



# PPG Industries, Inc. First Quarter 2016 Financial Results

## Earnings Brief – April 21, 2016

### First Quarter 2016 Financial Highlights

- Sales growth continues; 4 percent increase in local currencies**
  - Aggregate sales volumes increased 1 percent year-over-year, led by 3 percent growth in EMEA
  - Acquisition-related sales contributed 3 percent from 6 acquisitions completed in 2015
  - Unfavorable foreign currency translation reduced sales by 4 percent, or approximately \$140 million
- Record quarterly adjusted earnings per diluted share**
  - First quarter record adjusted earnings per diluted share of \$1.31; up 11 percent versus the prior year, despite a \$0.04 unfavorable foreign currency translation impact
  - Thirteenth consecutive quarter of double-digit percentage adjusted earnings per diluted share growth
  - Segment income improved 9 percent in local currencies due to sales volume growth, acquisition-related income, and continued cost management
  - On pace to fully realize previously announced restructuring benefits
- Cash deployment continues**
  - Cash and short-term investments of \$1.0 billion at quarter-end
  - Operating working capital as a percent of sales improved by 90 basis points versus prior year
  - Cash deployment focused on earnings accretion
    - Share repurchases of \$150 million; average diluted shares outstanding reduced by 2 percent YOY
  - Company remains on pace for earnings-accretive cash deployment in 2015 and 2016 (combined) of \$2.0 to- \$2.5 billion
    - \$1.3 billion deployed period-to-date

### First Quarter 2016 Financial Highlights

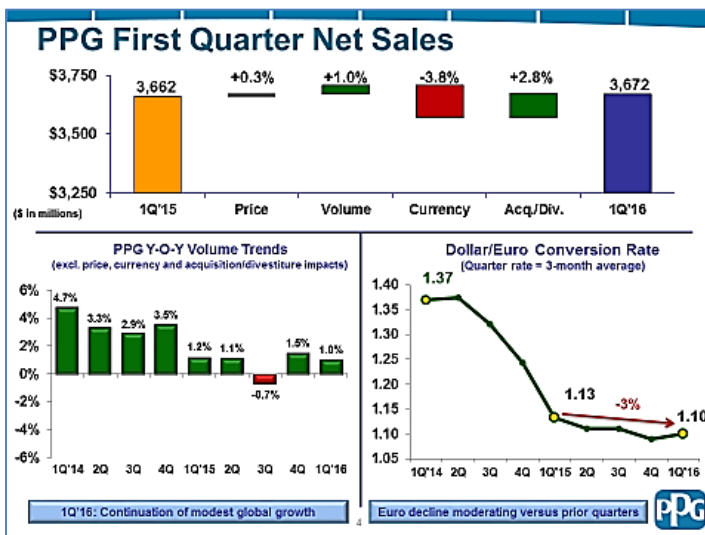
PPG net sales for the first quarter 2016 were \$3.7 billion matching the prior year. Year-over-year sales in local currencies grew 4 percent, or about \$150 million. Acquisition-related sales added 3 percent, while sales volume growth contributed an additional one percent. Foreign currency translation reduced net sales by about 4 percent. More detailed sales comparisons for the company and each reportable business segment are included on subsequent presentation slides.

Year-over-year adjusted earnings per diluted share increased 11 percent to a new first quarter record of \$1.31, including unfavorable foreign currency translation. This represents the 13th consecutive quarter of double-digit percentage adjusted earnings per diluted share growth.

Segment income in local currencies grew by 9 percent driven by sales volume gains, acquisition-related income from the 6 transactions completed during 2015, and lower costs, including growing benefits from business restructuring actions. Unfavorable foreign currency translation impacted segment income by approximately \$15 million or \$0.04 per share.

The company continues to have excellent financial flexibility with cash and short-term investments of \$1.0 billion at quarter end. Year-over-year operating working capital as a percentage of sales improved by 90 basis points.

The company's average diluted shares outstanding declined by 2 percent year-over-year, aided by first quarter 2016 share repurchases totaling \$150 million. The company remains committed to deploying between \$2.0 and \$2.5 billion in cash on earnings-accretive acquisitions and share repurchases in the combined 2015 to 2016 period. The company has deployed \$1.3 billion against this target to-date.

