



PPG Industries, Inc., Fourth Quarter 2006 Financial Results

William H. Hernandez, Senior Vice President, Finance, January 18, 2007, Recorded Comments

Welcome and first thank you for your interest in PPG. In the next few minutes, I'll review our fourth quarter performance and also mention a few full year achievements. I'll comment on various industry and economic trends underlying our performance and also discuss a few key issues relative to year 2007. Before getting into all the details, let me quickly characterize the quarter for you.

- PPG delivered all-time record fourth quarter sales, and our annual sales broke through the \$11 billion mark for the first time ever. This is the 15th consecutive quarter where we delivered an all-time quarterly sales record. Annual sales grew by over 8 percent, marking the fourth consecutive year where we delivered sales growth of between 7 and 9 percent.
- Record quarterly sales were achieved in all six of our coatings businesses and our optical business. Annual sales records were recognized in eight of our 15 businesses. Our coatings segment easily broke through the \$6 billion sales level for the first time ever, and our optical sales grew by 16 percent in 2006.
- Our annual sales growth was broad-based both by geography and source. Geographically, cumulative U.S. and Canadian sales increased by about 4 percent, while double-digit-percentage sales growth was posted in both Europe and Latin America. In Asia our sales increased by 45 percent. With respect to sources of growth, each source – pricing, volume and acquisition – contributed between 2 to 4 percent year over year.
- With respect to earnings, during the quarter we delivered a double-digit-percentage increase versus last year's fourth quarter, despite weakness in certain U.S. end markets and related customer downtime. On an annual basis our adjusted earnings-per-share increased by 14 percent versus the adjusted full year 2005 results.
- In chemicals, as we announced in mid-November, our fourth quarter chlor-alkali volumes and resultant operating earnings were negatively impacted by customer outages which took place over the last six to eight weeks of the year. However, our optical business continued to post excellent growth, supported by strong demand and the positive impact of business acquisitions.
- In coatings, fourth quarter operating earnings expanded by 14 percent versus last year, primarily a result of our strong volume gains. Higher selling prices once again outpaced the impacts of inflation.
- Fourth quarter glass margins improved year over year. This is despite several market sectors, such as housing and autos, which are experiencing difficult times. This recovery is a result of lower energy costs, our continued cost focus and various actions we have taken to improve profitability in several of these businesses.

- Looking at a few annual trends, coatings raw material costs escalated in 2006 versus 2005, but the rate of escalation slowed dramatically. On the energy front, our full year 2006 natural gas costs were down slightly versus 2005's all-time high levels.
- And as no surprise to those of you who know us well, we generated over \$1 billion in cash from operations for the year. And again as no surprise, we have put that cash to use in ways that benefit shareholders, both now and in the future.
- Specifically, this year we completed 13 acquisitions that are intended to strengthen our coatings and optical businesses by broadening their product offering and geographic breadth. While these acquisitions added about \$375 million to sales and were just slightly accretive to earnings in 2006, in 2007 we expect them to deliver \$700 to \$800 million in full year sales and, more importantly, achieve industry margins.
- Continuing our long heritage, we increased our annual dividend payout, marking the 35th consecutive year of increasing dividend payments. Additionally, we repurchased 2.3 million shares of PPG stock during the year.

Now let me just expand a bit on some of the key points:

- This year PPG sales increased by over 8 percent with each one of our coatings businesses delivering a minimum of 9 percent sales growth. Our optical business grew sales by 16 percent, marking the fifth consecutive year this business has delivered sales percentage growth topping at least 14 percent. Our overall and consistent sales growth continues to demonstrate the successful execution of our growth strategies.
- That being said, our growth strategies would not be successful without the accompanying earnings impact. Our 2006 adjusted earnings-per-share of \$5.16 are a record for PPG, easily eclipsing the previous all-time mark.
- Both cost management and cash generation are hallmarks of PPG's operational excellence, and 2006 was no exception. We once again generated about \$70 million in cost reductions. Regarding cash from operations our consistency remains stellar, as over the past 11 years we have generated \$11 billion in cash from operations.
- We have deployed this cash in a balanced manner to reward shareholders today and build for the future. This year we spent about \$470 million on dividends and share repurchases. Additionally, we acquired businesses for a total of \$480 million including assumed debt.

To quickly summarize our outstanding 2006 performance, we delivered strong growth and broke various records in both sales and earnings. We continue to be driven by our heritage values of meeting customer requirements and rewarding shareholders. We have executed on our profitable organic growth initiatives, which will build an even stronger PPG in the future, and we prudently deployed our strong cash generation to accelerate our future growth.

Now let's discuss some of details.

Business Segment Sales						
	4th Quarter			Year-to-Date		
	2006	2005	% Change	2006	2005	% Change
Sales				\$ 6,299	\$ 5,566	13%
Coatings	\$1,675	\$1,388	21%	\$ 2,485	\$ 2,398	4%
Chemicals	585	569	3%	2,253	2,237	1%
Glass	513	548	-6%	\$ 11,037	\$ 10,201	8%
Total PPG	\$2,773	\$2,505	11%			

Fourth Quarter and Full Year Sales Comparisons

Our fourth quarter and annual sales results are illustrated on slide number three.

For the quarter our overall sales increased 11 percent. Our U.S. volumes slowed in the quarter, reflecting several sluggish U.S. markets. The sluggish U.S. results were more than offset by our ever-increasing global footprint, which produced volume growth in both Europe and Asia, coupled with the performance of the acquisitions we made this past year. Currency also was a help.

For the quarter coatings sales increased by a robust 21 percent year over year. We continue to deliver broad growth in coatings, with every business posting gains of at least 15 percent year over year. Leading the way was our aerospace business, where we posted sales gains of about 38 percent.

Our glass segment sales declined by 6 percent. This was primarily a result of a significant decline in automotive OEM glass sales, where we continued to see domestic carmakers reduce production to manage high inventory levels. Our fiber glass sales were also negatively impacted by this end market.

Our fourth quarter chemical sales were up 3 percent versus 2005, as we continued to realize strong sales growth particularly in our specialty chemical businesses. As I mentioned previously, our chlor-alkali volumes were adversely impacted by customer outages in the quarter.

Regarding the year-over-year chemical sales comparison, let me remind you that our 2005 fourth quarter chlor-alkali sales were reduced by Hurricane Rita, which resulted in the shutdown of our Lake Charles, Louisiana, facility for a portion of the fourth quarter of 2005. We estimated a negative fourth quarter 2005 sales impact to PPG of about \$40 million relating to the hurricane.

To quickly summarize the quarter, our glass and chemical results were adversely impacted by several slowing U.S. end markets, as customers managed inventory levels. However, we more than offset those impacts due to high growth levels in both coatings and optical. This is a testament to our continued focus and success on globally growing coatings and optical.

Now shifting to our annual sales results:

Annual PPG sales grew by 8 percent, with growth realized in all business segments, all regions, and by all sources. This broad growth profile was led by excellent volume growth in both Europe and Asia, and by the performance of the acquisitions we made this year. Also, price increases remained a focal point, as our coatings businesses continued to work to offset the raw materials inflation we experienced over the past few years.

