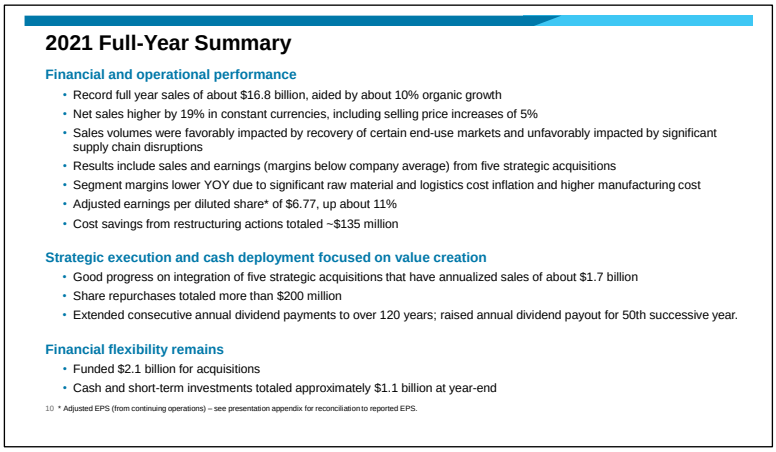
PPG Full-Year Net Sales

PPG's full-year net sales were a record $16.8 billion, up about 21% compared to the prior year. Net sales in constant currencies were up about 19% versus the prior year, driven by higher organic sales of about 10% and acquisition-related sales of about 9%.

Sales volumes were higher in each major region, with the Latin America and Asia Pacific regions delivering the highest year-over-year growth. From a business unit perspective, the automotive refinish, protective and marine, packaging, and industrial coatings businesses each delivered near or above 10% year-over-year sales volume growth.

For the full year, foreign currency translation had an favorable impact on net sales of about 2% versus the prior year. The company's largest foreign currency translation exposures generally remained generally the same as in 2020.

The company's 2021 regional sales mix was largely consistent with the prior-year. Net sales in the U.S. and Canada were about 40%, with net sales in the U.S. representing slightly less than 40% of total company revenues.



2021 Full-Year Earnings Summary

In summary for the full year, the company generated adjusted earnings per diluted share from continuing operations of $6.77, up about 11% versus the prior year.

The company achieved about $135 million in cost savings from the previously communicated restructuring cost programs.

The company generated about $1.6 billion of cash flow from operations, lower than 2020 due to higher absolute working capital as a result of increased sales and higher priced inventory due to raw material inflation. Working capital as a percent of sales as of December 2021 was comparable to December 2020.

The company deployed cash of about $2.3 billion on acquisitions ($2.1 billion) and share repurchases. The company continues to have excellent financial flexibility with cash and short-term investments of about $1.1 billion at year-end.

First Quarter and Full-Year 2022 Financial Assumptions

The company detailed financial assumptions for the first quarter in its accompanying presentation materials based on information that is currently known. A few of the assumptions are highlighted below.

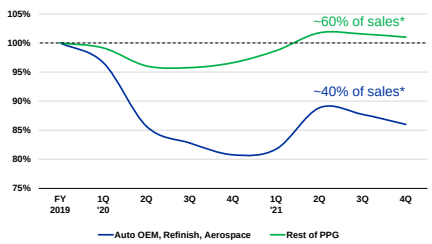
- First quarter aggregate sales volumes expected to be down a mid-single-digit percentage compared to the first quarter 2021
- First quarter acquisition-related sales of about $270 million
- First quarter reported earnings per diluted share of $0.84 to $1.02
- First quarter adjusted earnings per diluted share of $1.02 to $1.20, excluding amortization expense of $0.14 and business restructuring-related costs of $0.04

- Full-year acquisition-related sales of about $450 million; below segment average operating margins
- Full-year restructuring savings of ~$40 million (continuation of programs initiated in June 2019 and June 2020)
- Full-year corporate expense of $260 million to $270 million
- Full-year net interest expense of about $105 million
- Full-year 2022 effective tax rate on income from continuing operations is expected to be in the range of 22% to 23%, with variation by quarter. Other factors may affect the 2022 adjusted effective tax rate throughout the year, including changes to various tax regulations in the U.S. and abroad.

