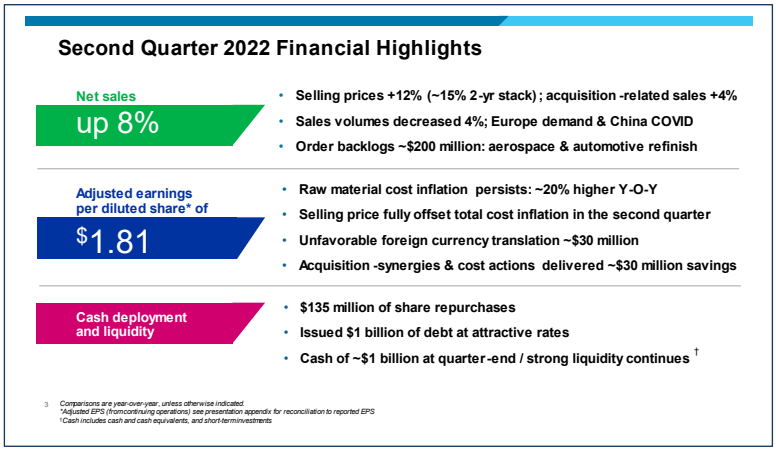
PPG Second Quarter 2022 Financial Results

Earnings Brief – July 21, 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 July 21, 2022. In addition, these detailed remarks supplement the commentary that the company will make on its second quarter 2022 earnings conference call on July 22, 2022.

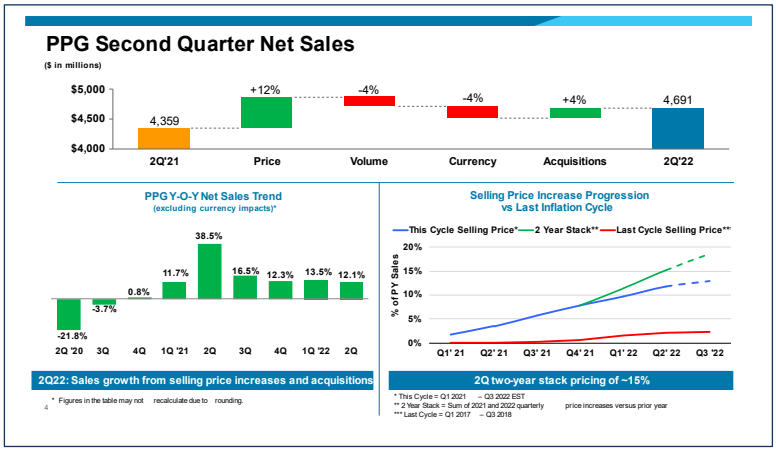


Second Quarter Financial Highlights

PPG achieved record second quarter 2022 net sales of nearly $4.7 billion - an increase of about 8% versus the prior year, driven by continued realization of real-time price increases and acquisition-related sales. Solid underlying demand in most major regions and end-use markets continued while supply chain disruptions improved. Sales were unfavorably impacted by softer demand conditions in Europe due to geopolitical issues, extended COVID-19 restrictions in China, and strong appreciation of the U.S. dollar versus many foreign currencies, including the euro, British pound and Chinese yuan. While some challenges remain, overall availability of raw materials and logistics continued to improve during the second quarter and is expected to ease further during the second half of 2022.

Second quarter reported earnings per diluted share from continuing operations (EPS) was $1.86 compared to $1.80 in the prior-year quarter. Adjusted EPS was $1.81, compared to $1.94 in the second quarter 2021. Lower year-over-year adjusted earnings were primarily driven by lower sales volumes along with unfavorable foreign currency translation of about $30 million. In the second quarter, the company's selling prices offset all cost inflation, including historically high raw material inflation, energy, logistics, and wage inflation. Raw material cost inflation was up by about 20% year-over-year and about 37% on a two-year stacked basis - slightly higher than the company's projections in April, mainly due to higher-than-expected crude oil prices during the quarter. It is expected that raw material costs will be up by a mid-teen-percentage on a year-over-year basis in the third quarter 2022 and up a low-single-digit percentage on a sequential quarterly basis. Energy and transportation costs are also expected to stay elevated in the third quarter. Cumulative inflation from the first quarter 2021 through the second quarter 2022 still exceeds price realization through that period. The company will continue to prioritize additional selling price increases in the third quarter. Acquisition-related synergies and restructuring actions from previously announced programs together delivered about $30 million of incremental structural cost savings in the second quarter.