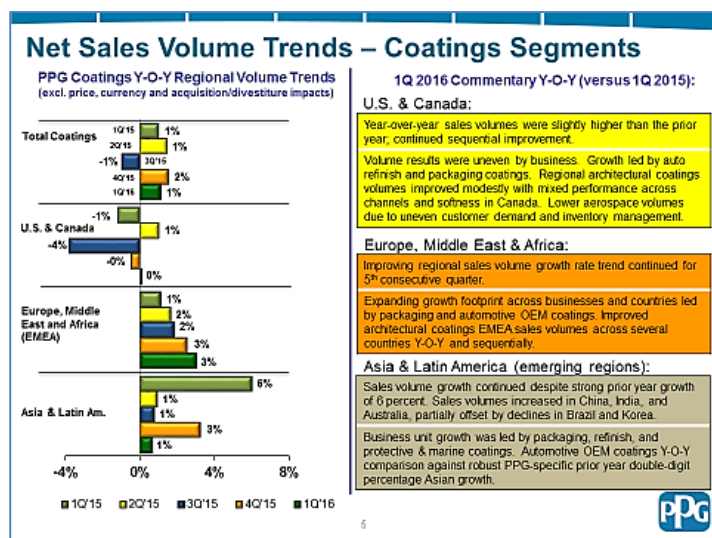


### PPG First Quarter Net Sales

PPG net sales for the first quarter were 3.67 billion, consistent with the prior year. Year-over-year sales volumes increased one percent. Volume growth was consistent with prior year growth rates and reflected a continuation of modest global economic trends. Acquisition-related sales added about 3 percent driven by 6 acquisitions completed during 2015. Pricing improved modestly in the quarter.

Foreign currency translation reduced sales by about 4 percent as many currencies weakened versus the U.S. dollar, including a 3 percent decline in the Euro for the quarter. In addition to the Euro, weaknesses in other currencies versus the U.S. dollar were more significant, including a 17 percent deterioration in the Mexican Peso, as well as declines in the Canadian Dollar, Chinese Yuan, and Brazilian Real.

Given current exchange rates and higher anticipated quarterly sales due to normal seasonal patterns, the foreign currency translation impact on PPG's second quarter 2016 sales is expected to remain significant, but moderate somewhat compared to recent quarters.



## Net Sales Volume Trends – Coatings Segments

Global aggregate coatings segment sales volumes for the first quarter grew one percent with mixed results by region and end-use market.

Sales volumes in the U.S. and Canada were up less than one percent year-over-year, continuing a modest improvement in trends versus the prior two quarters' year-over-year growth performance. Results remained mixed by business unit, with growth led by automotive refinish and packaging coatings.

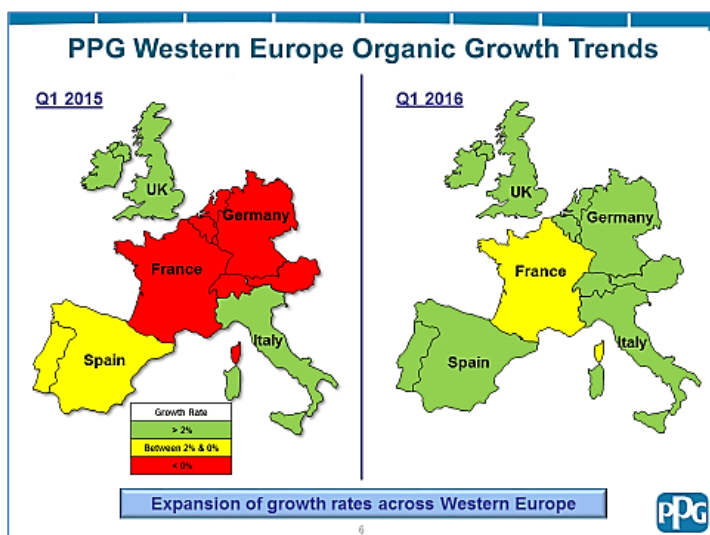
Regional architectural coatings sales

improved modestly and varied by channel and country, and aerospace coatings volumes declined year-over-year. Demand trends improved as the quarter progressed with the strongest year-over-year volume trends occurring in March. We expect further, incremental improvement in the regional volume growth rate in the second quarter.