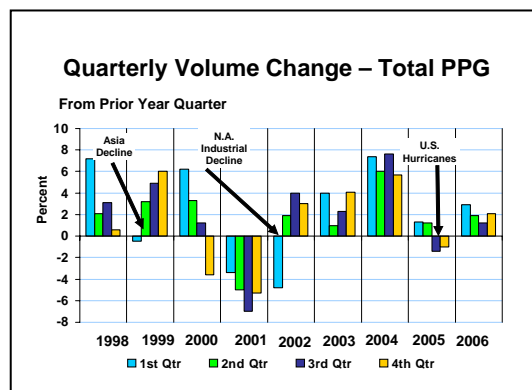
Coatings sales exceeded \$6 billion for the first time ever on sales growth of 13 percent, about one-half of which resulted from the acquisitions we completed this year. Our exceptional results in Asia continued, as Asian coatings sales grew by 45 percent year over year. Exiting the year, Asia now represents 13 percent of our total coatings profile. Meanwhile, European sales rose 12 percent on strong volume growth, while North American sales increased 9 percent, both well ahead of the regions' economic statistics. Latin American sales advanced 14 percent. By nearly any measure 2006 sales growth in coatings was excellent.

Glass sales increased about 1 percent for the year, as the full year results were negatively impacted by notably lower fourth quarter volumes. For the year, our performance glazings architectural glass business posted an increase of about 8 percent, as we continue to benefit from a robust commercial construction market. These gains were offset by weakness in our automotive OEM glass business, where our primary customers are the U.S. domestic automakers.

In chemicals, our sales grew by about 4 percent, driven primarily by a 16 percent gain in optical sales, which was due to a combination of organic growth and business acquisitions. Full year chlor-alkali sales were down, as record full year ECU pricing was offset by softer volumes.

To summarize our excellent annual sales performance, we achieved near double-digit annual sales growth despite significant slowing in several economic sectors and moderate slowing in the overall U.S. economy. This was accomplished due to our global presence, deployment of cash on a series of well-positioned acquisitions, and continued strengthening of our position in industries such as optical and aerospace, where we have broadened our product offering. Achieving percentage increases in the teens for our largest business segment – coatings – and our most profitable business unit – optical – reflects the successful fulfillment of our most critical growth strategies for 2006.

I will discuss our results in some of our individual business units later. Now let's quickly take a look at our overall sales growth trends graphically.



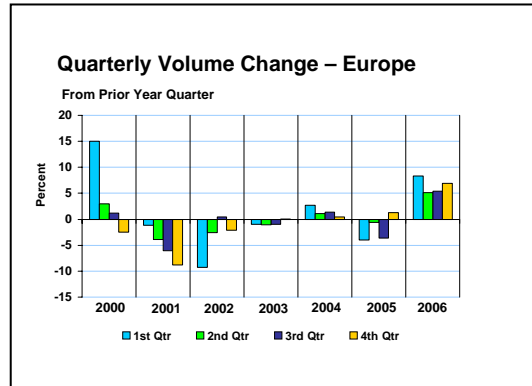
Quarterly Volume Change – Total PPG

As slide number 4 clearly illustrates, for the past several years – except for the second half of 2005, which was negatively impacted by several U.S. hurricanes – each quarter, we have consistently delivered year-over-year organic sales growth.

For the past two years we said volume growth would moderate but be at a more sustainable level. This expectation, including the sustainability, was evident in 2006, as growth remained fairly consistent despite

a variety of economic shocks, including consistently high consumer and business energy costs and reductions in both housing and autos.

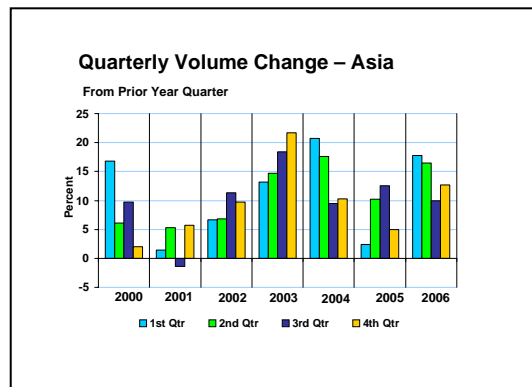
As mentioned previously, in 2006 we saw the U.S. growth rate slow during the year, including several of the markets we serve. We expect 2007 to begin with continued modest overall U.S. growth, with the growth rate accelerating in the second half of the year. On a global basis, our outlook is for organic growth rates to once again remain stable.



Quarterly Volume Change – Europe

The next slide depicts our European volumes, where this past quarter continues a very positive trend which began in the fourth quarter of last year. As I will discuss in a few minutes, some of the 2006 acceleration in the third and fourth quarters was likely due to a pre-buy ahead of a 2007 German VAT increase.

However, the overall underlying factor driving our performance trend was a more solid European economic environment, coupled with additional market share growth by PPG in the region.



Quarterly Volume Change - Asia

Moving to our Asian volume slide, our excellent organic growth in this region continues, with each quarter this year posting at or near double-digit volume growth. On an annual basis, we have delivered consistently high growth rates for the past five years.

While not depicted on this slide, during the fourth quarter our total Asian sales grew impressively, by almost 75 percent year over year, as our strong volume growth was supplemented by acquisitions.

For the next several years we expect our organic growth prospects in this region to remain robust, supporting continued high economic activity in the region.

Now we have said on many occasions that our goal was not just growth but profitable growth, so let's move to our earnings performance.

Fourth Quarter Comparisons

	2006		2005	
	Million	EPS	Million	EPS
Net Income As Reported	\$ 157	\$ 0.94	\$ 113	\$ 0.68
Net Income Includes the Following Charges:				
Asbestos Settlement - Net	3	0.02	3	0.02
Non-Cash Asset Impairments	-	-	17	0.10
Direct Hurricane Costs	-	-	10	0.06
Adjusted	\$ 160	\$ 0.96	\$ 143	\$ 0.86

Fourth Quarter Earnings Comparison

As depicted on slide number 7, we reported fourth quarter earnings-per-share of \$0.94 in the quarter that included a reduction of \$3 million aftertax, or two cents a share related to our proposed asbestos settlement. During the quarter we did receive some news on this proposed settlement, and I will discuss that shortly. Our fourth quarter tax rate was about 31.5 percent, within the range we indicated last quarter.

Last year our reported earnings-per-share was \$0.68. This figure included charges of \$0.02 a share for the asbestos settlement, \$0.10 per share relating to a non-cash asset impairment, and \$0.06 a share stemming from direct costs associated with the 2005 U.S. hurricanes Katrina and Rita. The tax rate was 32 percent.

As I mentioned previously, our results were tempered by lower volumes, primarily in chlor-alkali and glass, as several large customers took significant downtime, especially in the last six to eight weeks of the year. That being said, our adjusted earnings-per-share increased by about 12 percent year over year.