The company's reported and adjusted effective tax rates for the second quarter were about 21% and 23%, respectively.



PPG Second Quarter Net Sales

Second quarter record net sales of nearly $4.7 billion were approximately 8% higher compared to the prior year. Aggregate global demand patterns remained solid. Overall company sales volumes decreased by nearly 4% versus the prior-year second quarter reflecting significant impacts from economic conditions in Europe and China that are detailed below. Customer order backlogs in both the automotive refinish and aerospace coatings businesses remained elevated, totaling about $200 million. These backlogs are expected to benefit volume results in future quarters.

Aggregate selling price increases were supported by strong sequential contributions from both reporting segments, including a year-over-year increase in the Industrial Coatings segment of about 14% with strong contributions from each business unit. Additional selling price increases are being prioritized in the third quarter to mitigate expected higher raw material, energy, logistics and labor costs. Recent acquisitions, including Tikkurila, Cetelon and Wörwag, increased the company's net sales by about 4%, or about $175 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 nearly $200 million in the second quarter, which was higher than projected in April. For the third quarter 2022, foreign currency translation is also expected to have a similar unfavorable year-over-year impact to net sales of about $200 million.

Second quarter 2022 net sales compared to second quarter 2019 net sales were up about 17%, despite sales volumes remaining about 10% below 2019 levels. The volume declines primarily stemmed from the effects of prolonged global supply chain disruptions and recent COVID-related restrictions in China. Volume declines continue to be most pronounced in the automotive original equipment manufacturer (OEM) and aerospace coatings businesses, where aggregate sales volumes were lower by a mid-teen percentage compared to the second quarter 2019. We expect these end-use markets to further recover through 2023.

On a regional basis, sales volumes in the U.S. and Canada were higher by a low-single-digit percentage compared to the prior year. Solid year-over-year increases in sales in the aerospace coatings, automotive refinish coatings, automotive OEM coatings, industrial coatings, packaging coatings and traffic solutions businesses were principally offset by lower year-over-year sales volumes in the U.S. and Canada architectural coatings business due to ongoing supply disruptions that improved as the quarter progressed.

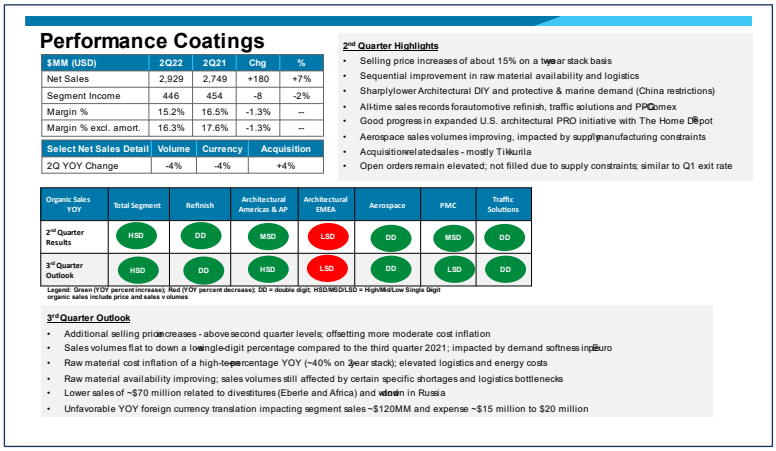
In the Europe, Middle East and Africa (EMEA) region, sales volumes were down by about 10% on a year-over-year basis. Overall industrial production activity and consumer confidence in the region fell sharply during the quarter. Strong year-over-year increases in aerospace coatings were more than offset by lower year-over-year sales volumes in all other businesses, with sharp declines in architectural do-it-yourself (DIY), general industrial and automotive OEM coatings. The economic slowdown in Europe reduced sales volumes in the second quarter by about $125 million and is expected to negatively impact sales volumes in the third quarter by a slightly lesser amount. The company has taken cost-mitigation actions to prepare for slower economic activity, including implementing a hiring freeze and reducing discretionary costs.

