

# PPG - First Quarter 2017 Financial Results

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# 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. 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 2016 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 2016 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.

The forward-looking statements contained herein also include statements about the proposed acquisition of Akzo Nobel N.V. ("AkzoNobel") by PPG (such proposed acquisition, the "Transaction"), the terms of the proposed Transaction and the expected benefits of the Transaction for PPG, AkzoNobel and their respective shareholders. These statements are based on the current expectations of the management of PPG and are subject to uncertainty and to changes in circumstances and involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied in such forward-looking statements. In addition, these statements are based on a number of assumptions that are subject to change. Such risks, uncertainties and assumptions include: whether an agreement in respect of the Transaction will be negotiated and executed; uncertainties as to whether AkzoNobel will cooperate with PPG regarding the Transaction and whether AkzoNobel's management or supervisory boards will endorse the Transaction; the effect of the announcement of the Transaction on the ability of PPG and AkzoNobel to retain customers, to retain and hire key personnel and to maintain favorable relationships with suppliers; the terms of the proposed Transaction; the timing of the proposed Transaction; the satisfaction of any conditions to the completion of the Transaction and other risks related to the completion of the Transaction and actions related thereto; risks relating to any unforeseen liabilities, future capital expenditures, revenues, expenses, earnings, economic performance, indebtedness, financial condition, future credit ratings, future prospects; business and management strategies; the expansion and growth of PPG's and AkzoNobel's operations; PPG's ability to integrate AkzoNobel's business successfully after the closing of the Transaction and to achieve anticipated synergies and benefits; and the risk that disruptions from the Transaction will harm the combined companies' business.

All of this information speaks only as of April 20, 2017, 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.



# First Quarter 2017 Financial Highlights

## Net sales increased one percent; improved nearly 3 percent in local currencies

- Aggregate Coatings sales volumes increased 2 percent year-over-year, led by more than 5 percent growth in the Industrial Coatings segment
- Acquisition-related sales increased 2 percent versus prior year, or about \$70 million, and were partially offset by the absence of sales from the divested European fiber glass business of about \$45 million
- Unfavorable foreign currency translation reduced sales nearly 2 percent, or about \$65 million

## Increased adjusted earnings per diluted share from continuing operations\*

- First quarter adjusted earnings per diluted share of \$1.35; up more than 6 percent versus prior year, despite a \$0.05 unfavorable foreign currency translation impact, due to the Mexican peso, British pound and euro
- Lower manufacturing and overhead costs, including initial benefits from the 2016 restructuring program; on pace to achieve restructuring savings of \$40 -to- \$50 million in 2017

