



## PPG Industries, Inc. First Quarter 2009 Financial Results

Recorded Commentary Question and Answer Session Only – April 16, 2009

---

**Bob Koort - Goldman Sachs - Analyst**

Thanks. Good morning.

---

**Chuck Bunch - PPG Industries - Chairman & CEO**

Morning.

---

**Bob Koort - Goldman Sachs - Analyst**

Chuck, I guess what struck me most surprising was your chart early on talking about the volume recovery in March and I'm just wondering, you still had somewhat cautious comments about if and when volumes recover you'll get good leverage. What do you think led to that monthly rebound? I know we don't want to make a trend out of one month, but can you discern whether it was a restocking after aggressive destocking, or really underlying demand out there bottomed out?

---

**Chuck Bunch - PPG Industries - Chairman & CEO**

Well, I would say it's a combination of both, Bob. Obviously, what we had seen at the end of the fourth quarter and the beginning of the first quarter in some of our segments, like the Automotive, they had really ratcheted down production levels at the end of the fourth quarter and the beginning of the first quarter so that in January we had extremely low automotive builds here in this, in this country. Same was true in the electronics chain, most of that in Asia, so there was definitely destocking going on. Then we started to see a more normalized production level later in the quarter, but we're at this point still unable to say with conviction that that's not just a, a restocking, or that the demand is going to carry through. It's encouraging, but at this time we haven't seen this trend go on long enough to say demand is pulling all of this through.

---

**Bob Koort - Goldman Sachs - Analyst**

And if I might follow up, on the Architectural side I know when you guys issued a restructuring announcement last month you talked about, at least through the first months, that business was similar to the year-ago level and then today you talked about how volumes were down 10%, but flat in March, so I'm a little confused. Was it profits that were at the similar level, or did something change abruptly in that business because it would seem like maybe January and February were quite weak?

---

**Chuck Bunch - PPG Industries - Chairman & CEO**

They were, and if we talk about -- and I think Architectural, both in North America and in Europe we had some seasonal effects, as well as some weather effects. We had quite a harsh winter in Europe, in the first two months, as well as colder-than-normal weather here, and then we started to see a break in the weather in March at a time when you normally see a seasonal build. So March was better for us and we were encouraged, but again, we have to see this trend continue into the second quarter and get the sell through. But definitely we saw some, let's call it restocking, at the end of the first quarter, which is encouraging, but because of some of the weather effects and the -- a still, what I would call cloudy picture for us in the second quarter it's too early to call a turn in the market.

---

**Bob Koort - Goldman Sachs - Analyst**

Great. Thanks, and thanks also for hosting the conference call.

---

**Chuck Bunch - PPG Industries - Chairman & CEO**

Thank you, Bob.

**David Begleiter - Deutsche Bank - Analyst**

Thank you. Chuck, just on the pricing front now that you're seeing -- as your customer's seeing -- lower input costs, where will you see the most pressure to lower prices and can you maintain positive pricing in the next couple of quarters?

---

**Chuck Bunch - PPG Industries - Chairman & CEO**

In terms of the pricing discussions, obviously, as we have discussed, there is some weakening of pricing in Commodity Chemicals, a sector specifically on the caustic soda side we saw some weakness at the end of the third quarter and we think there will continue to be some gradual declines, somewhat unrelated to input costs. Input costs and natural gas are lower, as we discussed, but I would say that is more a supply demand phenomena than anything related to input costs.

Our other areas, although we have experienced in some of our coatings businesses, as an example, some lower input costs still remain above where we were a year ago. We are still unprofitable in some of our segments because of the severe volume declines. We are continuing to have discussions with suppliers and with customers in almost every one of our businesses, and at this point I think it is still too early to say that there is a definitive pricing trend in our coatings businesses. And on the supply side, I think that we have seen some declines, although I see them flattening out as we have seen oil prices stabilize and I think those trends are going to continue, but not accelerate.