Due to economic uncertainty relating to the pandemic, The Company is not providing full-year guidance at this time. The company previously announced plans to exclude intangible asset amortization related to completed acquisitions from its reporting of adjusted earnings per share beginning in 2021. The appendix of the earnings presentation includes a chart with historical reconciliations of adjusted earnings per share excluding amortization expense.

PPG End-Use Market Volume Recovery

PPG Sales Volume Indexed to FY 2019



Commentary

Automotive OEM, Refinish and Aerospace sales volumes down mid-teens percent vs. 2019

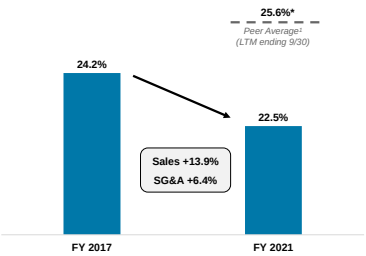
- Global automotive industry builds
  - 2021 down ~15% vs. 2019 and down ~20% vs. peak production
  - Three-pronged recovery expected in 2022/2023:
    - Fulfill current strong demand
    - Rebuild dealer inventories
    - Fleet car restocking
- Aerospace: leisure flight activity expected to return to 2019 levels in 2023
- Refinish: higher congestion from return to work will support further recovery

PPG well-positioned in end-use markets; volume expected to recover in 2022 – 2023

7 *Sales % is based on 2019 pre-pandemic business sales mix

PPG Has Delivered Significant Cost Savings

SG&A % of Sales



Restructuring Programs

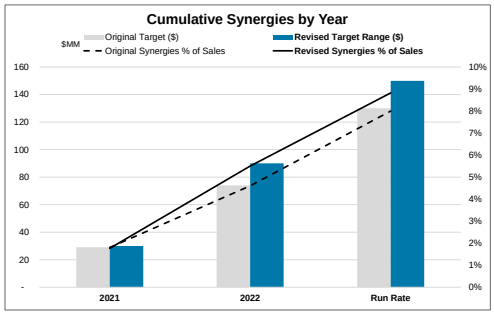
Cumulative expected savings of ~$380MM Included in both SG&A and Cost of Sales

- April '18 – savings ~**$85MM:** largely centered around the U.S. architectural coatings DIY business
- June '19 – savings ~**$125MM:** result of comprehensive internal operational assessment to identify further opportunities to improve the profitability of the overall business portfolio
- June '20 – savings ~**$170MM:** addresses weakened global economic conditions stemming from the COVID-19 pandemic and related pace of recovery in a few end-use markets along with further opportunities to optimize supply chain and functional costs

Significant cost savings to support strong operating leverage as volumes recover

11 * U.S. and Europe based publicly traded Coatings peers: average based on the last twelve months public available information

Increasing Acquisition Synergy Earnings Targets



Acquisitions

Ennis-Flint · Tikkurila · Vores-Fizz · Wörwag · Cetelon

Targeting $150 million of cumulative synergies: ~15% higher than original target

First Quarter 2022 Financial Projections

($ in millions unless otherwise stated)

Category	Projection
Total company sales volumes (Y-O-Y)	Lower by a mid-single-digit percentage
***1Q adjusted earnings-per-diluted share**	$1.02 - $1.20
1Q acquisition-related sales	~$270 (EBIT positive; below segment margins)
Raw material costs (Y-O-Y)	Inflationary: ~25% to 30%
Unfavorable foreign currency impact (Y-O-Y) based on current rates	~$80 to $100 net sales $10 to $15 EBIT
Corporate expenses (total)	~$70
Net interest expense (total)	~$25
Restructuring savings (incremental)	~$15
1Q tax rate	22% to 23%