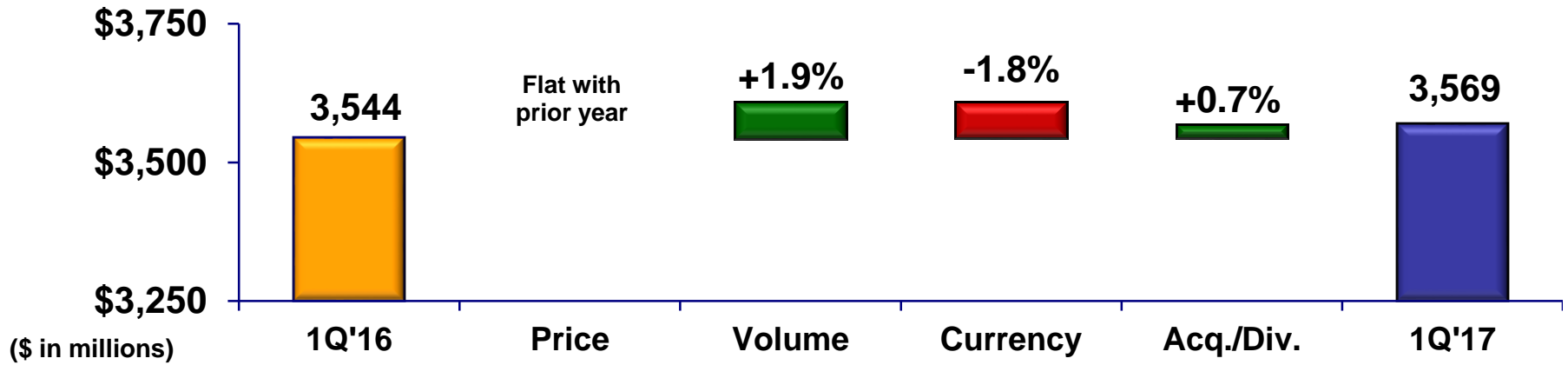
## Accretive cash deployment focus

- Cash and short-term investments of nearly \$1.4 billion at quarter-end
- Operating working capital as a percent of sales improved by 100 basis points versus prior year
- Cash deployment continues
  - Share repurchases of about \$165 million; average diluted shares outstanding reduced by ~4 percent Y-O-Y
  - Acquisition of Chinese automotive refinish business

\* Adjusted EPS (from continuing operations) – see presentation appendix for reconciliation to reported EPS