Year-over-year sales volumes in Europe, Middle East and Africa ("EMEA") advanced by more than 3 percent marking the 5<sup>th</sup> consecutive quarter of expanding growth rates in the region. Both coatings segments experienced sales volume growth during the quarter led by the Industrial Coatings segment. In addition, architectural coatings EMEA and protective coatings gains were realized both year-over-year and sequentially versus recent quarters. Despite the overall growth, regional demand levels remained uneven resulting in the potential for further improvement in some end-use markets and countries. Provided subsequent in the presentation materials is a depiction of the broadening PPG volume growth in Western Europe year-over-year.

Emerging region sales volumes grew one percent in aggregate in comparison to a strong prior year period when volumes grew 6 percent. Demand growth remained mixed by business unit, country and region. Overall sales volumes grew versus the prior year in Asia-Pacific including growth in China, India, and Australia, partially offset by declines in other countries including, Korea, with continued weakness in South America, primarily Brazil.

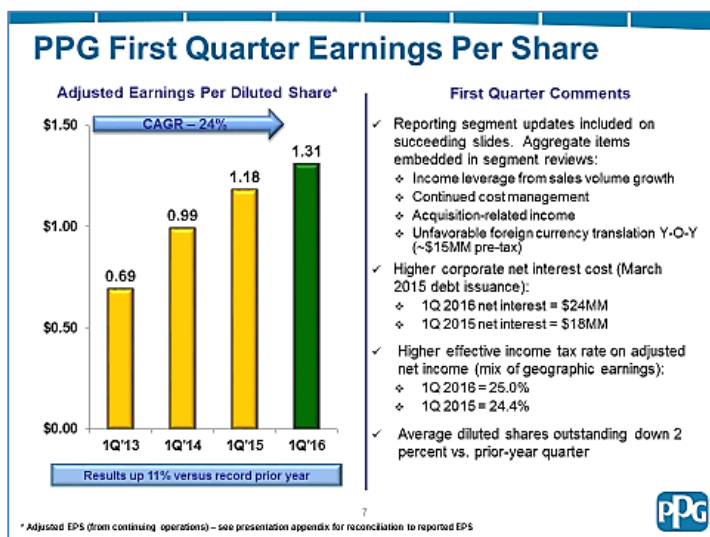
The increase in sales volumes was led by automotive refinish and packaging coatings. Gains in protective coatings countered weakening marine coatings demand. Automotive OEM volumes in Asia were slightly positive year-over-year despite very robust comparable period growth in the first quarter of 2015 when PPG delivered double-digit percentage growth in China.



Italy. PPG expects continued growth within the region and in most end-use markets, including architectural, automotive OEM, and packaging coatings. The company continues to benefit from strong earnings leverage due to prior and ongoing cost reduction initiatives and business streamlining efforts in the region.

### PPG Western Europe Organic Growth Trends

PPG continues to benefit from the broadening economic recovery in Western Europe. As a region, organic sales growth rates, excluding acquisitions, have continued to expand, with the first quarter 2016 growing more than 3 percent. Sales volume gains are increasingly broad-based with a majority of businesses realizing positive first quarter 2016 growth versus the prior year, with steadily improving trends in France, Germany, the Benelux countries, and Spain, in addition to consistent growth rates in the United Kingdom and



### PPG First Quarter Earnings per Share

First quarter adjusted earnings per diluted share of \$1.31 established a new first quarter record for the company, up \$0.13, or 11 percent, versus the prior year period. First quarter adjusted earnings per diluted share have grown at a compound annual growth rate of 24 percent over the past four years.

The financial results from each reportable business segment are provided in subsequent portions of the presentation materials. A summary of several noteworthy items from the reportable segments is as follows:

- Strong earnings leverage from sales volume growth continues, stemming from prior and ongoing cost management, including growing benefits from previously announced restructuring program.
- Acquisition-related income from 6 acquisitions completed in 2015 supplemented segment income. In addition, these acquisitions provide new platforms for future growth opportunities.
- Year-over-year unfavorable foreign currency translation impacted segment income by about \$15 million, or about \$0.04 per share.