13 * Adjusted EPS – see presentation appendix to reconciliation of EPS

PPG ESG: Framework for Board oversight

Environmental · Social · Governance

PPG Board of Directors

ESG strategy
Succession planning
Diversity, equity and inclusion
Community engagement and charitable programs

Sustainability and Innovation Committee
- Employee health and safety
- Environmental programs
- Product stewardship
- Remediation activities
- Sustainability programs and performance
- Climate change risks and opportunities

Audit Committee
- Enterprise risk management
- Cybersecurity
- Data privacy

Human Capital Management and Compensation Committee
- Culture and purpose
- Employee engagement
- Employee development
- Executive compensation
- Pay equity

Nominating and Governance Committee
- Corporate governance oversight
- Recommending new directors and executive officers
- Government affairs and political activities
- Shareholder engagement
- ESG program governance

Key milestone for first quarter: issue first ever diversity report

Adjusted EPS Reconciliation

$ in millions, except EPS

	Total PPG	
Fourth Quarter 2021	**Net Income**	**EPS[a]**
Net Income from Continuing Operations, As Reported	$ 267	$ 1.12
Acquisition-related amortization expense	35	0.15
Acquisition-related costs, net[b]	4	0.02
Pension settlement charges	36	0.15
Environmental remediation charges	7	0.03
Business restructuring-related costs, net[c]	50	0.21
Asbestos-related claims reserve adjustment[d]	(101)	(0.42)
Adjusted Net Income Attributable to PPG	**$ 298**	**$ 1.26**

	Total PPG
First Quarter 2022 Forecast	**EPS[a]**
Earnings per diluted share	$ 0.84 - $1.02
Acquisition-related amortization expense	0.14
Business restructuring-related costs, net[c]	0.04
Adjusted earnings per diluted share	**$ 1.02 - $1.20**

(a) Earnings per diluted share is calculated based on unrounded numbers. Figures in the table may not recalculate due to rounding.

(b) Acquisition-related costs, net include the impact for the step up to fair value of inventory acquired in certain acquisitions which are included in Cost of Sales, exclusive of depreciation and amortization in the condensed consolidated statement of income. Acquisition-related costs also include advisory, legal, accounting, valuation, other professional or consulting fees, and certain internal costs directly incurred to effect acquisitions. These costs are included in Selling, general and administrative expense in the condensed consolidated statement of income.

(c) Business restructuring-related costs, net include business restructuring charges, accelerated depreciation of certain assets and other related costs, offset by releases to previously approved programs. Incremental business restructuring charges of $52 million were recorded in the fourth quarter 2021 related to recent acquisitions.

(d) In the fourth quarter 2021, the reserve for asbestos-related claims was reduced to reflect the company's current estimate of potential liability for asbestos-related claims.

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Adjusted EPS Reconciliation

$ in millions, except EPS

	Total PPG	
Full Year 2021	**Net Income**	**EPS[a]**
Net Income from Continuing Operations, As Reported	$ 1,420	$ 5.93
Acquisition-related amortization expense	130	0.55
Acquisition-related costs, net[b]	69	0.29
Pension settlement charges	36	0.15
Environmental remediation charges	26	0.11
Net tax charge related to UK statutory rate change	22	0.09
Business restructuring-related costs, net[c]	20	0.08
Expenses incurred due to natural disasters[d]	13	0.06
Impairment charges[e]	12	0.05
Change to allowance for doubtful accounts related to COVID-19	(11)	(0.05)
Income from legal settlements	(17)	(0.07)
Asbestos-related claims reserve adjustment[f]	(101)	(0.42)
Adjusted Net Income Attributable to PPG	**$ 1,619**	**$ 6.77**

(a) Earnings per diluted share is calculated based on unrounded numbers. Figures in the table may not recalculate due to rounding.