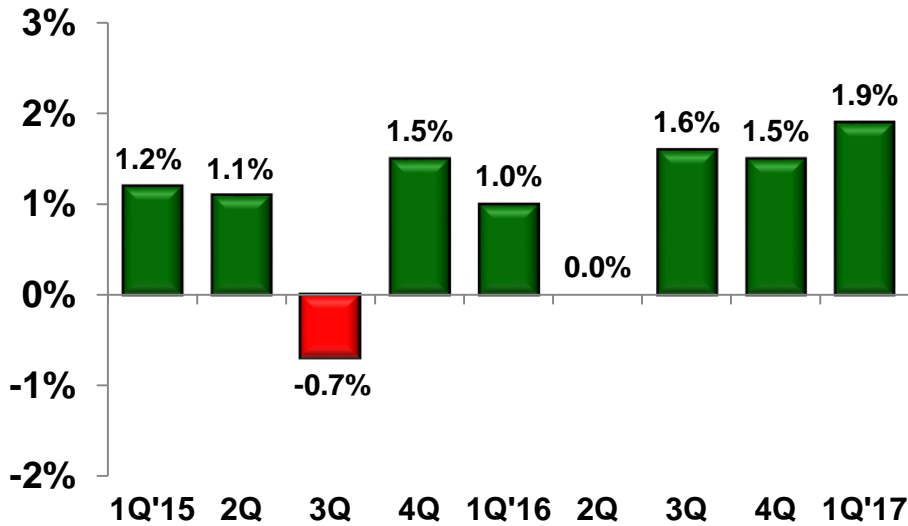


# PPG First Quarter Net Sales\*

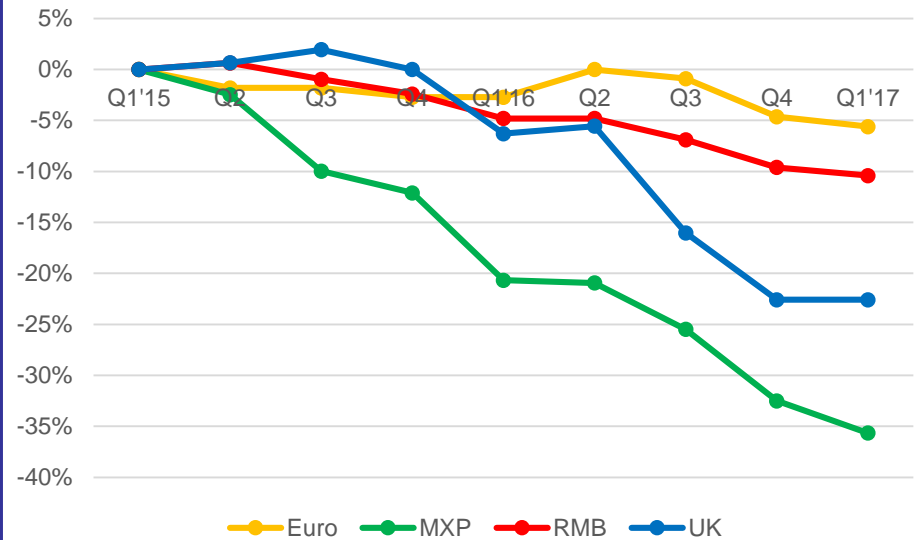


## PPG Y-O-Y Volume Trends\*\*

(excl. price, currency and acquisition/divestiture impacts)



## Foreign Currency Rate Trends vs. U.S. Dollar (indexed to Q1'15)



1Q'17: Coatings segments volumes up 2 percent

Currency volatility persists



\* Sales from continuing operations

\*\* As originally reported, including the former flat glass business

# First Quarter Coatings Net Sales Volumes

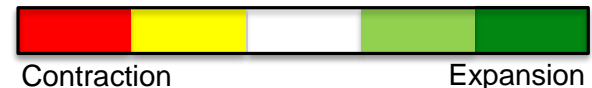
PPG volume performance by major coatings vertical vs. prior year and end-use market demand

	U.S. & Canada	Europe / Middle East / Africa	Asia-Pacific		Latin America	
Aerospace	At Market	Above Market	At Market		At Market	
Automotive Refinish	Above Market	At Market	At Market		Above Market	
Architectural	Below Market	At Market	AUS Above Market	CHN Above Mkt	Mexico Above Market	BRZ Below Mkt
Protective	At Market	At Market	Below Market		Above Market	
Marine	At Market	At Market	At Market		N/A	
Automotive OEM	Below Market	Above Market	Above Market		Above Market	
General Industrial	Above Market	Below Market	Above Market		Above Market	
Packaging	Above Market	Above Market	Above Market		At Market	

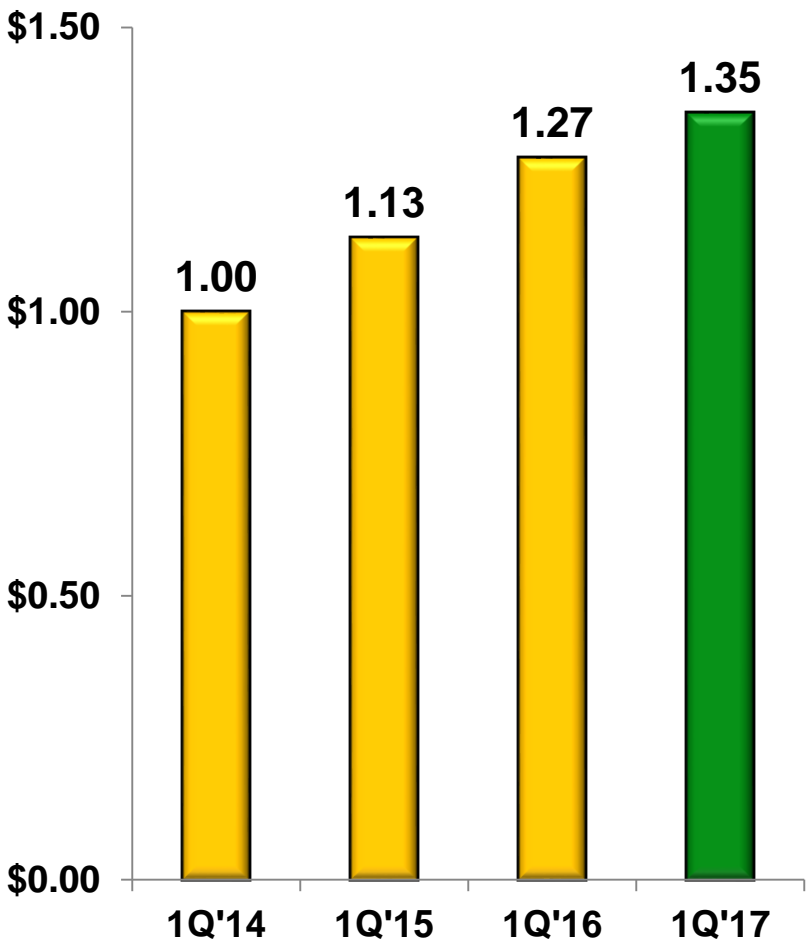
1) PPG compared to industry end-use market demand legend:

- Above Market
- At Market
- Below Market

2) Year-over-year PPG volume legend:



# PPG First Quarter Adjusted Earnings Per Diluted Share\*



## First Quarter Comments

- ✓ Reporting segment updates included on succeeding slides. Aggregate items embedded in segment reviews:
  - Income leverage from sales volume growth
  - Continued cost management
  - Acquisition-related income
  - Unfavorable foreign currency translation Y-O-Y (~\$15MM pre-tax)
- ✓ Average diluted shares outstanding down about 4 percent vs. prior-year quarter
- ✓ Higher effective income tax rate on adjusted net income (mix of geographic earnings):
  - 1Q 2017 = 25.0%
  - 1Q 2016 = 24.7%
- ✓ Financial results from the divested flat glass business are presented as discontinued operations for all periods

\* Adjusted EPS (from continuing operations) – see presentation appendix for reconciliation to reported EPS



# Performance Coatings

\$MM (USD)	1Q16	1Q17	Chg	%
Net Sales	2,039	2,017	-22	-1%
Income	279	285	6	+2%
Margin %	13.7%	14.1%	--	--

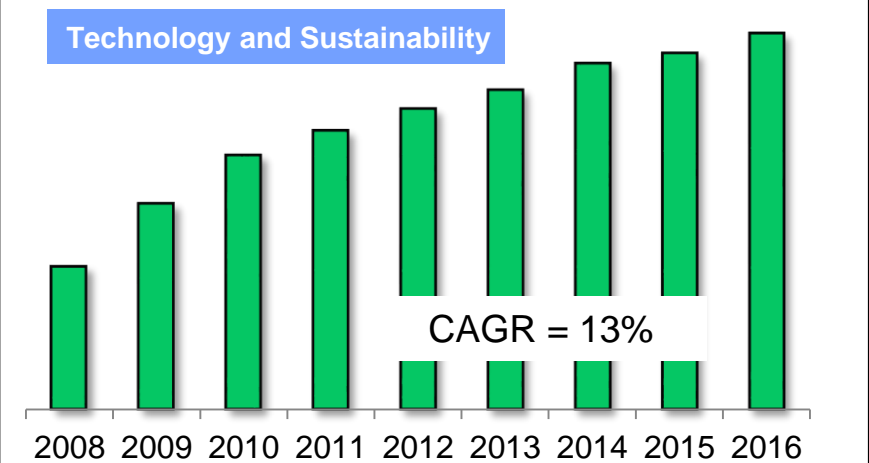
  

Select Net Sales Detail	Total	Volume	Currency
1Q Y-O-Y Change	-1%	n/c	-2%

## First Quarter (Y-O-Y):

- ✓ Initial pricing actions announced in several businesses and regions to address rising raw material costs
- ✓ Continued automotive refinish coatings organic sales growth; increases in each major region
- ✓ Flat aerospace sales volumes due to low industry demand growth and customer inventory management
- ✓ Modestly higher sales volumes in architectural coatings EMEA led by increased demand in Western Europe
- ✓ Very modest sales volume decline in architectural coatings Americas & Asia Pacific:
  - Continued improvement in U.S. & Canada company-owned stores vs. market offset by lower independent dealer demand and national retail accounts
  - Sales volume growth in Latin America & Asia Pacific
- ✓ Weak marine industry demand more than offset protective coatings sales volume growth
- ✓ Acquisition-related sales of ~\$10MM
- ✓ Unfavorable foreign currency translation on segment sales (~\$45MM) and income (~\$10MM)