---

**David Begleiter - Deutsche Bank - Analyst**

Chuck, just on the upcoming European season for SigmaKalon, can you discuss your confidence that architectural will be a very resilient business despite the economic backdrop we are now in?

---

**Chuck Bunch - PPG Industries - Chairman & CEO**

Well, I think what we saw in the first quarter was actually quite encouraging. We had a business that certainly today in Europe is facing some headwinds. Volume declines were experienced by SigmaKalon in the first quarter, as well as in the fourth quarter of last year and you saw that they were able to adjust some of their cost, their overhead and capital expenditures and they came in with a modest profit in the quarter in the face of a -- volumes that were down high single digits. So I'm encouraged by what we saw in the fourth quarter and first quarter and our forecast for the second quarter, where even though we don't see much of a volume recovery we are working hard on our productivity and our costs and we expect to deliver a solid performance there, and I think that will give us some confidence that this business is more resilient, less cyclical, as we have been announcing that since the time of the acquisition.

---

**David Begleiter - Deutsche Bank - Analyst**

Thank you very much.

---

**Sergey Vasnetsov - Barclays Capital - Analyst**

Good morning -- or good afternoon. Thank you for the thoughtful and concerned picture of your results, which is a sharp contrast [with some other coatings companies that we've seen before. Just wanted to ask you about chlor-alkali. The demand over the chlor-alkali cycles have been widely over (audible) in my view at least, can you comment on the caustic prices trends, both recently and in the interim future?

---

**Chuck Bunch - PPG Industries - Chairman & CEO**

We peaked -- in caustic soda pricing we peaked early in the fourth quarter, after the hurricane season, and we also had some supply demand imbalances. So probably for the second half of the fourth quarter and continuing here in the first quarter, we have seen declines in caustic soda pricing from what was clearly a peak pricing in the middle of the fourth quarter. Chlorine prices have remained relatively stable. Demand is still stable, industry operating rates are a little below 80%. We saw a little bit of an acceleration of caustic pricing declines at the end of the first quarter tied to some Chinese imports, which we don't view as being sustainable. We think there will be some continued erosion, but modest, in the second quarter, so we see this as somewhat of a soft landing in caustic soda pricing. But certainly we have experienced some weakness throughout the first quarter, Sergey.

**Sergey Vasnetsov - Barclays Capital - Analyst**

Okay. And on the Optical business, the first quarter comparisons were difficult, as you described, what are your expectations for this business for full year?

---

**Chuck Bunch - PPG Industries - Chairman & CEO**

We are projecting modest volume declines in our optical business and we feel that we can also moderate our operating expenses and other cost items to produce a -- what we think will be a level earnings forecast for this year. We were -- although a little disappointed that the volumes did decline in the first quarter we saw again in March, as in many of our other businesses, some improvement. The second quarter seems to be starting off favorably, so there is still momentum in the marketplace for transitions, in particular, and we think we are positioned to gain some market share with our transitions business in the optical space. It's been much less impacted than our other segments; it's been operating more as a healthcare product. Although it is not completely immune from this recession and the business cycle so far our declines have been modest and we see an opportunity to get to flat volume and earnings through the course of this year with our operating expense control.

---

**Sergey Vasnetsov - Barclays Capital - Analyst**

Okay. And lastly, you continue to deliver a very solid level of free cash, do you see opportunities for some maybe small bolt-on acquisitions in this generally difficult economic environment for you?

---

**Chuck Bunch - PPG Industries - Chairman & CEO**

We have not eliminated the possibility of further acquisitions. We continue to look at small bolt-ons, but at this point in time we are still maintaining our discipline. We would like to see a -- let's say a further verification of this trend -- this improving trend that we've seen in a couple of our businesses at the end of the first quarter that would give us a little more confidence, and if in fact that trend is verified then I'll -- I think you will see us look to possibly make, or consider small bolt-ons. But obviously in this environment, our priority is going to be paying down debt and securing the balance sheet, at least for the remainder of this year.