	2006		2005	
	Million	EPS	Million	EPS
Net Income As Reported	\$ 711	\$ 4.27	\$ 596	\$ 3.49
Net Income Includes the Following Charges:				
Asbestos Settlement - Net	17	0.10	13	0.08
Legal Settlements	26	0.15	128	0.74
Insurance Recoveries	(24)	(0.14)	(11)	(0.06)
Environmental Remediation	106	0.64	-	-
Business Restructuring	23	0.14	-	-
Debt Refinancing Costs	-	-	12	0.07
Non Cash Asset Impairment	-	-	17	0.10
Direct Hurricane Costs	-	-	21	0.12
Adjusted	<u>\$ 859</u>	<u>\$ 5.16</u>	<u>\$ 776</u>	<u>\$ 4.54</u>

Full Year Earnings Comparison

Moving to slide number 8, full year reported earnings were \$4.27 a share in 2006. This includes reductions of \$0.10 for our proposed asbestos settlement, \$0.15 for legal settlements, \$0.64 for legacy environmental charges, \$0.14 for business restructuring, and an addition of \$0.14 due to insurance recoveries. Our adjusted earnings-per-share was \$5.16.

Last year our reported earnings were \$3.49 a share. This includes an addition of \$0.06 for insurance recoveries and reductions of \$0.08 for the asbestos settlement, \$0.74 for legal settlements, \$0.07 relating to debt refinancing costs, \$0.10 for a non-cash impairment charge and \$0.12 for direct hurricane costs. 2005 adjusted earnings-per-share was \$4.54.

Our full year 2006 tax rate was about 26 percent, while our 2005 tax rate was about 30 percent. Both of these rates were impacted by various charges and adjustments. Our ongoing tax rate in both years was about 31.5 percent, and we expect our 2007 tax rate to be in the same range.

Once again, PPG's full year adjusted earnings-per-share represented about a 14 percent increase over last year's adjusted figure. Earnings-per-share remains one of our key performance metrics, and we are very proud to have delivered double-digit-percentage growth in 2006 and honored our commitment of profitable growth. I will discuss some of the key drivers of this growth as we walk through the results of each of the businesses later.

Lastly, we once again surpassed \$1 billion in cash from operations, which includes a reduction for the \$100 million contribution we made to our U.S. pension funds this year.

Let me summarize our full year 2006 financial results. In the wake of a slowing U.S. economy, with notable declines in both housing and automotive production, I am sure many folks would have doubted our ability to match our excellent 2005 results. Well, we not only matched them, despite these macro challenges; we surpassed many of them by a double-digit-percentage increase.

Our performance is a reflection of our diverse and global business mix, our ever-present diligence and commitment to focus on costs, and our continued pricing discipline. These are certainly not new traits for PPG, but as we demonstrate time and again, they yield excellent earnings performance.

We are pleased by the financial results we achieved in 2006, as we continued to make progress in restoring our industry-leading coatings margins back to historical levels; drove double-digit-percentage increases in our top line in both coatings and optical; and generated cash and, more importantly, used that cash to either strengthen our businesses or return it to our shareholders.

Economic Indicators		
	4Q 2006 (change from 4Q 2005)	Year 2006 (change from 2005)
U.S. Real GDP*	2.7%	3.2%
U.S. Industrial Production*	4.1%	4.3%
EEC Real GDP*	2.9%	2.7%
China Real GDP*	10%	10%
N.A. Vehicle Production	-7.6%	-2.9%
N.A. Light Vehicle Sales	-1.1%	-2.6%
Western Europe Auto Production*	1%	-2%
Western Europe, New Registrations	2%	1%
U.S. Housing Starts*	-28%	-13%
U.S. Commercial Const. (Real Inv.)*	12%	9%

*Estimates

Economic Indicators

The next slide provides an overview of either our or Global Insight's estimates of the relevant historical economic statistics. I typically cover at length many of these macroeconomic metrics and trends. Given that I already touched upon some of them, I'll be brief. I will also provide our current outlook on the economy as we enter 2007.

First let's discuss automotive production. As we have stated many times, global automotive

production continues to expand. Global Insight estimates that global vehicle builds grew by 4 percent in 2006 and about 12.5 percent over the past three years. This consistent growth is driven by substantial growth in emerging regions, while production in mature regions has varied only slightly, either up or down.

Global Insight estimates that in 2006, annual vehicle production grew in China and Eastern Europe about 28 percent and 18 percent respectively. China is now the world's third largest country in terms of automotive production. The growth trend remains robust, as production has grown nearly 400 percent since year 2000. Our recent OEM coatings acquisition in Asia will result in an approximate 150 percent increase in our sales from that region as we purchased the remaining interest of our Korean joint venture.

In the more mature markets, Western European automobile production was down 1.5 percent for the year but up just slightly in the fourth quarter. In North America, full year production declined about 3 percent, with the fourth quarter results off nearly 8 percent. This past quarter, North American auto production was one of the more pronounced lagging sectors of the U.S. economy.

Our overall automotive businesses remained fairly consistent with the macro trends as, on an annual basis, our North American-based auto OEM glass business recognized volume declines of about 5 percent, while our global auto OEM coatings business grew volumes by 4 percent.

Our view remains very positive on growth in the overall global automotive market. Entering 2007, we do expect continued softness early in the year in North America. We also see softness in Western Europe due to the pull forward of sales in 2006, due in part to the German VAT increase. We expect emerging regions to continue to grow rapidly and expect full year global growth rates to be in sync with recent history.

Moving to industrial production, we are seeing similar global trends as many industries continue to consolidate and globalize. Given we remain primarily a specialty materials company, our overall volume growth patterns, over time, closely resemble that of the various regions, exclusive of changes in our customer portfolio. Most of the industrial growth is occurring in emerging regions where lower labor rates are available. We have been focusing our investments in growth, both acquisitions and expansions of existing businesses, in these emerging economies.

North American industrial production is estimated to have been up about 4 percent in 2006, with a fairly comparable figure for the fourth quarter. Industrial production in Western Europe also improved in 2006, especially in the fourth quarter, and was boosted by the impact of the VAT pre-buy. Industrial activity continued to flourish in the emerging regions such as China, where growth rates were in the mid-teens.

During 2006 in our global coatings business, our volumes in the U.S. and Canada were flat, up 7 percent in both Europe and Latin America, and improved 13 percent in Asia.

Looking ahead, we certainly expect the emerging regions to continue to post high industrial growth as these economies continue to expand. High-labor-content products remain the focal point, while products with much lower labor content, such as coatings where labor content is typically less than 10 percent of the cost, will remain more regional with transportation costs acting as a sturdy barrier to globalization.

Finally, both U.S. commercial and U.S. residential construction markets have certainly experienced their share of the spotlight this past year.

Residential construction dramatically slowed during 2006, with some signs of a possible plateau occurring late in the fourth quarter. This contradicts the prior two years, where speculation and historically low interest rates drove 20 to 30 percent increases in the build rates.

In 2006, the decline of our supply into this particular end-market has matched the market decline, especially in the fourth quarter, as many customers have also opted to reduce inventory levels in anticipation of a new, lower annual build rate. Conversely, commercial construction has grown about 9 percent for the year, with growth the past two quarters of over 10 percent.

As we have reiterated many times, our performance glazings architectural glass business, with its value-added product focus, is more highly correlated to commercial construction. Also, our architectural coatings business continues to expand our share of the professional paint market. For the year, our volumes in both these businesses grew by about 5 percent despite the significant residential slowdown.