(b) Acquisition-related costs, net include the impact for the step up to fair value of inventory acquired in certain acquisitions which are included in Cost of Sales, exclusive of depreciation and amortization in the condensed consolidated statement of income. Acquisition-related costs also include advisory, legal, accounting, valuation, other professional or consulting fees, and certain internal costs directly incurred to effect acquisitions. These costs are included in Selling, general and administrative expense in the condensed consolidated statement of income.

(c) Included in business restructuring-related costs, net are business restructuring charges, accelerated depreciation of certain assets and other related costs, offset by releases to previously approved programs and a $34 million gain on the sale of certain assets. This gain is included in Other income, net in the condensed consolidated statements of income. Business restructuring charges of $52 million were recorded in the fourth quarter 2021 related to recent acquisitions.

(d) In 2020, two hurricanes damaged a southern U.S. factory supporting the company's specialty coatings and materials business. In early 2021, a winter storm further damaged that factory as well as other company factories in the southern U.S. Incremental expenses incurred due to these storms included costs related to maintenance and repairs of damaged property, freight and utility premiums and other incremental expenses directly related to the impacted areas.

(e) An impairment charge was recorded in the third quarter 2021 related to the previously planned sale of certain smaller entities in non-strategic regions.

(f) In the fourth quarter 2021, the reserve for asbestos-related claims was reduced to reflect the company's current estimate of potential liability for asbestos-related claims.

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Historical ROS* Segment Margin and Adjusted EPS Excluding Amortization

$ in millions, except ROS %

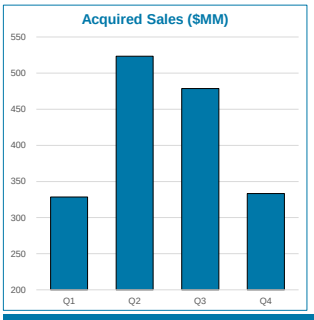
	2019					2020					2021				
Performance Segment	**Q1**	**Q2**	**Q3**	**Q4**	**FY**	**Q1**	**Q2**	**Q3**	**Q4**	**FY**	**Q1**	**Q2**	**Q3**	**Q4**	**FY**
ROS Margin, As Reported	14.1%	17.5%	16.4%	14.1%	15.6%	13.5%	17.5%	18.9%	13.8%	16.0%	16.6%	16.5%	14.8%	9.7%	14.4%
Amortization	24	25	24	25	98	26	21	22	23	92	29	30	33	33	125
ROS Margin excluding Amortization	**15.2%**	**18.5%**	**17.5%**	**15.2%**	**16.7%**	**14.8%**	**18.5%**	**19.9%**	**14.9%**	**17.1%**	**17.9%**	**17.5%**	**16.0%**	**11.0%**	**15.6%**
Industrial Segment															
ROS Margin, As Reported	14.4%	14.8%	13.6%	13.6%	14.1%	13.2%	3.7%	17.7%	17.7%	14.0%	15.7%	11.8%	8.7%	6.2%	10.5%
Amortization	8	10	10	10	38	10	10	10	10	40	10	11	13	13	47
ROS Margin excluding Amortization	**14.9%**	**15.4%**	**14.3%**	**14.3%**	**14.7%**	**14.0%**	**4.7%**	**18.3%**	**18.4%**	**14.8%**	**16.3%**	**12.4%**	**9.5%**	**7.0%**	**11.2%**
Total Segments															
ROS Margin, As Reported	14.2%	16.4%	15.3%	13.9%	15.0%	13.4%	13.2%	18.4%	15.4%	15.2%	16.3%	14.7%	12.5%	8.3%	12.9%
Amortization	32	35	34	35	136	36	31	32	33	132	39	41	46	46	172
ROS Margin excluding Amortization	**15.1%**	**17.3%**	**16.2%**	**14.8%**	**15.9%**	**14.5%**	**14.2%**	**19.3%**	**16.3%**	**16.2%**	**17.3%**	**15.7%**	**13.6%**	**9.4%**	**13.9%**