## PPG-Supplied Waterborne Refinish Paint Shops



## Second Quarter 2017 Outlook:

- ✓ Higher sequential sales due to normal seasonality
- ✓ Additional pricing actions effective in the quarter
- ✓ Continuation of prior sequential quarter industry growth trends in automotive refinish & aerospace
- ✓ Continued modest Architectural coatings EMEA demand growth in Western Europe; slight improvements in Eastern Europe demand levels
- ✓ Consistent industry demand trends (seasonally adjusted) in architectural U.S. & Canada
- ✓ Comex local currency sales growth expected to remain at double the Mexican GDP growth rate
- ✓ Ongoing significant weakness in marine; improving trends in protective coatings
- ✓ Acquisition-related sales of \$20 -to- \$30MM
- ✓ Unfavorable Y-O-Y foreign currency translation remains significant



# Industrial Coatings

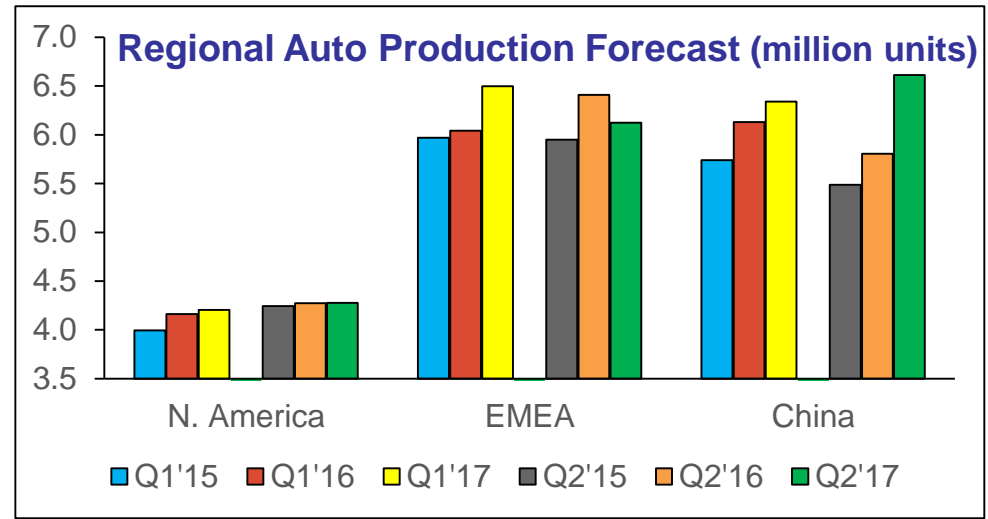
\$MM (USD)	1Q16	1Q17	Chg	%
<b>Net Sales</b>	<b>1,372</b>	<b>1,469</b>	<b>97</b>	<b>+7%</b>
<b>Income</b>	<b>265</b>	<b>273</b>	<b>8</b>	<b>+3%</b>
<b>Margin %</b>	<b>19.3%</b>	<b>18.6%</b>	<b>--</b>	<b>--</b>

Select Net Sales Detail	Total	Volume	Currency
<b>1Q Y-O-Y Change</b>	<b>+7%</b>	<b>+5%</b>	<b>-1%</b>

## First Quarter (Y-O-Y):

- ✓ Mid-single-digit percentage PPG global auto OEM sales volumes growth:
  - PPG outpaced global industry production growth of 4 percent
- ✓ Industrial and specialty coatings and materials sales volumes increased a mid-single-digit percentage
  - Broad-based regional growth led by Asia; growth rate accelerated in U.S. and Canada vs. 4Q'16
- ✓ Mid-single-digit percentage sales volume growth in packaging coatings building on strong prior year growth
- ✓ Higher transitory global transportation and logistics costs to meet increased customer demand in Asia
- ✓ Acquisition-related sales of ~\$60MM, currently below segment margins
- ✓ Unfavorable foreign currency translation on segment sales (~\$20MM) and income (~\$5MM)