As we peer into 2007, we choose to first look at history. From an historical perspective, the five-year average annual housing start rate for the eight years prior to year 2004 was about 1.6 million units. This period even included a mild recession. We expect that supply and demand will eventually result in this general build rate once again, but only after high inventory levels are reduced. Meanwhile, more important to PPG, the life cycle of the

Average-size commercial construction project is about 14 months. Therefore, we fully expect the 2006 activity increases to carry forward well into 2007 for the products we supply.

Now let's discuss our overall economic outlook and several other key topics.

Key Topics

- Economy
- Energy & Raw Materials
- Legacy Issues
- Business Performance

Key Topics and Outlook

Let me begin with the overall economic environment. Our forecast a year ago was that in 2006, growth in the U.S. economy would moderate. We also mentioned that the economy would weather the shocks of high energy costs and residential housing, and would maintain a stable and solid, albeit slower, growth rate. Also, as we entered 2006, we noted that commercial construction was showing signs of a recovery. Lastly, we indicated that the European economy was promising and, as nearly all

economists predicted, Asia's robust growth would continue.

Now in looking back, 2006 did unfold in a manner similar to this forecast. However, as with most forecasts, there were certain areas that exceeded and others that fell below our expectations.

Automotive production was slightly slower than expected, driven primarily by second half of year softness in the U.S. market. Also, high inventories in the U.S. residential construction sector have produced an economic and volume drag more substantial than we initially believed, especially in the last quarter of the year. With respect to these two areas, our global footprint and customer mix in automotive OEM coatings and excellent penetration in the commercial construction market have offset, and in some cases surpassed, the impact of these U.S. sector drags.

Outside the U.S., Europe economic activity grew throughout the year, including a very robust fourth quarter. Since early in the year, we forecasted a pull-forward of activity from year 2007 due to the pending German VAT increase, and still believe a portion of the strength we saw in third and fourth quarters was a result of this event. That being said, the European economy has improved in several critical areas including employment rates and consumer spending.

In Asia, Japan has demonstrated a few signs of economic growth following 10 years of low economic activity. In our opinion, this growth trend, while welcomed, has not yet stabilized.

China and India, on the other hand, have consistently produced fairly high growth rates. GDP growth in China and India was about 10 percent and 9 percent respectively, but more important to industrial companies such as PPG is industrial growth. In 2006, China's industrial production grew by over 15 percent, and infrastructure growth topped 25 percent.

Other emerging regions such as Latin America also produced growth rates at or above their historical norm.

So how did all this translate for PPG? While reflecting back to our organic volume growth we covered earlier, I think you will agree that our 2006 performance exemplifies our ability to

take advantage of the continued industrial globalization and our capability to mitigate negative shocks of any one region or industry.

Now, as we enter 2007, let me provide our outlook on the economy.

In North America, we expect GDP growth to remain at generally the same levels as the second half of 2006. For the first half of 2007, we expect that the housing slowdown will continue to act as a notable drag on the overall economy, as will U.S. automobile production. These same factors will continue to have somewhat similar impacts on our volumes in the businesses that supply these sectors. Meanwhile other market sectors, such as aerospace and commercial construction, will continue to experience high activity levels.

Overall we remain confident that the economy is on sound footing, as employment figures are good and fairly stable and consumer spending remains consistent. Any downturn in these statistics would give us reason for concern, but the most recent data indicates these statistics are actually improving slightly.

Many other economic statistics also remain favorable. While corporate profit growth is expected to slow, corporate balance sheets remain sound and the export market will likely expand given lower U.S. energy costs and the current foreign exchange environment.

In general, in North America we expect 2007 to be comparable on a full year basis to 2006, except we expect economic acceleration to occur in the second half of year 2007. This overall forecast remains consistent with our debated 'soft patch' forecast we made at the end of 2005.

Moving to Europe we see several headwinds, especially in the first half of the year, with the change in taxation that likely pulled forward some sales into 2006, a stronger Euro which changes import/export economics, higher interest rates, and slower first half growth in the North American economy which will impact the European export market.

However, in comparison, the European consumer has improved both in balance sheet and sentiment, and many businesses are beginning to take steps to become more efficient and competitive in the global economy. As a result, when compared with 2006, we see comparatively consistent economic prospects with good activity levels in the region for the full year of 2007. We expect growth in Eastern Europe to continue to outperform Western Europe by roughly two-to-one.

While we could spend a great deal of time discussing Asia, simply put, we see a continuation of a very high growth rate, especially as China prepares for the 2008 Olympics in Beijing. Meanwhile, we remain hopeful, but less enthusiastic about the sustainability of the recent but slight growth rate in Japan.

Overall, we expect global GDP growth to continue to be in the range of about 4 percent, with the North American growth rate similar to 2006. Naturally, our performance and execution over the past few years in a similar environment give us continued reason for optimism regarding our future global growth prospects.

Now let's shift our discussion to energy costs and raw materials.

For the full year, our primary energy cost – natural gas – declined slightly below record 2005 levels due in large part to a significant cost difference in the fourth quarter. In the fourth quarter of 2005, immediately following the two U.S. hurricanes Katrina and Rita, PPG natural gas costs spiked to an all-time high of about \$12.50 per MMBTU. In the fourth quarter of 2006, our natural gas costs were about \$7.75. Our full year energy costs were about \$8.50 in 2005 and in 2006 they were roughly \$8.

For those of you who may not know us well, we use 60 to 70 trillion BTUs of natural gas a year to generate power for the production of chlorine and caustic soda, and to produce glass and fiber glass. So if natural gas costs change by a dollar per million BTUs, our pretax costs change by about \$60 to \$70 million on an annual basis. Our year-over-year natural gas costs were down about \$35 million for the full year.

In addition to natural gas, for over two years we have experienced increases related to coatings raw material costs. These costs, which include petroleum-based materials, are the largest component of production costs for coatings. In 2006, these raw materials costs remained stubbornly high as a result of, among many other things, consistently high oil prices through year-end.

For the full year, coatings raw material costs increased by about 3 percent or just about \$75 million, which is on top of an approximate 10 percent rise in 2005. Our fourth quarter 2006 costs were up about 2 percent.

Moving ahead, we believe that we will continue to see erratic price changes in the energy markets as shifts occur in global supply and demand, and we also believe speculation remains a prevalent factor in pricing.

Regarding natural gas costs, we have hedged the cost of about 35 percent of our first quarter 2007 natural gas purchases at a price of about \$8.35, and for the full year we have hedged about 30 percent of our annual take at a price of about \$8.

With respect to coatings raw materials, many raw materials suppliers believe that the business cycle has peaked. Additionally, recent oil price trends and lower demand due to a slower U.S. economy all favor an eventual buyers' market. As a worst-case scenario, we expect only slight raw material escalation in 2007, as a few raw materials remain in scarce supply. However, for a variety of reasons, transportation cost pressures remain.

We made excellent progress as we continued to return back to our industry-leading historical coatings margins in 2006. As we move into 2007, year-over-year coatings margin comparisons will become exceedingly difficult as we anniversary our 2006 acquisitions throughout the year.

Now, prior to discussing our business performance, let me talk about a few legacy topics.