Net interest expense was higher in the first quarter versus the prior year, consistent with company guidance provided in January 2016. PPG issued long-term debt in March of 2015.





The adjusted effective tax rate for the first quarter of 2016 was about 25.0 percent, up from a comparable rate of 24.4 percent in the previous year. This increase is primarily due to the geographic mix of earnings and consistent with company guidance provided in January 2016. Aided by ongoing share repurchases, the average diluted share count was approximately 2 percent lower versus the prior year.

Performance Coatings				
\$MM (USD)	1Q15	1Q16	Chg	%
Net Sales	2,055	2,039	-16	-1%
Income	262	279	17	+6%
Margin %	12.7%	13.7%	--	--
Select Net Sales Detail				
	Total	Volume	Currency	
1Q Y-O-Y Change	-1%	+1%	-4%	

First Quarter (Y-O-Y):	
✓ Continued automotive refinish coatings organic sales growth led by U.S. and China	✓ Lower aerospace volumes due to reduced industry demand and customer inventory management
✓ Increased volumes in architectural coatings EMEA due to broadening demand in Western Europe	✓ Modest local currency sales growth in architectural coatings Americas & Asia Pacific: <ul style="list-style-type: none"> <li>✓ Higher Comex, U.S. company-owned stores and national accounts offset by lower independent dealer and Canadian demand</li> <li>✓ New product launches/growth initiatives at U.S. national accounts (~\$15MM planned expense)</li> </ul>
✓ Protective coatings sales volume growth offset by weak marine industry demand	✓ Acquisition-related sales of ~\$25MM
✓ Unfavorable foreign currency translation on segment sales (~\$85MM) and income (~\$10MM)	

New Products at U.S. National Accounts	
	
	

Second Quarter 2016 Outlook:	
✓ Higher sequential sales due to normal seasonality	✓ Continued growth Y-O-Y in automotive refinish and protective coatings, further weakness in marine
✓ Modest improvement in aerospace demand; return to normal customer order patterns	✓ Architectural coatings EMEA improving; economic recovery-related gains in certain countries
✓ Consistent industry demand trends (seasonally adjusted) in architectural U.S. & Canada <ul style="list-style-type: none"> <li>✓ No additional expense for product launches and other growth initiatives</li> </ul>	✓ Comex local currency sales growth expected to remain at double the Mexican GDP growth rate
✓ Acquisition-related sales of \$20 to-\$30MM	✓ Unfavorable Y-O-Y foreign currency translation; slightly less than first quarter 2016 at current rates

## Performance Coatings

Performance Coatings segment net sales were \$2.04 billion, down \$16 million, or less than one percent, versus the prior year. Sales in local currencies were up over 3 percent driven by higher sales volumes of one percent, acquisition-related sales of one percent, or \$25 million, and higher selling prices, which were more than offset by unfavorable foreign currency translation of about 4 percent, or approximately \$85 million.

From a business unit perspective, automotive refinish coatings experienced increasing organic sales growth led by

growing market demand in the U.S. and Asia. We anticipate these positive trends will continue in the second quarter, aided by continued customer adoption of PPG's innovative new products.

Aerospace coatings sales volumes declined a low-single digit percentage versus the prior year, primarily due to lower commercial demand stemming from continuing customer inventory management. Regionally, Asian sales growth was offset by declines in the U.S. and Canada, while Europe was flat. We anticipate modestly improved volumes in the second quarter as customers are expected to return to normal order patterns.

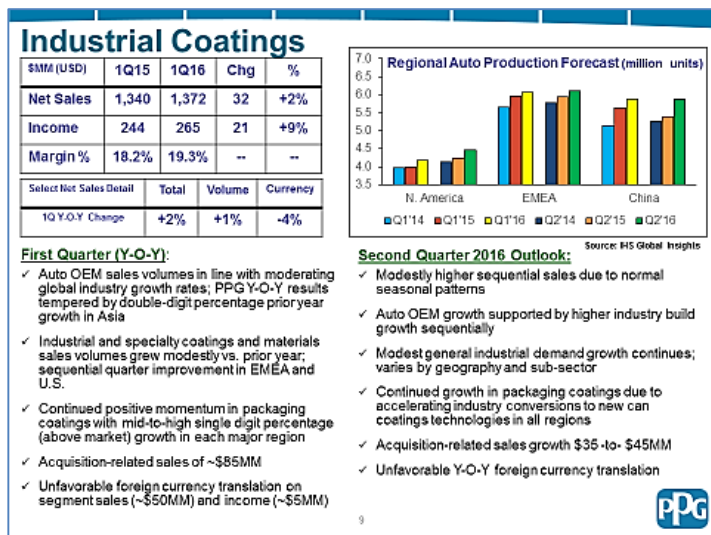
Architectural coatings Europe Middle East and Africa (EMEA) sales volumes continued to trend favorably, with the growth rate increasing for several consecutive quarters. Sales volumes improved by a low-single digit percentage led by growth in Western Europe. We expect overall sales volume trends to continue to broaden in the second quarter, but remain uneven by country.