## Second Quarter 2017 Outlook:

Source: IHS Global Insights

- ✓ Modestly higher sequential sales due to normal seasonal patterns
- ✓ Pricing actions announced across various businesses & regions
- ✓ Auto OEM industry production growth rate deceleration sequentially due to lower production rates in Europe & U.S., partly offset by increases in Mexico
- ✓ Moderate general industrial demand growth continues; varied by geography and sub-sector; PPG outperformance expected to continue
- ✓ Packaging coatings volume growth continues despite strong prior year growth comparisons due to ongoing industry conversions to new PPG technologies
- ✓ Continued higher global transportation and logistics costs to meet customer demand in Asia; China factory expansion expected to be operational in late Q2, 2017
- ✓ Acquisition-related sales growth \$60 -to- \$70MM
- ✓ Unfavorable Y-O-Y foreign currency translation remains significant





# Glass

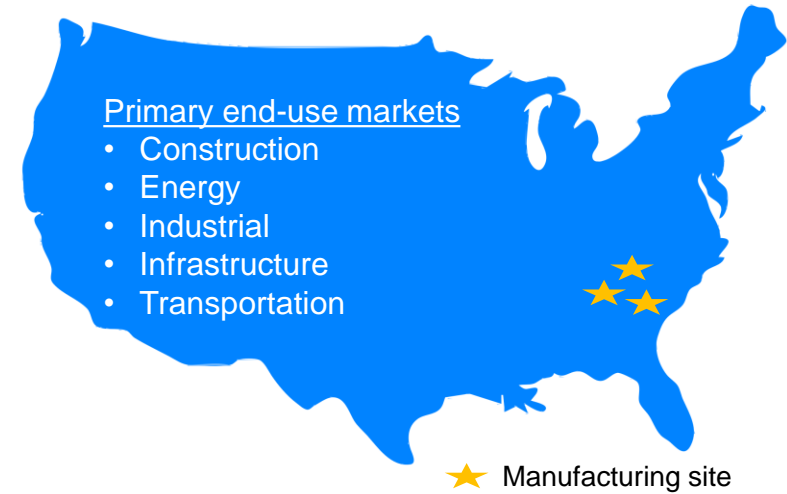
\$MM (USD)	1Q16	1Q17	Chg	%
<b>Net Sales</b>	<b>133</b>	<b>83</b>	<b>-50</b>	<b>-38%</b>
<b>Income</b>	<b>14</b>	<b>9</b>	<b>-5</b>	<b>-36%</b>
<b>Margin %</b>	<b>10.5%</b>	<b>10.8%</b>	<b>--</b>	<b>--</b>

Select Net Sales Detail	Total	Volume	Currency
1Q Y-O-Y Change	<b>-38%</b>	<b>-2%</b>	<b>--</b>

## First Quarter (Y-O-Y):

- ✓ Lower North America sales volumes driven by decreased customer demand in the wind energy sub-segment partially offset by higher oil & gas end-use market demand
- ✓ Increased North American fiber glass income; margin improvement versus prior year due to structural cost reductions post-European fiber glass divestiture
- ✓ Impacts from Europe fiber glass & Asian joint ventures:
  - Q1, 2017: sales of ~\$45 million; income of \$7 million
- ✓ Minimal foreign currency-related impact