---

**Sergey Vasnetsov - Barclays Capital - Analyst**

Okay. Well, thank you very much for hosting the call.

---

**Chuck Bunch - PPG Industries - Chairman & CEO**

Thanks again, Sergey.

---

**P.J. Juvekar - Citi - Analyst**

Yes. Hi, good afternoon.

---

**Chuck Bunch - PPG Industries - Chairman & CEO**

Good afternoon.

---

**P.J. Juvekar - Citi - Analyst**

I have a question on the automotive OEM. We know what is going on in Detroit, and then you also have a good position with transplants, although even they are suffering right now. But given that production is so far below sales and what sales used to be, do you potentially see a production recovery in the second half, or is it too early to say that?

---

**Chuck Bunch - PPG Industries - Chairman & CEO**

Well, we are seeing -- we saw, as we described earlier to one of the question from Bob Koort, production levels here in North America were extremely low in January and early February, also low in Western Europe. We've seen production levels now, let's call them seasonally rebounding, and I think here in North America we have some uncertainty around the situation with Chrysler and General Motors, so it's difficult

**Chuck Bunch - PPG Industries - Chairman & CEO (con't.)**

to predict, let's say, in the second quarter. But we think the market will recover and so that in the second half and when these situations are resolved, we think we will not maybe return to the more normalized levels that we've experienced earlier in this decade, but we think that the sales and production levels will begin to build gradually.

In China we're seeing good build levels now. That market is very healthy. The Chinese government has prepared some stimulus packages that affect the automotive industry. And we have seen in Europe these scrappage incentives for older, less efficient vehicles really help markets like the UK, like Italy, like Germany, and that's helping us here in the second quarter as the producers rebuild their stocks a little bit after these sales. It may affect future sales in 2010, but I think it is stabilizing the situation and those same incentives are being considered here in the US and I think in the second half of the year, if we can include those types of cash for clunkers or scrappage incentives here in North America I think you'll see a little bit of a pick up there as well, P.J.

---

**P.J. Juvekar - Citi - Analyst**

Okay, thanks for that detailed answer. Secondly, on SigmaKalon, I remember at the time of the acquisition Eastern Europe was the growth engine for SigmaKalon. You mentioned the FX impact from Eastern Europe, but can you talk about how volumes held up in some of those countries?

---

**Chuck Bunch - PPG Industries - Chairman & CEO**

Eastern Europe has been affected by the economic crisis, some countries more than others. I think the performance of our business in the Czech Republic, for example, is stronger than the performance that we're seeing in Hungary, which has been affected by a banking and financial crisis. The Polish market has been weaker so we have been seeing, I would say, some volume weakness in some of these countries, such as Poland, where the zloty has weakened versus the Euro. We're also getting a follow-on effect there with foreign exchange, but I would tell you that we have seen some volume declines varying by market.

---

**P.J. Juvekar - Citi - Analyst**

Thank you.

---

**Frank Mitsch - BB&T Capital Markets - Analyst**

Hi, good afternoon, guys. I wanted to thank you for hosting the call during Yankee's opening day and not during the Met's opening day. Thank you very much for that. (LAUGHTER) Chuck, you were talking about seeing the prices of caustic soda decline accelerate towards the end of the first quarter given a pick up in Chinese caustic imports, but you suggested that the pick up in Chinese imports was not sustainable. Can you talk about why you feel that way?

---

**Chuck Bunch - PPG Industries - Chairman & CEO**

Well, we think that there were obviously some spot prices, especially on the west coast, that domestic producers were reacting to. We've seen now the Chinese market picking up a little bit. As we've talked at some of our meetings the domestic economy in China is relatively strong. There has been a number of stimulus packages designed to build infrastructure in China. We think their demand is improving. There is also a -- shipping rates that are starting to move up. You have a several month lag between when you put the commodity on the ship and when it arrives here in the US and with the prices now moderating I think this delta that was seen at the beginning of the first quarter in terms of their prices versus those historically high prices in the US don't provide the same kind of opportunity so that we saw that impact immediately in March. It's going to continue the decline but we think it is a moderating level of decline in the second quarter and that would be why we feel the trend will be, let's say, a softer land.