Architectural coatings Americas and Asia Pacific organic sales increased modestly in the first quarter versus the prior year. Sales volumes were up slightly in the U.S. and Canadian region as aggregate demand growth in company-owned stores and national accounts was offset by declines in the independent dealer network and continued market weakness in certain Canadian markets. Local currency sales growth in Mexico was consistent with previously communicated company expectations, growing at approximately double the Mexican GDP, despite comparisons to robust volume growth in the first quarter of 2015. We expect year-over-year business unit sales to improve seasonally in the second quarter, aided by higher demand and a subdued comparable prior year growth rate in the U.S. and Canada.

Protective and marine coatings sales volumes were flat as growth in protective coatings was offset by declines in marine coatings, primarily due to decreasing new ship builds. Protective coatings sales volumes grew versus the prior year in all regions, led by the U.S., Asia, and Latin America, including benefits from expanded distribution through the Comex concessionaire network. Looking forward, we expect protective coatings demand growth trends to remain positive, while marine coatings are anticipated to weaken further.

Performance Coatings segment income for the first quarter 2016 was \$279 million, up \$17 million or 6 percent, versus prior year, despite the impact of approximately \$15 million of planned incremental costs for new product launch and other growth-related initiatives in major U.S. architectural coatings national accounts. In addition, segment income was positively impacted by strong earnings leverage from the higher sales volumes, acquisition-related income, and a continuing cost focus, including additional business restructuring benefits. Unfavorable foreign currency translation reduced segment income by about \$10 million in the quarter.

Looking forward, we anticipate higher quarterly sales sequentially due to normal seasonal patterns, as the second quarter is typically the largest sales quarter of the year for the segment. We expect acquisition sales to be \$20-to-\$30 million, primarily related to Cuming Microwave and Le Joint Francais (LJF). Additionally, there will be no incremental costs incurred for new product initiatives in the U.S. and Canadian national accounts channel. Unfavorable impacts from foreign currency translation will remain significant year-over-year, reflecting the segment's increased seasonal sales.



## Industrial Coatings

Industrial Coatings segment net sales for the first quarter were \$1.37 billion, up \$32 million, or 2 percent, compared to the previous year. Segment net sales in local currencies were up 6 percent. Sales volumes increased one percent led by growth in Europe, while acquisition-related sales added 6 percent, or approximately \$85 million. Unfavorable foreign currency translation reduced sales by almost 4 percent, or about \$50 million.

Automotive OEM coatings sales volumes were consistent with the prior year

reflecting modest global industry automotive production growth, and in comparison to strong prior year PPG-specific volume growth. PPG sales volume results differed by region, with year-over-year growth tempered in Asia given the double-digit percentage growth rate PPG achieved in the prior year period. We anticipate higher year-over-year sales volumes in the second quarter, aided by improving global industry automotive production and a more moderate prior year comparison.