## Fiber glass locations & end-use markets



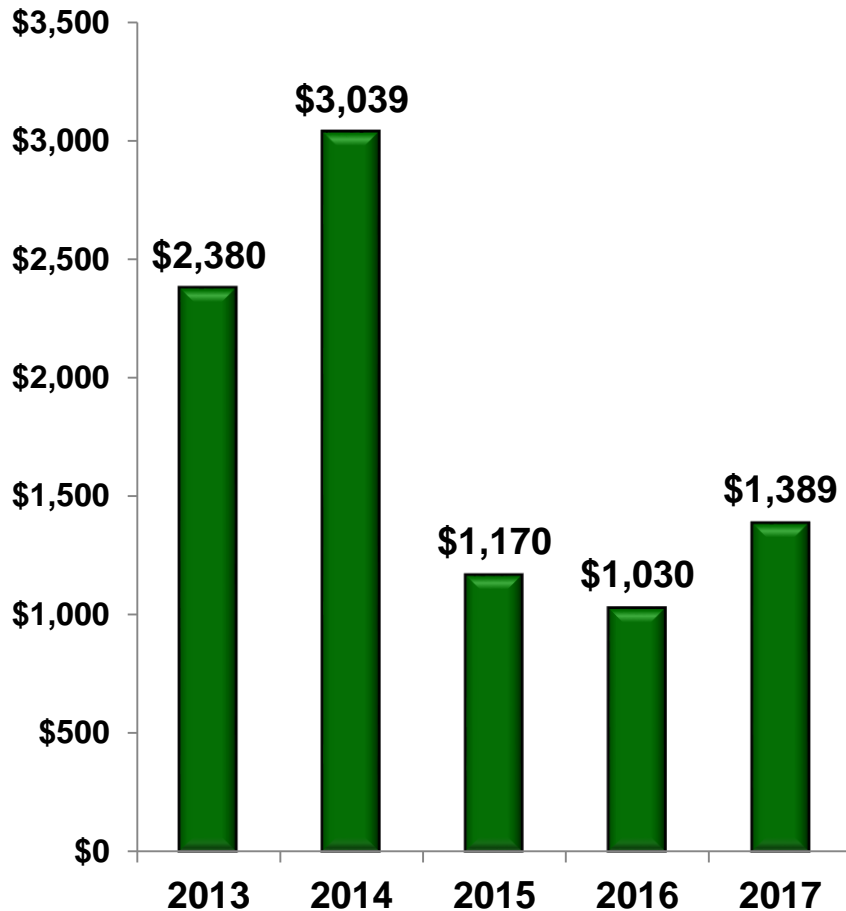
## Second Quarter 2017 Outlook:

- ✓ Modestly higher sequential sales due to normal seasonal patterns
- ✓ Continuation of current fiber glass demand trends; cost focus remains post business divestitures
- ✓ Impacts from Europe fiber glass & Asian joint ventures:
  - Q2, 2017: sales of ~\$50 million; income ~\$10 million
- ✓ Minimal foreign currency-related impact



# Balance Sheet and Cash

First Quarter Cash and Short Term Investments (\$MM)



## First Quarter 2017 Activity

- ✓ 1Q 2017 approximate cash uses:
  - Capital Spending \$65MM
  - Dividends \$105MM
  - Share Repurchases \$165MM
  - Acquisitions of Chinese automotive refinish business & Romanian architectural coatings business
- ✓ Strong cash position remains; continued focus on cash deployment for earnings accretion
- ✓ Committed to meet announced cash deployment target of at least \$2.5 -to- \$3.5 billion for acquisitions and share repurchases for 2017 and 2018 combined
  - Active acquisition pipeline remains



# First Quarter Summary

## ✓ Financial performance

- Adjusted earnings per diluted share from continuing operations up more than 6 percent year-over-year, including unfavorable impact from foreign currency translation
- Sales in local currencies up nearly 3 percent; sales volumes grew by about 2 percent and acquisition-related sales, primarily from MetoKote, added 2 percent
- Strong operational and cost management discipline continues; on pace to deliver \$40 -to- \$50 million in restructuring savings in 2017; initial pricing actions taken to address rising raw material costs
- Improved year-over-year net sales and segment income despite unfavorable foreign currency translation of ~\$65 million (net sales) and ~\$20 million (segment income)