Sales volumes in the Asia Pacific region declined by a low-teen percentage year-over-year. Sales volumes were impacted by slower production activity due to severe COVID-19 restrictions in China that impacted most of the company's factories for about two months of the quarter and resulted in various

disruptions in the supply chain. The corresponding impact to second quarter sales was about $100 million. These restrictions improved in June, and industrial production activity is expected to significantly improve in the third quarter and be closer to the June exit run rate. Partially offsetting the lower activity in China were solid sales in the rest of Asia, with strong sales volumes in India. New government stimulus plans in China are expected to support economic growth in the next few quarters.

In Latin America, sales volumes increased by a mid-single-digit percentage as several businesses, including automotive refinish, PPG-Comex and, protective and marine coatings delivered strong year-over-year sales growth. Net sales in this region were a record for any second quarter.

Looking ahead, demand in most regions is expected to remain solid and supply chain disruptions should continue to ease. In Europe, sales volumes are expected to be constrained by continuing geopolitical issues. The company is estimating sales volumes will be flat to down a low-single-digit percentage in the third quarter compared to the prior year.



Performance Coatings

Second quarter net sales for the Performance Coatings segment were about $2.9 billion, up about 7% versus the prior year. Selling prices increased by nearly 11% year-over-year, improved sequentially from the first quarter, and are up about 15% on a two-year stacked basis. Segment sales volumes were down about 4% compared to the second quarter of 2021. Acquisition-related sales increased by about 4%, primarily from Tikkurila. Unfavorable foreign currency translation reduced year-over-year net sales by about 4%. The level of digital sales continued to increase and in the second quarter was about 6% of total net sales transacted in the global architectural businesses.

Segment income was about $445 million, down approximately $10 million compared to the second quarter 2021. Earnings were favorably impacted by higher selling prices, acquisition-related earnings and restructuring savings, but these gains were more than offset by higher manufacturing costs, raw material and logistics cost inflation, lower sales volumes and unfavorable foreign currency translation. Without the currency translation impact, segment income would have been higher on a year-over-year basis.

From a business unit perspective, year-over-year net sales, excluding the impact of currency and acquisitions (organic sales) for automotive refinish coatings improved by a low-teen percentage, aided by improving demand trends in the U.S. While body shop demand continues to gradually improve in all major regions, it remains about 5% 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, most notably in China. In addition, raw material availability and logistics bottlenecks continued to impact the business in the U.S., where open orders for refinish customers increased further. Raw material availability is expected to continue to impact this business in the third quarter as a few commodities remain on supplier allocation. In the U.S., body shop activity was robust during the second quarter, positively impacted by higher miles driven, more people returning to office work and rising collision claims, with year-over-year claims up about 7%. Compared to second quarter 2019, collision claims remain about 8% lower. Globally, the business continued to convert new body shops to PPG products during the second quarter. PPG has now installed more than 1,000 Moonwalk® automated paint dispensing devices, with about 20% of these installed with new PPG customers. Entering the third quarter, order books remain strong across all regions, especially in the U.S. Aggregate sales activity in the third quarter is expected to be similar compared to the second quarter with ongoing raw material and labor availability challenges. Further selling price increases are being implemented.

Aerospace coatings sales volumes increased by more than 10% versus the second quarter 2021 but remain about 20% lower than second quarter 2019. During the quarter, demand was solid for commercial aftermarket and military applications. Supply chain challenges continued, including raw material and transportation issues, resulting in increased unfilled orders. Global travel remains about 15% below pre-pandemic levels – with domestic travel down less than 10% and international travel down about 45%, which impacts the recovery pace for commercial new build demand. In the U.S., Transportation Safety Administration passenger counts in recent weeks have been about 10% below 2019. Demand for PPG's technologically-advantaged aerospace products remain strong and is expected to trend higher in subsequent quarters due to continued demand recovery and new business wins. Sales volumes, in aggregate, are expected to be higher on a sequential basis in the third quarter but remain significantly below pre-pandemic levels. COVID-19 restrictions in China continue to constrain global airline activity and delay recovery to pre-pandemic levels.