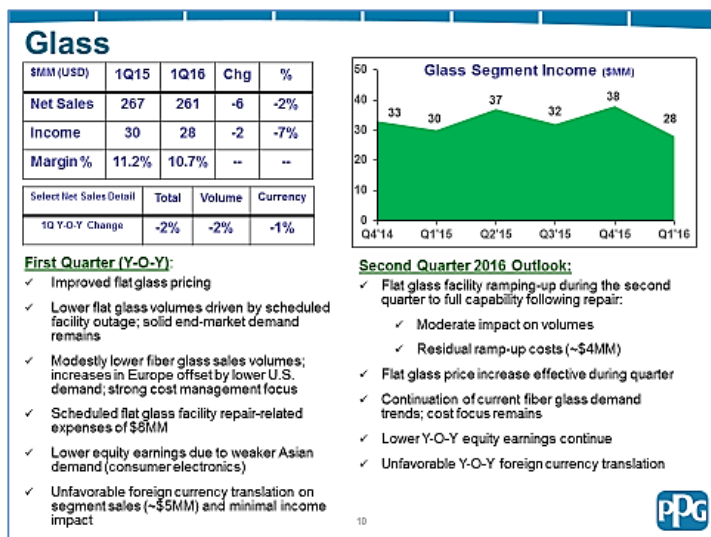
Global aggregate sales volumes increased modestly in the general industrial coatings and specialty coatings and materials businesses, as growth momentum continued from the previous sequential quarter. Volume performance remained uneven by end-use and geography.

Regionally, European sales volumes continued to expand, with positive growth rates in the U.S. and Canada. Sales volumes in Asia were flat and declined in South America. By end-use market, volume growth remained consistent with improved demand in automotive parts and accessories and expansion in coil and extrusion, partially offset by declines in heavy duty equipment. We expect growth trends to continue to improve in the overall general industrial sector in the second quarter 2016, but anticipate varied sub-sector and geographic patterns to remain.

Packaging coatings delivered mid-to-high single-digit percentage sales volume growth, with at least mid-single digit percentage increases in all regions. Strong sales growth momentum for new can coatings technologies continued, and we anticipate acceleration of this trend in all regions for the remainder of 2016.

First quarter segment income of \$265 million was up \$21 million, or 9 percent, versus the prior year period, primarily due to earnings leverage from higher sales volumes, acquisition-related income, and disciplined cost management, including business restructuring benefits, partially offset by \$5 million of unfavorable foreign currency translation.

Looking forward, we expect 2016 second quarter net sales to be modestly higher sequentially due to business seasonality. We anticipate that acquisition-related sales for acquisitions that have not yet reached their one year anniversary to be \$35-to-\$45 million. These acquisition-related sales are lower than the first quarter due to the one-year anniversary of the REVOCOAT acquisition in April 2016. Based on current exchange rates, we expect foreign currency translation to remain unfavorable year-over-year.



## Glass

First quarter net sales for the Glass segment were \$261 million, down \$6 million or 2 percent year-over-year primarily due to unfavorable foreign currency translation and lower sales volumes, partially offset by higher selling prices.

Improved flat glass pricing was countered by a low-single digit percentage sales volumes decline reflecting the impact of a scheduled facility outage at the company's Fresno, California facility during the quarter. Sales were also lower year-over-year

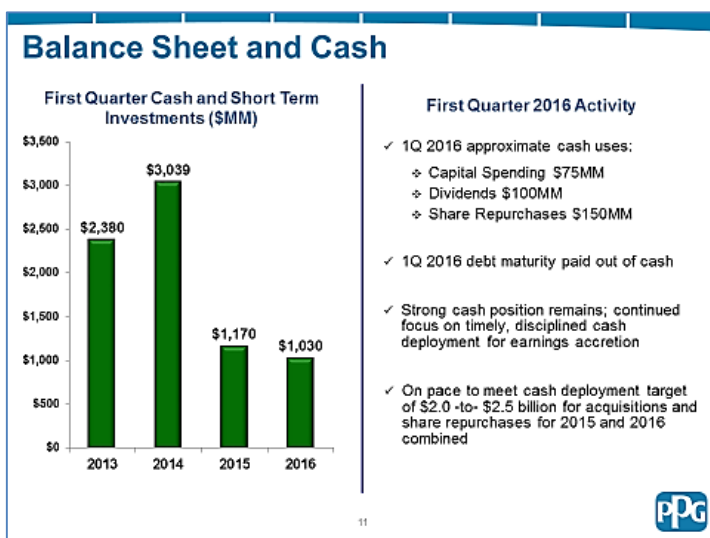
due to the prior year sale of remaining finished goods inventory from a previously divested flat glass manufacturing facility. Despite the lower sales volumes, underlying flat glass end-use market demand remained solid.