## ✓ Shareholders and balance sheet flexibility remain key focus areas

- Cash and short-term investments totaling ~\$1.4 billion at quarter-end; maintain financial flexibility to fund acquisitions
- Operating working capital (as a percent of sales) focus remains; improved by 100 basis points versus prior year

## ✓ Earnings accretive cash deployment

- Committed to deliver cash deployment of \$2.5 -to- \$3.5 billion for acquisitions and share repurchases in 2017 and 2018 (combined)
  - Share repurchases of ~\$165 million in the quarter
  - Acquisition of Chinese automotive refinish business



# Additional Materials and Appendix

Thank you for your interest in PPG Industries, Inc.

Contact Information:

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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>First Quarter 2017</b>						
<b>Net Income Attributable to PPG as Reported</b>	\$ 334	\$ 1.29	\$ --	\$ --	\$ 334	\$ 1.29
Transaction-related costs	3	0.01	--	--	3	0.01
Pension settlement charge	14	0.05	--	--	14	0.05
<b>Adjusted Net Income Attributable to PPG</b>	<b>\$ 351</b>	<b>\$ 1.35</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 351</b>	<b>\$ 1.35</b>
<b>First Quarter 2016</b>						
<b>Net Income Attributable to PPG as Reported</b>	\$ 337	\$ 1.25	\$ 10	\$ 0.04	\$ 347	\$ 1.29
Transaction-related costs	1	0.01	--	--	1	0.01
Asset write-down	3	0.01	--	--	3	0.01
<b>Adjusted Net Income Attributable to PPG</b>	<b>\$ 341</b>	<b>\$ 1.27</b>	<b>\$ 10</b>	<b>\$ 0.04</b>	<b>\$ 351</b>	<b>\$ 1.31</b>
<b>First Quarter 2015</b>						
<b>Net Income Attributable to PPG as Reported</b>	\$ 309	\$ 1.12	\$ 13	\$ 0.05	\$ 322	\$ 1.17
Transaction-related costs	3	0.01	3	0.01	6	0.02
<b>Adjusted Net Income Attributable to PPG</b>	<b>\$ 312</b>	<b>\$ 1.13</b>	<b>\$ 16</b>	<b>\$ 0.06</b>	<b>\$ 328</b>	<b>\$ 1.19</b>
<b>First Quarter 2014</b>						
<b>Net Income Attributable to PPG as Reported</b>	\$ 279	\$ 0.99	\$ 983	\$ 3.49	\$ 1,262	\$ 4.48
Transaction-related costs	2	0.01	--	--	2	0.01
<b>Adjusted Net Income Attributable to PPG</b>	<b>\$ 281</b>	<b>\$ 1.00</b>	<b>\$ 983</b>	<b>\$ 3.49</b>	<b>\$ 1,264</b>	<b>\$ 4.49</b>

Amounts in Millions of USD except EPS



# Regulation G Reconciliation

Three Months Ended March 31, 2017	Income Before Income Taxes	Tax (Benefit) Expense	Effective Tax Rate
<b>Effective tax rate, continuing operations</b>	<b>\$448</b>	<b>\$109</b>	<b>24.3%</b>
Transaction-related costs	4	1	37.8%
Pension settlement charge	22	8	37.8%
<b>Adjusted effective tax rate, continuing operations</b>	<b>\$474</b>	<b>\$118</b>	<b>25.0%</b>

Three Months Ended March 31, 2016	Income Before Income Taxes	Tax Expense	Effective Tax Rate
<b>Effective tax rate, continuing operations</b>	<b>\$456</b>	<b>\$112</b>	<b>24.6%</b>
Transaction-related costs	2	1	37.6%
Asset write-down	4	1	37.6%
<b>Adjusted effective tax rate, continuing operations</b>	<b>\$462</b>	<b>\$114</b>	<b>24.7%</b>

Amounts in Millions of USD