First, in the third quarter we recorded a pretax charge of \$173 million relating to legacy environmental costs. Additionally, outside of this specific charge, other pretax environmental costs accrued this year totaled about \$35 million, still within our historical

annual range over the past 15 years of \$10 to \$49 million. As I stated last quarter, the large third quarter charge represents meaningful progress toward the resolution of longstanding

legacy issues detailed in our financial filings for many years. Our expectations for 2007 are to return to a level of annual remediation costs consistent within our previous annual historical range.

Next, regarding our proposed asbestos settlement, as we recently communicated, the bankruptcy judge provided her opinion on the Pittsburgh Corning bankruptcy reorganization plan in late December of last year. While we were disappointed the plan did not receive confirmation, we view many facets of her opinion as favorable. We are currently analyzing a variety of options, which may include plan modifications and reconsideration or appeals of the bankruptcy court opinion.

Given that this event just recently transpired, along with the overall complexity of the issue, we are not able to offer any timeline upon which any next step will be taken. For those not familiar with the details of the proposed settlement, please refer to page 18 of our third quarter 2006 Form 10-Q and our press release filed on Form 8-K on December 22, 2006, for more information.

Now let's discuss our businesses performance.

	4th Quarter			Year-to-Date		
	2006	2005	Change	2006	2005	Change
	Operating Earnings					
Coatings	\$ 205	\$ 180	\$ 25	\$ 829	\$ 609	\$ 220
Chemicals	79	23	56	314	451	(137)
Glass	20	(1)	21	140	56	84
	\$ 304	\$ 202 ⁽¹⁾	\$ 102	\$ 1,283	\$ 1,116	\$ 167

(1) Includes charges of \$27 million for asset impairment.
Includes charges of \$16 million for direct costs related to hurricanes.

Business Segment Earnings

Shifting to slide number 11, first let's look at our glass business, where in 2005 we recorded a slight fourth quarter operating loss. In 2006, we posted a \$20 million operating profit.

In the quarter, sales and earnings declined versus last year due to the considerable downturn in both North American autos and U.S. housing. However, this decline was more than offset by solid manufacturing improvements, lower year-over-year

natural gas costs, our excellent commercial construction value-added products in our performance glazings business, and as a result of actions we have undertaken in several of these businesses to improve profitability.

For the full year, our glass segment operating profits improved notably. I will remind you that the 2005 results were reduced by the impact of a pretax \$61 million legal charge. Our 2006 earnings increase is on only slightly lower full year natural gas costs, and despite a significant slower U.S. housing market and a slower U.S. auto market.

While we still have room to go in improving our glass business profitability, and we remain keenly cost focused, our 2006 performance in light of the economic environment demonstrates some of the considerable actions we have taken are gaining traction. That being said, it is fully recognized that several of our glass businesses still need to substantially improve their financial performance to meet our corporate objectives.

Shifting to our chemical segment, we achieved good fourth quarter results despite the notable customer-related volume declines I noted a few minutes ago. For clarity in understanding both the quarter and full year results, let me remind you of some of the unusual items included in the earnings.

In the fourth quarter of 2005, we recorded pretax charges of \$16 million relating to the direct impact of the hurricanes and \$27 million stemming from the impairment of certain fine chemicals assets. For the full year 2005, direct hurricane-related costs totaled \$34 million.

In 2006 we had no unusual adjustments in the fourth quarter. For the full year, we recorded a pretax legacy environmental charge of \$173 million and also realized a pretax insurance recovery of \$11 million resulting from the 2005 hurricanes.

On an adjusted basis, our fourth quarter earnings compared favorably versus last year. For the full year, on an adjusted basis, our chemical earnings dropped primarily on lower chlor-alkali volumes and higher manufacturing costs. Despite a challenging fourth quarter, chlor-alkali did post another excellent year. Chemical full year results were assisted by continued growth in our specialty chemical sales and earnings.

Now in reviewing our coatings earnings, in the fourth quarter we delivered a double-digit-percentage increase in earnings. Our \$205 million of operating profits were 14 percent higher than the 2005 figure. This earnings growth is largely due to strong volume growth and price actions which more than offset 2006 inflation.

For annual comparison purposes, let me once again detail for you some of the unusual charges we had in coatings during both years. For the full year of 2005, we had a net charge of \$132 million relating to net legal and insurance matters. In 2006, we recorded restructuring costs of \$32 million and a legal settlement of \$23 million, which were partially offset by insurance recoveries of \$28 million.

When you exclude the respective adjustments from both years, you will see the magnitude by which our ongoing coatings earnings improved. Profitable organic growth was once again the main driver in this increase.

Now to summarize both the quarter and the year earnings results.

In the fourth quarter, even though certain business volumes were tempered by customers' inventory management in several U.S. market sectors, we still posted very high year-over-year adjusted earnings. Additionally, all three business segments grew operating earnings. This growth was the result of profitable organic growth in coatings and specialty chemicals and the improvement actions in our glass businesses.

On an annual basis, our strong earnings growth in coatings was supplemented by continued gains in our optical and performance glazings businesses. These businesses led the way to us achieving a full year record adjusted earnings-per-share that was well in excess of our prior record. We are very proud of delivering these results, as they came at a time of slower U.S. economic growth and reinforced that we are delivering on our strategy of profitable global growth.

Now let me discuss our sales growth results by business unit.

Approx. Trends in Outside Sales - Total PPG						
4Q 2006 (change from 4Q 2005)	<u>Sales</u>	<u>Volume/Mix</u>	<u>Price</u>	<u>Curr.</u>	<u>Acq./Other</u>	
	11%	2%	-1%	3%	7%	
Year 2006 (change from 2005)	<u>Sales</u>	<u>Volume/Mix</u>	<u>Price</u>	<u>Curr.</u>	<u>Acq./Other</u>	
	8%	2%	2%	0%	4%	

Approximate Trend in Outside Sales – PPG

Slide number 12 depicts our fourth quarter and full year sales results. I already discussed many of these previously. Focusing on the full year results, let me just reiterate how broad-based our sales growth was, with each source delivering positive growth. Once again, our total sales growth of 8 percent was the fourth consecutive year of growth between 7 percent and 9 percent, certainly demonstrating our consistency of growing well ahead of GDP figures.

Now let's review some of the business-specific results.

Approx. Trends in Outside Sales - Glass						
4Q 2006 (change from 4Q 2005)	<u>Sales</u>	<u>Volume/Mix</u>	<u>Price</u>	<u>Curr.</u>	<u>Acq./Other</u>	
GLASS	-6%	-7%	-1%	1%	1%	
Automotive OEM	-12%	-11%				
Automotive ARG	-2%	-9%				
Insurance & Services	-22%	-22%				
Fiber Glass	-4%	-5%				
Performance Glazings	-3%	-1%				
Year 2006 (change from 2005)	<u>Sales</u>	<u>Volume/Mix</u>	<u>Price</u>	<u>Curr.</u>	<u>Acq./Other</u>	
GLASS	1%	0%	-1%	1%	1%	
Automotive OEM	-6%	-5%				
Automotive ARG	4%	-1%				
Insurance & Services	-10%	-10%				
Fiber Glass	0%	1%				
Performance Glazings	8%	5%				

Approximate Trend in Outside Sales – Glass

As detailed on slide number 13, glass sales dropped 6 percent in the fourth quarter, primarily on lower volumes. Pricing also declined 1 percent in the quarter.