Architectural coatings – EMEA organic sales decreased by a low-single-digit percentage year-over-year as selling price increases were offset by lower sales volumes. The year-over-year sales volume results reflect a decrease in DIY demand in many countries primarily due to high levels of inflation and demand weakness stemming from the war in Ukraine. Demand was stronger in southern Europe, with year-over-year sales volume growth in a few countries. The company continues to successfully integrate the Tikkurila business, with the business realizing strong year-over-year earnings growth despite softer demand for DIY products, supported by continuing synergy realization. In the third quarter 2022, organic sales are expected to be down a low-single-digit percentage compared to the third quarter 2021, with demand continuing to be impacted by slower economic activity and lower consumer confidence due to the geopolitical issues in Europe. Tikkurila reached its one-year anniversary in the middle of June. Going forward, Tikkurila will no longer be reported as acquisition-related sales.

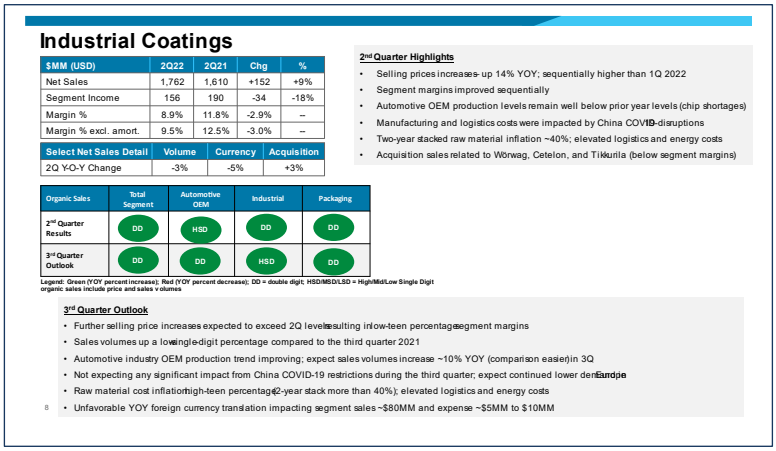
Architectural coatings - Americas and Asia-Pacific organic sales were up a mid-single-digit percentage compared to the prior-year second quarter. Sales in April and May in the U.S. and Canada were impacted by ongoing raw material and transportation availability, which improved in June. Underlying professional demand remained strong, and PPG professional paint contractors (customers) continue to report higher backlogs than normal. Sales volumes in the U.S. architectural coatings business benefited modestly from the launch of our recently announced expanded relationship with The Home Depot® in the professional paint channel, as inventory load-in at 2,000 distribution points was prioritized and completed by the end of the quarter. Also, further selling price increases were implemented in U.S. company owned-stores and the independent dealer network. In Mexico, PPG-Comex organic sales were higher as concessionaire network demand remained solid and further selling price increases were implemented. Looking ahead, aggregate organic sales are expected to be up by a high-single-digit percentage, with normal seasonal demand patterns and raw material availability not expected to be a constraint in the third quarter.

Protective and marine coatings (PMC) organic sales increased by a mid-single-digit percentage compared with the prior-year second quarter, driven by strong selling price increases. Sales volumes were unfavorably impacted by disruptions in the Asia Pacific and EMEA regions. Sales pipelines for protective and marine coatings remain strong and, along with the expected positive impacts from U.S. infrastructure spending, should provide a greater benefit to sales in 2023. Third quarter organic sales are expected to be a low-single-digit percentage above the third quarter 2021, as volumes in China are expected to be impacted due to the disruptions that occurred in the second quarter.

Second quarter organic sales for the traffic solutions business were up by a mid-teen-percentage compared to the second quarter 2021, and were a record for any quarter. This is despite supplier force majeure declarations which constrained sales. Raw material supply improved as the quarter ended and supply issues are not expected to be a factor in the third quarter. The business also continues to capture acquisition-related synergies. Historically, third quarter sales activity in the traffic solutions business remains higher seasonally but similar on a sequential basis, given the weather dependency of the business. Third quarter organic sales are expected to be up by a low-teen-percentage, including positive

year-over-year sales volumes and higher selling prices. The business is well positioned as the U.S. infrastructure bill is implemented in coming quarters.