Looking forward, we expect increased flat glass demand growth due to normal business seasonality and solid U.S. construction demand. In the second quarter, we expect to incur an additional \$4 million for facility-related start-up costs associated with the Fresno facility, which is projected to reach full production capability during the second quarter, as originally communicated. Also, additional flat glass selling price increases were announced and will be implemented during the second quarter 2016.

Fiber glass sales volumes declined modestly year-over-year, as higher demand for automotive and wind energy components in Europe was offset by lower demand in certain U.S. energy-related end-use markets. Selling prices were up slightly year-over-year. Looking ahead, we anticipate a similar demand environment in fiber glass.

Segment income for the quarter was \$28 million, down \$2 million year-over-year, primarily due to lower sales volumes, \$8 million of repair-related costs for the scheduled Fresno facility outage, and lower equity earnings, including the impact from weaker consumer electronics demand in Asia, partially offset by disciplined cost management.

Looking forward, we expect second quarter equity earnings from Asian joint ventures to remain lower year-over-year. Also, based on current exchange rates, we anticipate foreign currency translation to remain unfavorable year-over-year.



### Balance Sheet and Cash

PPG ended the first quarter with about \$1.0 billion in cash and short-term investments. This compares with a first quarter 2015 of about \$1.2 billion.

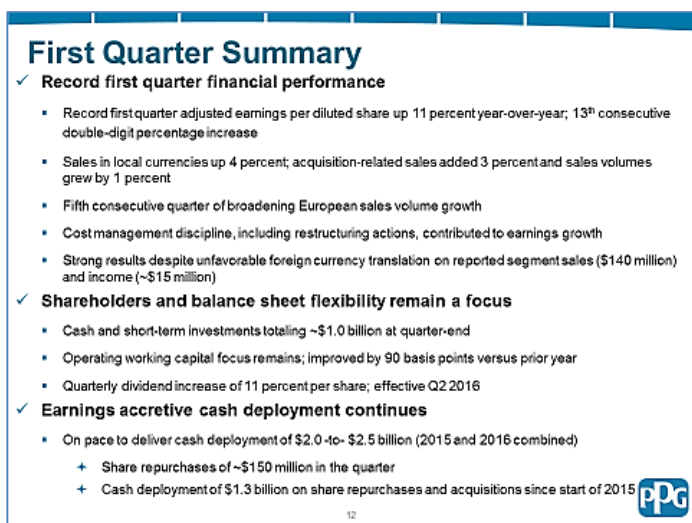
Operating working capital, as a percentage of sales, improved by 90 basis points versus prior year, with improvement in several components including inventory.

Uses of cash for the first quarter were as follows:

- Capital expenditures were about \$75 million. Anticipated 2016 capital spending remains in the range of 3.0 -to- 3.5 percent of sales.
- Dividends paid were approximately \$100 million. On April 21, 2016, PPG announced an 11 percent increase in its quarterly per share dividend.
- PPG stock repurchases totaled about \$150 million in the quarter, or approximately 1.5 million shares. The company has about \$770 million remaining under its current share repurchase authorization as of quarter-end.

In addition, the company repaid about \$250 million in term debt that matured during the first quarter.

The company remains committed to earnings accretive cash deployment and is on pace to deploy \$2.0 -to- \$2.5 billion in 2015 and 2016 combined on spending for accretive acquisitions and share repurchases.



### First Quarter Summary

In summary, the company achieved record adjusted earnings per diluted share for the first quarter despite unfavorable foreign currency translation. The 11 percent increase year-over-year was the 13<sup>th</sup> consecutive quarter of double digit increases in adjusted earnings per diluted share. The record performance was due to strong earnings leverage on sales volume growth, acquisition-related income, a disciplined focus on costs, including the benefits from restructuring actions, and from earnings-accretive cash deployment.

Regionally, Europe delivered the highest growth rate in the quarter, marking its 5<sup>th</sup> consecutive quarter of broadening sales volume growth. From a business unit perspective, packaging and automotive refinish coatings continued to deliver above-market volume growth rates globally.

The company continues to have a solid balance sheet and financial flexibility. At quarter-end, cash and short-term investments totaled \$1.0 billion. PPG reduced operating working capital by 90 basis points versus the prior year through a variety of improvements including continued inventory optimization.