---

**Frank Mitsch - BB&T Capital Markets - Analyst**

All right, terrific. Seems to make some sense, a lot of sense. Bill, in your discussion of use of cash, you didn't mention share buy back and obviously your predilection is to pay down debt but I did note your shares outstanding dipped down in the first quarter. Can you comment on that?

**Bill Hernandez - PPG Industries - CFO**

Yes, Frank. What happened, as you know, we had this settlement for asbestos that we've had on the books for a long period of time. As part of that settlement we are going to give some shares, and what we did, when the share price dropped to the 30's then we took the opportunity to immunize ourselves against that by taking an equity-forward contract and the essence of that is, on our accounts we had somebody buying the shares for us. Basically they financed it by we paying them LIBOR plus a little bit of a rate and we get the dividend so we make a little money on it. But what it basically does is, those account -- those shares are a redemption to our total shareholder account there and then when the settlement does occur then those shares will get delivered to the plaintiffs. And part of our rationale was, as you know, quarterly we keep having to have this little adjustment for the asbestos settlement and part of it has been the mark-to-market on those shares, so this immunizes us against the net mark-to-market on those shares.

---

**Frank Mitsch - BB&T Capital Markets - Analyst**

Is that fully now funded, the amount of PPG shares that you need to contribute to the settlement?

---

**Bill Hernandez - PPG Industries - CFO**

Yes, that's fully covered and so that's taken care of. But when the price was so low we also took the opportunity to take a little bit on our own account, and so as a result we also -- taking the total amount of the asbestos along with the shares we have to deliver we basically took an equity forward that doubles that amount.

---

**Frank Mitsch - BB&T Capital Markets - Analyst**

I see.

---

**Bill Hernandez - PPG Industries - CFO**

So, we have that for our own account. So if the stock keeps -- goes up quite a bit we only have to pay in the 30's for those shares.

---

**Frank Mitsch - BB&T Capital Markets - Analyst**

All right, terrific. Terrific. And lastly, Bill, the \$25 million law suit against Platinum Equity, where do we stand on that?

---

**Bill Hernandez - PPG Industries - CFO**

Well, the wheels of justice turn slowly. The judge who was hearing the case has retired. He retired without giving a ruling, so a new judge will be assigned, will then take everything under advisement. But we're kind of like a bulldog on this thing. We have it within our jaws and we're not going to let it go until it plays out to the appropriate -- like I said, the wheels of justice turn slowly but they turn justly.

---

**Frank Mitsch - BB&T Capital Markets - Analyst**

Okay, thank you.

---

**Bill Hernandez - PPG Industries - CFO**

Thanks, Frank.

---

**Chuck Bunch - PPG Industries - Chairman & CEO**

Thank you, Frank.

---

**Kevin McCarthy - Banc of America - Analyst**

Yes, good afternoon, how are you?

**Chuck Bunch - PPG Industries - Chairman & CEO**

Fine, Kevin.

---

**Kevin McCarthy - Banc of America - Analyst**

Would you comment on the expected seasonal uptick in your coatings businesses 2Q versus 1Q? Would you expect it to be sharper, more favorable than normal given the destocking phenomenon, lower given the economic backdrop, or about the same as last year?

---

**Chuck Bunch - PPG Industries - Chairman & CEO**

Well, our view, Kevin, is that it would be a normal uptick, but based on these lowered expectations of the current economic environment. So we still think certainly some of our businesses, like our Architectural businesses or even the Protective Marine Coating, a lot of these where the coating process, or application depends on -- in part on weather conditions. We expect a normal uptick but we're still being impacted in those areas by the economic condition. So I would say based on the trends we saw in the, in the first quarter we're going to come up from there, but certainly not to return to, let's say, levels that we would have seen a year ago. The slope may be the same, but it'll be off a lower base at this point.