For the full year glass sales advanced 1 percent, due in large part to strong volume gains in performance glazings and automotive replacement glass, nearly equally offset by volume shortfalls in OEM glass.

Regarding automotive OEM glass, for the quarter volumes dropped 11 percent, generally in sync with our domestic U.S. automotive customers. Both DaimlerChrysler and General Motors took significant production downtime during the quarter.

On an annual basis OEM glass sales declined 6 percent, once again reflecting industry trends relating to its major customers, the domestic automakers, and downward pricing pressure was strong. We expect these trends to continue in the first part of 2007.

Automotive replacement glass sales also fell during the quarter, dropping 2 percent. This drop is in part a reflection of warmer weather throughout most of the U.S.

Full year auto replacement glass sales rose 4 percent, and we raised our percentage of product sourced from low-cost regions to 21 percent. This market is highly competitive, and we see this challenging competitive landscape continuing in 2007.

Fiber glass quarterly sales fell 4 percent as we experienced lower U.S. volumes, particularly into the U.S. auto and housing markets. On an annual basis, fiber glass sales were flat.

Not detailed here is the significant growth in our Asian fiber glass joint ventures. We have made considerable progress in our sourcing strategies to better position this business globally that yielded significant year-over-year earnings improvements.

Next, performance glazings sales declined 3 percent during the quarter on slightly lighter volumes. Price declined slightly as well, due to a lower energy surcharge as natural gas pricing declined.

On an annual basis, sales grew 8 percent on strong volume growth of 5 percent and price gains of 2 percent. The volume growth was despite a considerable drop in residential housing. As we stated many times, this business is much more closely aligned to commercial construction, and our full year results in the wake of a serious housing downturn certainly confirm our assertion.

Lastly, our energy surcharge in performance glazings is applied on a quarter lag, and it was significantly beneficial in the first quarter of 2006, reflecting all-time high natural gas prices at the end of 2005. Given fourth quarter 2006 natural gas pricing dropped considerably, this will result in a negative year-over-year price comparison in this business of about \$10 million in the first quarter of 2007.

In summary for glass, our overall sales increase of 1 percent for the year was indicative of the North American end markets we serve. As I mentioned earlier, we have taken several actions in these businesses, and in 2006 we recognized some related improvement in glass earnings. However, a great deal of work remains to bring underperforming businesses to acceptable PPG financial measures.

Now let's shift our discussion to chemicals.

Approx. Trends in Outside Sales - Chemicals					
4Q 2006					
(chg. from 4Q 2005)	<u>Sales</u>	<u>Volume/Mix</u>	<u>Price</u>	<u>Curr.</u>	<u>Acq./Other</u>
CHEMICALS	3%	9%	-10%	1%	3%
Chlor-Alkali/Commodity	-5%	11%			
Specialty	15%	6%			
Year 2006					
(chg. from 2005)	<u>Sales</u>	<u>Volume/Mix</u>	<u>Price</u>	<u>Curr.</u>	<u>Acq./Other</u>
CHEMICALS	4%	1%	1%	0%	2%
Chlor-Alkali/Commodity	-3%	-4%			
Specialty	15%	10%			

Approximate Trend in Outside Sales – Chemicals

Slide number 14 illustrates our chemical sales results. Overall fourth quarter chemicals sales increased 3 percent as higher volumes were offset by lower pricing, while optical acquisitions added 2 percent. Our 2006 fourth quarter sales were a record for any fourth quarter in our history. Also, our full year sales were a record as well.

In chlor-alkali, as we announced in mid-November, our fourth quarter sales volumes were negatively impacted by several customer outages. Despite this, our year-over-year volumes increased, as our 2005 volumes were also reduced as Hurricane Rita resulted in the shutdown for part of the quarter of our largest facility. Chlor-alkali pricing fell 16 percent from last year's levels, reflecting in part a 40 percent decline in natural gas prices.

On an annual basis, we realized full year record ECU prices, but volume was off slightly at about 4 percent. Despite the sluggish fourth quarter, 2006 was one of our best years ever in chlor-alkali.

Looking ahead to 2007, we see a dynamic environment. In the early portion of the year, we expect our chlor-alkali demand to remain below historical levels due to certain sectors of the economy and continued, select customer downtime. Conversely, we expect already completed permanent industry supply reductions to impact the overall supply/demand

balance. We have already seen inventory reductions in our chlor-alkali inventory position beyond those driven by our lower fourth quarter operating rates, resulting in inventory levels drastically below our mid-2006 levels. Finally, as mentioned earlier, the current forward market on natural gas pricing is certainly more favorable than it was last year at this time.

Specialty chemical volumes were up once again during the quarter, as we had continued growth in optical supplemented by growth in fine chemicals.

On an annual basis, specialty chemical sales grew 15 percent, led by optical sales growth of 16 percent as organic growth was accompanied by sales from businesses acquired.

We continue to extend our optical advertising in order to continue to build our brand globally, and our growth in sales and earnings validates the success of this expansion. Looking into 2007, we expect to extend this even further and will likely incur higher year-over-year advertising expenses in the first quarter, which will assist us in achieving our full year growth objectives.

To summarize our 2006 chemical results, our chlor-alkali business had another excellent year, and optical once again delivered sales growth of over 15 percent. We are proud to say that for the second consecutive year, this culminated in our achievement of both fourth quarter and full year sales records.

Now let's discuss our strong coatings sales, which are depicted on slide number 15.

Approx. Trends in Outside Sales - Coatings					
4Q 2006					
(change from 4Q 2005)	Sales	Volume/Mix	Price	Curr.	Acq./Other
COATINGS	21%	3%	3%	4%	11%
Automotive OEM	18%	5%			
Refinish	20%	3%			
Industrial	15%	-3%			
Aerospace	38%	14%			
Architectural	27%	-2%			
Packaging	19%	11%			
Year 2006					
(change from 2005)	Sales	Volume/Mix	Price	Curr.	Acq./Other
COATINGS	13%	3%	3%	1%	6%
Automotive OEM	9%	3%			
Refinish	10%	0%			
Industrial	13%	2%			
Aerospace	17%	10%			
Architectural	24%	5%			
Packaging	12%	9%			

Approximate Trend in Outside Sales – Coatings

In the quarter, coatings sales grew a robust 21 percent, easily eclipsing our prior fourth quarter record of last year. Our sales results also beat our all-time quarterly record, despite a traditionally slower quarter seasonally. The growth remained broad-based, including 3 percent for both price and volume plus 11 percent related to our 2006 acquisitions. Currency, primarily the strong Euro, also added 4 percent.

Annual coatings sales grew 13 percent, as both price and volume once again added 3 percent each. Acquisitions added 6 percent, as several acquisitions were completed throughout the year.

In the fourth quarter, our automotive OEM sales increased 18 percent to a new fourth quarter record and new record for any quarter. This included volume gains of 5 percent, despite a very sluggish North American vehicle market. Our global breadth and customer portfolio remained keys toward achieving these results. Also, Asian acquisitions added about 7 percent as we expanded our operations to take advantage of the rapid growth in this region, which I described earlier.