Looking ahead, apart from Europe, demand conditions remain solid and disruptions in the supply chain and manufacturing environment are expected to continue to gradually improve as the quarter progresses. The supply of several key inputs remains tight, which will continue to constrain certain sales activity, most notably in automotive refinish and aerospace coatings. Selling prices are expected to be higher on a sequential basis from the second quarter. Aggregate sales volumes are anticipated to be flat to down a low-single-digit percentage compared to the third quarter 2021, including unfavorable impacts in Europe. Third quarter divestiture-related sales and sales related to the Russian business, which the company is in the process of winding down, are estimated to be about $70 million. In addition to executing against various existing cost-savings initiatives, cost-mitigation actions have been implemented in Europe and other contingency actions have been developed in case there is a broader economic downturn.



Industrial Coatings

Second quarter net sales for the Industrial Coatings segment were nearly $1.8 billion, up 9% year over year. Segment sales volumes were lower by about 3%, including the impact of COVID-19 related restrictions in China, slowing economic activity in Europe due to geopolitical issues and general transportation bottlenecks. Aggregate selling prices were higher year-over-year by about 14% and were sequentially higher compared to the first quarter 2022. Unfavorable foreign currency translation reduced sales by about 5%. Acquisition-related sales, primarily from the Wörwag and Cetelon acquisitions, added about 3% to sales.

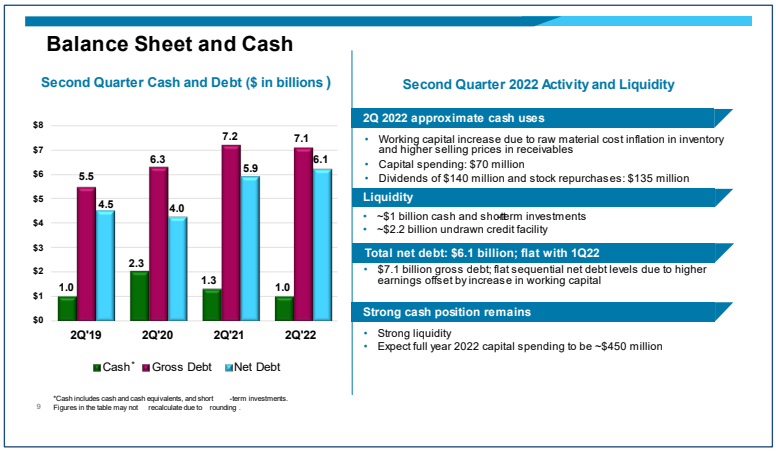
Segment income of about $155 million was down approximately $35 million year-over-year. Earnings were favorably impacted by higher selling prices, restructuring savings, and acquisition-related earnings, but were more than offset by manufacturing cost increases, raw material and logistics cost inflation, unfavorable currency impact, and lower sales volumes. Segment margins improved sequentially versus the first quarter 2022.

From a business unit perspective, global automotive OEM coatings year-over-year organic sales were up a high-single-digit percentage led by higher selling prices. Lower sales volumes resulting from the ongoing semiconductor chip shortage impacted all major regions. In addition, industry production in Europe continued to be impacted by supply shortages due to the war in Ukraine and in COVID-19 restrictions in China during the quarter. In Western Europe, June's selling rate remained under the 10 million vehicle annualized rate, and third-party consultants are now projecting full-year regional sales to remain under 10 million vehicles, down from a recent historical low-point in 2021. As a point of reference, annual regional sales during the recessions of 2009 and 2012 were closer to 12 million vehicles. In China, automotive industry retail sales rebounded sharply in June, exceeding 2019 levels. In the U.S., automotive dealer retail inventories remain near multi-year record lows, and depressed retail sales are more reflective of the ongoing lack of availability rather than a deterioration in consumer vehicle demand. The business continued to make good progress implementing selling price increases, including realization above the company average for the second quarter. Looking ahead, the various issues that impacted production in the second quarter are expected to begin to ease, especially in China. Aggregate sales volumes are expected to be higher both sequentially and on a year-over-year basis, including an easier comparison to lower sales in the prior year third quarter.