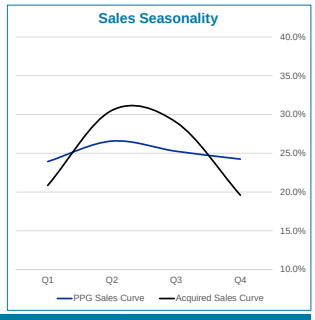
	2019					2020					2021				
Total PPG	**Q1**	**Q2**	**Q3**	**Q4**	**FY**	**Q1**	**Q2**	**Q3**	**Q4**	**FY**	**Q1**	**Q2**	**Q3**	**Q4**	**FY**
Adjusted EPS	1.38	1.85	1.67	1.31	6.22	1.19	0.99	1.93	1.59	5.70	1.76	1.81	1.54	1.11	6.22
Amortization EPS	0.10	0.11	0.10	0.11	0.42	0.12	0.10	0.10	0.10	0.42	0.12	0.13	0.15	0.15	0.55
Adjusted EPS excl Amortization	**1.48**	**1.96**	**1.77**	**1.42**	**6.64**	**1.31**	**1.09**	**2.03**	**1.69**	**6.12**	**1.88**	**1.94**	**1.69**	**1.26**	**6.77**

*ROS = Return on Sales
Full year EPS is calculated using the full year average diluted shares outstanding and quarterly EPS is calculated using the quarterly average diluted shares outstanding. As such, full year EPS may not equal the sum of the quarterly EPS figures due to this calculation.

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Historical Seasonality of New Acquisitions Compared to PPG





Five recent acquisitions annualized sales of $1.7B

Not reflective of estimated 2021 results due to timing of transaction closures
Acquired EBITDA margin below total company average

Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by or on behalf of the company. This earnings brief contains forward-looking statements that reflect the company's current views with respect to future events and financial performance. You can identify forward-looking statements by the fact that they do not relate strictly to current or historic facts. Forward-looking statements are identified by the use of the words "aim," "target," "believe," "expect," "anticipate," "intend," "estimate," "project," "outlook," "forecast" and other expressions that indicate future events and trends. Any forward-looking statement speaks only as of the date on which such statement is made, and the company undertakes no obligation to update any forward looking statement, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our reports to the Securities and Exchange Commission. Also, note the following cautionary statements:

Many factors could cause actual results to differ materially from the company's forward-looking statements. Such factors include statements related to the expected effects on our business of COVID-19, global economic conditions, increasing price and product competition by our competitors, fluctuations in cost and availability of raw materials, the ability to achieve selling price increases, the ability to recover margins, customer inventory levels, the ability to maintain favorable supplier relationships and arrangements, the timing of realization of anticipated cost savings from restructuring and other initiatives, the ability to identify additional cost savings opportunities, the timing and expected benefits of our acquisitions, difficulties in integrating acquired businesses and achieving expected synergies therefrom, economic and political conditions in international markets, the ability to penetrate existing, developing and emerging foreign and domestic markets, foreign exchange rates and fluctuations in such rates, fluctuations in tax rates, the impact of future legislation, the impact of environmental regulations, unexpected business disruptions, the unpredictability of existing and possible future litigation, including asbestos litigation, and governmental investigations. However, it is not possible to predict or identify all such factors. Consequently, while the list of factors presented here and in our 2020 Annual Report on Form 10-K and third quarter 2021 quarterly report on Form 10-Q, no such list should be considered to be a complete statement of all potential risks and uncertainties. Unlisted factors may present significant additional obstacles to the realization of forward-looking statements. Consequences of material differences in results compared with those anticipated in the forward-looking statements could include, among other things, lower sales or earnings, business disruption, operational problems, financial loss, legal liability to third parties and similar risks, any of which could have a material adverse effect on PPG's consolidated financial condition, results of operations or liquidity.

All of this information speaks only as of January 20, 2022, and any distribution of this earnings brief after that date is not intended and will not be construed as updating or confirming such information. PPG undertakes no obligation to update any forward-looking statement, except as otherwise required by applicable law.