On a full year basis, we achieved record sales on 9 percent sales growth. Volume gains continued, up about 3 percent, on the strength of global industry growth. Acquisition sales were the other major factor in our results.

Refinish sales for the quarter increased 20 percent, as business acquisitions were supplemented by volume and pricing gains. The result is a new fourth quarter record sales level, as well as a new record for any quarter.

Record annual sales were also achieved, due to both the acquisitions we completed along with pricing gains.

Industrial coatings also produced a new fourth quarter sales record despite sluggish volumes in North America due to autos and housing. Pricing and acquisition growth more than offset the end-market impacts.

Also, a new full year record was achieved as we continued to expand our industrial business globally. Our Asian industrial sales grew 60 percent this past year, including the impact of acquisitions, and now are just under 25 percent of our global industrial coatings sales – a percentage that will grow even further in 2007.

Aerospace sales grew just under 40 percent in the quarter and are, naturally, a new fourth quarter record and new record for any quarter. Excellent volume growth and good results from our acquisitions paved the way for the stellar performance.

Annual sales for aerospace grew 17 percent as volumes grew 10 percent. Needless to say, the global aerospace market remains strong, and we continue to grow in this market by providing leading technologies and services.

Architectural sales also grew substantially for the quarter with a 27 percent gain. Volumes were down, but just slightly – a reflection of much weaker residential housing and do-it-yourself markets. Acquisitions and pricing gains advanced sales for the quarter.

An annual sales record was also achieved as our architectural sales grew by 24 percent, with acquisitions a key driver in this growth. We now have just about 450 company-owned service centers supporting professional painting contractors. This helped us deliver annual volume growth of about 5 percent despite continually dropping residential construction.

Packaging sales grew 19 percent for the quarter and 12 percent annually. Sales records were eclipsed for both the quarter and the full year.

In total coatings, our annual sales growth of 13 percent is broad-based by source, as growth was achieved in volumes, price and acquisitions. Also, geographically we grew coatings sales by 9 percent in the U.S. and Canada, 12 percent in Europe and 45 percent in Asia. As I stated earlier, these growth results are outstanding by any measure and continue to reflect the successful execution of profitable growth initiatives.

Now let me shift gears and discuss something equally impressive: our results in the area of cash generation.

Uses of Cash

- Prudently Fund Businesses
- Dividends
- Debt
 - Pensions
- Acquisitions
- Stock Repurchase

Use of Cash

Our track record of consistently generating cash continues. For the year, we once again generated over \$1 billion in cash from operations. This includes a reduction of \$100 million for a voluntary U.S. pension fund contribution.

Many of you have heard us discuss for some time how we prioritize our uses of cash. This prioritization is detailed on slide number 16. The overriding goals for our cash deployment are to strengthen our businesses and provide for sustainable benefits to shareholders.

First is prudently funding our businesses through organic capital spending necessary to keep the businesses healthy and competitive. In 2006, our capital spending excluding acquisitions was about \$375 million, well within our annual target of 3 percent to 4 percent of sales. Our annual target remains unchanged for 2007.

Next, we continue our tradition of rewarding shareholders with annual returns in the form of dividends, as evidenced by the fact that we have paid uninterrupted dividends for 107 years. Also, this year marks the 35th consecutive year of increasing dividend payments – a heritage we are very proud to continue.

Regarding debt, our debt-to-capital closed this year at about 28.6 percent, and our debt level remains fairly consistent with last year. Looking ahead, our debt profile provides us with continued flexibility for many years to come, as we have only about \$250 million in debt coming due over the next eight years. This figure is certainly manageable given our cash-generation abilities.

With respect to pensions, as I mentioned earlier, we made a \$100 million voluntary contribution to our U.S. pension fund in 2006. Looking ahead, our U.S. pension plans do not require mandatory funding until at least 2009, using conservative assumptions concerning pension fund investment returns. Given our financial flexibility, we may opt to make a voluntary, tax-effective contribution in 2007 of up to \$200 million.

Next on our list are acquisitions that are related to our current businesses and that are at the right price. In 2006 they totaled about \$480 million in cash and assumed debt, with the focus remaining on coatings and optical. There remains an active pipeline of possibilities in 2007, although not as voluminous in numbers as there was entering 2006. As many of you know, and as our 2006 actions proved, we will remain very fiscally disciplined in this area.

Regarding our last prioritized use of cash, share repurchases, in 2006 we spent about \$150 million in repurchasing a little over 2.3 million shares of PPG stock. We currently have over 7.6 million shares remaining on our current board-authorized share repurchase program. Given our consistency of annual cash generation, we have and will utilize excess cash in a given year to repurchase stock.

Let me conclude our discussion on cash by summarizing our balanced 2006 cash deployment. We spent about \$500 million in combined organic capital spending, debt repayment and U.S. pension contributions. We returned \$470 million in cash to our shareholders in the form of dividends and share buybacks, and our acquisitions and assumed debt totaled about \$480 million. Remarkably, after completing all these activities, our year-end cash balance was nearly exactly the same as our 2005 year-end balance, at about \$450 million.

Conclusion

In conclusion, 2006 was an outstanding year by nearly every financial measure. Let me quickly summarize a few of the year's major financial accomplishments:

- We profitably grew our coatings and optical businesses by double-digit-percentage increases.
- We greatly extended our footprint in Asia and other emerging regions of the world.
- We easily weathered a significant U.S. downturn in housing and slower North American automotive production.
- We delivered another \$70 million in manufacturing improvements, primarily in glass, as a result of our continued actions.
- We completed coatings and optical acquisitions that will produce meaningful returns in 2007 and beyond.
- We generated another \$1 billion in cash from operations and deployed that cash in a balanced manner.
- And we once again rewarded shareholders with growing dividends and share repurchases.

This is not to say that 2006 didn't have its share of obstacles, but we overcame those obstacles by remaining committed to delivering new technologies and services, growing organically, remaining cost-focused and properly managing our financial flexibility.

While the outlook for 2007 looks equally challenging, our prospects for continued growth look just as exciting as well. Let me articulate just a few items:

- We expect our coatings and optical businesses to continue to become larger portions of our portfolio.
- In addition, we expect our organic growth to continue, especially in emerging regions.
- We have placed increased scrutiny on underperforming businesses and are currently aggressively exploring, with the assistance of outside advisors, a variety of alternatives for these businesses.
- We will continue to opportunistically explore acquisitions, but we will remain fiscally disciplined.
- And, we fully expect our excellent heritages of cash generation and rewarding shareholders to continue.

Let me conclude by saying the primary focus of all these action plans is to provide sustainable benefits for our shareholders.