Second quarter industrial coatings organic sales were up about 10% compared to the prior year as strong selling price increases and high-single-digit percentage sales volume growth in the Americas was partially offset by lower economic activity in China and Europe. Sub-segment end-use markets were mixed, with stronger activity in general finishes and heavy-duty-equipment and lower demand in appliances and consumer electronics. For the third quarter, organic sales are expected to be higher by a high-single-digit percentage as lower sales volumes in the Europe and Asia Pacific are expected to be offset by strong sales volumes in the U.S. and higher selling prices. Softer demand is expected in sub-segments that are more closely linked to consumer end-use markets.

Organic sales in packaging coatings increased by about 10% in the second quarter versus the prior year led by strong selling price increases in all regions and record sales in the U.S. and Canada. Sales activity was adversely impacted by geopolitical issues in Europe and COVID-19 restrictions in China. Also, softer demand conditions persisted in Latin America during the quarter. From a product segment perspective, volume growth was led by strong beverage growth in the U.S. and the global personal care segment. PPG continues to secure new business stemming from beverage can capacity additions in North America and sales of our technologically-advantaged products. Third quarter organic sales are expected to be up by about 10% led by higher selling prices offsetting slightly lower sales volumes due to lower production activity in Asia and Europe.

Looking ahead for the segment, aggregate sales volumes are expected to be up a low-single-digit percentage compared to the prior-year third quarter, including unfavorable impacts in Europe from the war in Ukraine. The year-over-year increase in sales volumes is expected to be led by the automotive OEM coatings business supported by improving customer component availability and an easier comparison to a softer sales period in the third quarter 2021. The company continues to prioritize working with customers to secure further selling price increases in all businesses. Segment margins are expected to continue to improve on a sequential basis in the third quarter 2022. Divestiture-related sales and sales related to the Russian business, which the Company is in the process of winding down, are estimated to be about $20 million for the third quarter. In addition to executing against various existing cost-savings initiatives, cost-mitigation actions have been implemented in Europe, and other contingency actions have been developed in case there is a broader economic downturn.



Balance Sheet, Cash

Cash and short-term investments totaled about $1.0 billion and net debt totaled about $6.1 billion at the end of the second quarter, which is similar to the first quarter. In the second quarter, the company issued a dual tranche of euro denominated debt, comprised of €300 million 3-year notes and a €700 million of 7-year notes. The company also reduced its commercial paper debt balance from $1 billion at the end of the first quarter to zero at the end of the second quarter. The overall impact of these transactions in the second quarter has been neutral to net-debt.

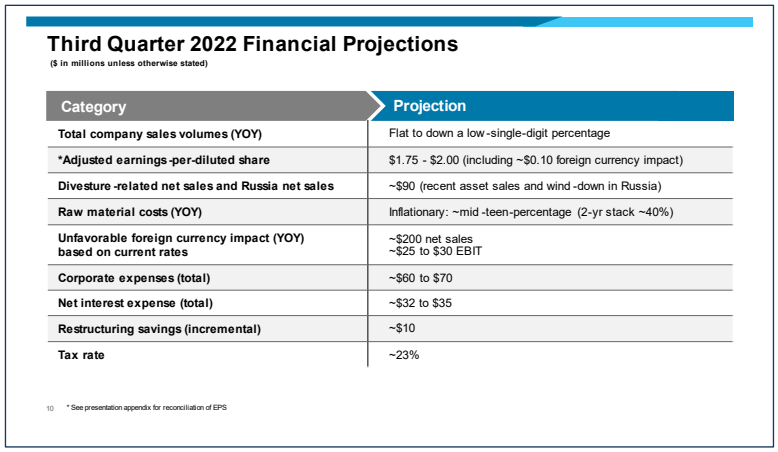
Approximate uses of cash for the second quarter were as follows:

- Capital expenditures were about $70 million in the quarter. The company expects full-year 2022 capital spending will be about $450 million in support of future organic growth opportunities.