PPG continued its heritage of returning cash to shareholders through earnings-accretive cash deployment. The company repurchased approximately \$150 million of stock during the quarter and has deployed about \$1.3 billion for share repurchases and acquisitions in total toward its target of \$2.0 -to- \$2.5 billion for the combined 2015 to 2016 period to-date.

In addition to share repurchases and acquisitions, the company announced an 11 percent increase in its quarterly dividend payable in June 2016. In the second quarter 2015, the company increased its dividend by 7 percent. The company reiterated that sustainable dividend increases are an integral part of its capital allocation strategy.



## Additional Materials and Appendix



Thank you for your interest in PPG Industries, Inc.

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## Adjusted EPS Reconciliation

### 1<sup>st</sup> Quarter Reporting Period

	Continuing Operations		Discontinued Operations		Total PPG	
	Net Income	EPS	Net Income	EPS	Net Income	EPS
<b>Year 2016</b>						
Net Income Attributable to PPG as Reported	\$ 347	\$ 1.28	\$ --	\$ --	\$ 347	\$ 1.28
Transaction-related costs	1	0.01	--	--	1	0.01
Asset write-down	3	0.01	--	--	3	0.01
Adjusted Net Income Attributable to PPG	\$ 351	\$ 1.31	\$ --	\$ --	\$ 351	\$ 1.31
<b>Year 2015</b>						
Net Income Attributable to PPG as Reported	\$ 321	\$ 1.18	\$ 1	\$ 0.01	\$ 322	\$ 1.17
Transaction-related costs	6	0.02	--	--	6	0.02
Adjusted Net Income Attributable to PPG	\$ 327	\$ 1.18	\$ 1	\$ 0.01	\$ 328	\$ 1.19
<b>Year 2014</b>						
Net Income Attributable to PPG as Reported	\$ 277	\$ 0.98	\$ 985	\$ 3.50	\$ 1,262	\$ 4.48
Transaction-related costs	2	0.01	--	--	2	0.01
Adjusted Net Income Attributable to PPG	\$ 279	\$ 0.99	\$ 985	\$ 3.50	\$ 1,264	\$ 4.49
<b>Year 2013</b>						
Net Income Attributable to PPG as Reported	\$ 191	\$ 0.64	\$ 2,219	\$ 7.51	\$ 2,410	\$ 8.15
Legacy pension costs	13	0.04	--	--	13	0.04
Environmental costs	8	0.03	--	--	8	0.03
Transaction-related costs	5	0.01	--	--	5	0.01
U.S. tax law change enacted in 2013	(10)	(0.03)	--	--	(10)	(0.03)
Adjusted Net Income Attributable to PPG	\$ 207	\$ 0.69	\$ 2,219	\$ 7.51	\$ 2,426	\$ 8.20
<b>Year 2012</b>						
Net Income/(Loss) Attributable to PPG as Reported	\$ (49)	\$ (0.16)	\$ 61	\$ 0.20	\$ 12	\$ 0.04
Business restructuring	137	0.45	26	0.08	163	0.53
Environmental reserves	99	0.32	--	--	99	0.32
Transaction-related costs	4	0.01	--	--	4	0.01
Adjusted Net Income Attributable to PPG	\$ 191	\$ 0.62	\$ 87	\$ 0.28	\$ 278	\$ 0.90

Amounts in Millions of USD except EPS



### 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 presentation 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," "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 global economic conditions, increasing price and product competition by foreign and domestic competitors, fluctuations in cost and availability of raw materials, the ability to maintain favorable supplier relationships and arrangements, the timing of and the realization of anticipated cost savings from restructuring initiatives, 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 and the unpredictability of existing and possible future litigation, including litigation that could result if the proposed asbestos settlement does not become effective. However, it is not possible to predict or identify all such factors. Consequently, while the list of factors presented here and under Item 1A of PPG's 2015 Form 10-K is considered representative, 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 the 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, other factors set forth in Item 1A of PPG's 2015 Form 10-K and similar risks, any of which could have a material adverse effect on the Company's consolidated financial condition, results of operations or liquidity. All of this information speaks only as of April 21, 2016, and any distribution of this release 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.