PPG INDUSTRIES, INC.
Condensed Statement of Operations
4th Quarter Results
(Millions of Dollars)

	2006 Results			4th Quarter Results		
	<u>2006</u>	<u>2005</u>	<u>% Change</u>	<u>2006</u>	<u>2005</u>	<u>% Change</u>
Net Sales	\$ 11,037	\$ 10,201	8.2	\$ 2,773	\$ 2,505	10.7
Cost of Sales	7,036	6,473		1,807	1,651	
Selling and Other	2,298	2,080	10.5	612	502	21.9
Depreciation	337	340	(0.9)	86	84	2.4
Interest	83	81		20	19	
Amortization	43	32	34.4	11	8	37.5
Asbestos Settlement - Net	28	22		5	6	
Business restructuring	37	-		-	-	
Other expense (income)- net (a)	115	226		(21)	48	
Income Before Income Taxes, And Minority Interest	1,060	947		253	187	
Income Tax Expense	278	282	(1.4)	80	60	33.3
Minority Interest	71	69		16	14	
Net Income (b)	\$ 711	\$ 596	19.3	\$ 157	\$ 113	38.9
Earnings per common share	\$ 4.29	\$ 3.51	22.2	\$ 0.95	\$ 0.68	39.7
Earnings per common share -- assuming dilution	\$ 4.27	\$ 3.49	22.3	\$ 0.94	\$ 0.68	38.2
Average shares outstanding	165.7	169.6	(2.3)	165.3	166.0	(0.4)
Average shares outstanding -- assuming dilution	166.5	170.9	(2.6)	166.5	167.1	(0.4)

- (a) The twelve months ended December 31, 2006 includes pretax charges of \$173 million for estimated environmental remediation costs at sites in New Jersey and Louisiana, pretax charges of \$42 million for legal settlements and pretax earnings of \$39 million for insurance recoveries. The three months ended December 31, 2005 included pretax charges of \$27 million related to impairment of certain assets in our specialty chemicals business and \$16 million for direct costs related to hurricanes. The twelve months ended December 31, 2005 included pretax charges of \$211 million for legal settlements, \$34 million for direct costs related to hurricanes, \$27 million related to impairment of certain assets in our specialty chemicals business and \$19 million for debt refinancing costs. The twelve months ended December 31, 2005 also included pretax earnings of \$18 million for an insurance recovery.
- (b) The twelve months ended December 31, 2006, includes aftertax charges of \$106 million for estimated environmental remediation costs at sites in New Jersey and Louisiana, aftertax charges of \$26 million for legal settlements and aftertax earnings of \$24 million for insurance recoveries. The three months ended December 31, 2005 included aftertax charges of \$17 million related to impairment of certain assets in our specialty chemicals business and \$10 million for direct costs related to hurricanes. The twelve months ended December 31, 2005 included aftertax charges of \$128 million for legal settlements, \$21 million for direct costs related to hurricanes, \$17 million related to impairment of certain assets in our specialty chemicals business and \$12 million for debt refinancing costs. The twelve months ended December 31, 2005 also included aftertax earnings of \$11 million for an insurance recovery.

Business Segment Information

4th Quarter Results

(Millions of Dollars)

	Net Sales		Segment Income (Loss)	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
COATINGS	\$ 1,675	\$ 1,388	\$ 205	\$ 180
GLASS	513	548	20	(1)
CHEMICALS (a)	<u>585</u>	<u>569</u>	<u>79</u>	<u>23</u>
SUBTOTAL	<u>\$ 2,773</u>	<u>\$ 2,505</u>	<u>\$ 304</u>	<u>\$ 202</u>
INTEREST EXPENSE - NET			(16)	(16)
ASBESTOS SETTLEMENT - NET			(5)	(6)
COMPENSATION COST ASSOCIATED WITH STOCK OPTIONS			(7)	(6)
OTHER UNALLOCATED CORP. EXPENSE - NET			<u>(23)</u>	<u>13</u>
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST			<u>\$ 253</u>	<u>\$ 187</u>

2006 RESULTS
(Millions of Dollars)

	Net Sales		Segment Income	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
COATINGS (b)	\$ 6,299	\$ 5,566	\$ 829	\$ 609
GLASS (c)	2,253	2,237	140	56
CHEMICALS (d)	<u>2,485</u>	<u>2,398</u>	<u>314</u>	<u>451</u>
SUBTOTAL	<u>\$ 11,037</u>	<u>\$ 10,201</u>	<u>\$ 1,283</u>	<u>\$ 1,116</u>
INTEREST EXPENSE - NET			(69)	(68)
ASBESTOS SETTLEMENT - NET			(28)	(22)
COMPENSATION COST ASSOCIATED WITH STOCK OPTIONS			(31)	(28)
OTHER UNALLOCATED CORP. EXPENSE - NET (e)			<u>(95)</u>	<u>(51)</u>
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST			<u>\$ 1,060</u>	<u>\$ 947</u>

- a. Segment income for the three months ended December 31, 2005 included pretax charges of \$16 million for direct costs related to hurricanes and \$27 million related to impairment of certain assets in our specialty chemicals business.
- b. Segment income for the twelve months ended December 31, 2006, includes pretax charges of \$32 million for business restructuring, pretax charges of \$23 million for a legal settlement, and pretax earnings of \$28 million for insurance recoveries. Segment income for the twelve months ended December 31, 2005, included pretax charges of \$150 million for legal a settlement and pretax earnings of \$18 million for an insurance recovery.
- c. Segment income for the twelve months ended December 31, 2006, includes pretax charges of \$4 million for business restructuring. Segment income for the twelve months ended December 31, 2005, included pretax charges of \$61 million for a legal settlement.
- d. Segment income for the twelve months ended December 31, 2006, included pretax charges of \$173 million for environmental remediation, pretax charges of \$1 million for business restructuring, and pretax earnings of \$11 million for an insurance recovery. Segment income for the three months ended December 31, 2005 included pretax charges of \$16 million for direct costs related to hurricanes and \$27 million related to impairment of certain assets in our specialty chemicals business. Segment income for the twelve months ended December 31, 2005, included pretax charges of \$34 million for direct costs related to hurricanes and \$27 million related to impairment of certain assets in our specialty chemicals business.
- e. Other unallocated corporate (expense) income for the three months ended December 31, 2006 increased in part due to higher compensation, medical and pension costs and a reduction in the amount of insurance recoveries. Other unallocated corporate (expense) income for the twelve months ended December 31, 2006 increased in part due to higher compensation, medical, pension and legal costs and a reduction in the amount of insurance recoveries. In addition, other unallocated corporate (expense) income for the twelve months ended December 31, 2005 included pretax charges of \$19 million for debt refinancing costs that did not recur in 2006.

Forward-Looking Statement

Statements contained herein relating to matters that are not historical facts are forward-looking statements reflecting PPG's current view with respect to future events or objectives and financial or operational performance or results. These matters involve risks and uncertainties, as discussed in PPG's filings with the Securities and Exchange Commission pursuant to Sections 13(a), 13(c) or 15(d) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder. Accordingly, many factors may cause actual results to differ materially from the forward-looking statements contained herein.

Such factors include increasing price and product competition by foreign and domestic competitors, fluctuations in cost and availability of raw materials and energy, the ability to maintain favorable supplier relationships and arrangements, economic and political conditions in international markets, foreign exchange rates and fluctuations in such rates, and the unpredictability of existing and possible future litigation, including litigation that could result if the asbestos settlement discussed in PPG's filings with the SEC does not become effective. However, it is not possible to predict or identify all such factors. Consequently, while the list of factors presented here 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 results compared with those anticipated in the forward-looking statements could include, among other things, 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, operations or liquidity.