- Dividends paid were about $140 million in the quarter. PPG has raised its annual dividend payout for 50 consecutive years and paid uninterrupted annual dividends since 1899. The company recently

announced a 5% dividend increase, which will mark the 51st consecutive year of increases once final dividends are paid later this year.

During the second quarter, the company divested its Eberle Design business, a traffic equipment business that was recently acquired as part of the Ennis-Flint acquisition. The business has annual sales of about $35 million and was not considered a strategic asset for the company.



Third Quarter 2022 Financial Projections

($ in millions unless otherwise stated)

Category	Projection
Total company sales volumes (YOY)	Flat to down a low-single-digit percentage
*Adjusted earnings-per-diluted share	$1.75 - $2.00 (including ~$0.10 foreign currency impact)
Divesture-related net sales and Russia net sales	~$90 (recent asset sales and wind-down in Russia)
Raw material costs (YOY)	Inflationary: ~mid-teen-percentage (2-yr stack ~40%)
Unfavorable foreign currency impact (YOY) based on current rates	~$200 net sales ~$25 to $30 EBIT
Corporate expenses (total)	~$60 to $70
Net interest expense (total)	~$32 to $35
Restructuring savings (incremental)	~$10
Tax rate	~23%

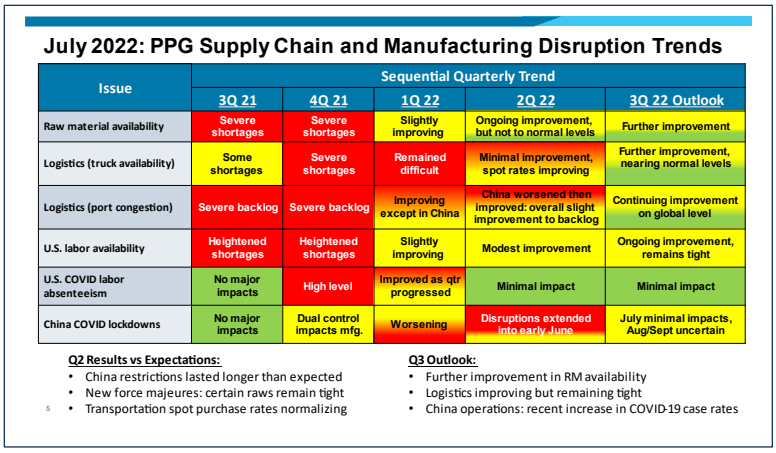
10 * See presentation appendix for reconciliation of EPS

Third Quarter 2022 Financial Assumptions

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

- Aggregate sales volumes expected to be flat to down a low-single-digit percentage compared with the third quarter 2021
- Reported earnings per diluted share of $1.60 to $1.85
- Adjusted earnings per diluted share of $1.75 to $2.00, excluding amortization expense of $0.13 and business restructuring-related costs of $0.02

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.



July 2022: PPG Supply Chain and Manufacturing Disruption Trends

Issue	Sequential Quarterly Trend				
	3Q 21	4Q 21	1Q 22	2Q 22	3Q 22 Outlook
Raw material availability	Severe shortages	Severe shortages	Slightly improving	Ongoing improvement, but not to normal levels	Further improvement
Logistics (truck availability)	Some shortages	Severe shortages	Remained difficult	Minimal improvement, spot rates improving	Further improvement, nearing normal levels
Logistics (port congestion)	Severe backlog	Severe backlog	Improving except in China	China worsened then improved: overall slight improvement to backlog	Continuing improvement on global level
U.S. labor availability	Heightened shortages	Heightened shortages	Slightly improving	Modest improvement	Ongoing improvement, remains tight
U.S. COVID labor absenteeism	No major impacts	High level	Improved as qtr progressed	Minimal impact	Minimal impact
China COVID lockdowns	No major impacts	Dual control impacts mfg.	Worsening	Disruptions extended into early June	July minimal impacts, Aug/Sept uncertain

Q2 Results vs Expectations:
- China restrictions lasted longer than expected
- New force majeures: certain raws remain tight
- Transportation spot purchase rates normalizing

Q3 Outlook:
- Further improvement in RM availability
- Logistics improving but remaining tight
- China operations: recent increase in COVID-19 case rates

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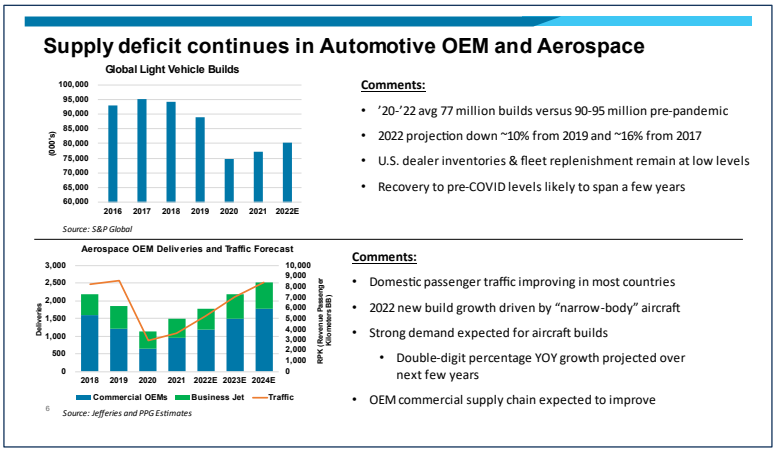

Supply deficit continues in Automotive OEM and Aerospace

Global Light Vehicle Builds

Source: S&P Global

Comments:
- '20-'22 avg 77 million builds versus 90-95 million pre-pandemic
- 2022 projection down ~10% from 2019 and ~16% from 2017
- U.S. dealer inventories & fleet replenishment remain at low levels
- Recovery to pre-COVID levels likely to span a few years

Aerospace OEM Deliveries and Traffic Forecast

Source: Jefferies and PPG Estimates

Comments:
- Domestic passenger traffic improving in most countries
- 2022 new build growth driven by "narrow-body" aircraft
- Strong demand expected for aircraft builds
  - Double-digit percentage YOY growth projected over next few years
- OEM commercial supply chain expected to improve

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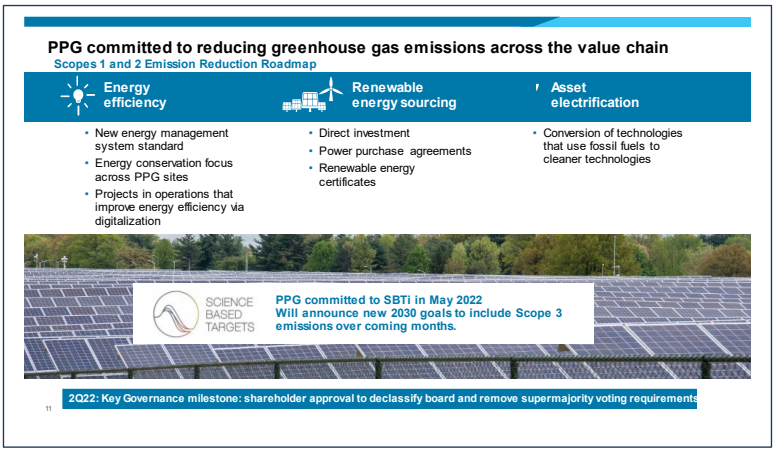

PPG committed to reducing greenhouse gas emissions across the value chain

Scopes 1 and 2 Emission Reduction Roadmap

Energy efficiency	Renewable energy sourcing	Asset electrification
• New energy management system standard • Energy conservation focus across PPG sites • Projects in operations that improve energy efficiency via digitalization	• Direct investment • Power purchase agreements • Renewable energy certificates	• Conversion of technologies that use fossil fuels to cleaner technologies

2Q22: Key Governance milestone: shareholder approval to declassify board and remove supermajority voting requirements

11

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, geopolitical issues in Europe, increasing price and product competition by our competitors, fluctuations in cost and availability of raw materials, energy, labor and logistics, 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 2021 Annual Report on Form 10-K, 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 July 21, 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.