---

**Kevin McCarthy - Banc of America - Analyst**

Okay. So if I look at the delta then between 2Q '08 and 1Q '08 and apply that to this year, perhaps with a modest haircut, that should get us close to where you would expect to be?

---

**Bill Hernandez - PPG Industries - CFO**

Yes, Kevin, the only other thing I would caution you is currency, take account -- take into account currency quarter over quarter.

---

**Kevin McCarthy - Banc of America - Analyst**

Okay. But again on the sequential basis presumably that would not change terribly much? Okay, very good. Then on chlor-alkali, would you comment on your natural gas hedge positions and whether those have changed and where you would see industry realizations for ECU's in 2Q on a contract basis versus 1Q?

---

**Bill Hernandez - PPG Industries - CFO**

Our hedge position is going to remain relatively the same in the second quarter. Historically we have been hedging at around one-third and we do this over a one to three-year period forward. We are now, as we disclosed in the first quarter, closer to 50% and we would expect to be there in the second quarter, as well. Some of that is because of the lower utilization rates, both in chlor-alkali and our glass businesses that are the main users of natural gas. I would say the pricing trends in the current market stable, under \$4, but most of our hedges are closer to the \$8 market so we're looking more like a \$7 of blended rate in the second quarter and I think over the course of the year, that will become more favorable and especially if we continue to see these low natural gas prices and our activity levels pick up.

---

**Kevin McCarthy - Banc of America - Analyst**

Okay. Thank you very much.

---

**Don Carson - UBS - Analyst**

Yes, thank you. Chuck, just want to get an idea of your outlook for the full year on Architectural Coatings. Clearly we're back at 1998 levels in the aggregate in the US and you gave some comments on an uncertain second quarter outlook, but as you plan for the business, where do you see the overall year coming out relative to last year? And just a clarification on the raw materials, you gave the index there, but what's the percentage decline in your coatings raw materials in the first quarter year over year and what would you expect for the full year?

**Chuck Bunch - PPG INDUSTRIES - CHAIRMAN & CEO**

Well, first of all, Don, it's good to have you back on the call, and I look forward to seeing you again in the future. On the Architectural business, obviously we are still at very low volume levels. We're talking about first quarter close to where we were last year, but last year was a bad year, as the last three years have been now. But we're making progress here in North America with our costs. We are getting costs out. We were profitable in the first quarter and we saw a clear improvement year on year on these volume levels for our Architectural business in March, and we think that will carry through the rest of the year, even if we don't get much of an improvement in volume. And we do think that the second half will be a little stronger in Architectural here in North America, so we're, I would say, positive that we're going to see some improvement for the full year in the Architectural business. We do have some weak spots in that segment in South America. Because of the currency issues in Latin America we are not going to be as strong there as we had been, but certainly in North America we are optimistic that we're going to be able to meet or exceed last year's levels with the cost actions that we've taken, especially if we get a little bit of an improvement in the second half.

---

**Don Carson - UBS - Analyst**

And then can you comment on the raw material index? What kind of percentage decline that is year over year? Do you think you're really just looking at dollar numbers there?

---

**Chuck Bunch - PPG Industries - Chairman & CEO**

Right. We've said overall decrease corporate wide was something on the order of 1%, in some commodities a little more than that. Obviously natural gas was more than that, as was some of our oil-based, or organic raw materials. We haven't seen as much of a decline in inorganics, such as soda ash or stain for our glass businesses, and we think that the trends -- this favorable trend will continue.

---

**Don Carson - UBS - Analyst**

Would you hazard a guess on coating raw materials percentage decline '09 versus '08. What does that look like now?

---

**Vince Morales - PPG Industries - VP - Investor Relations**

Don, this is Vince. We got up to -- close to 10% or 12% inflation in the fourth quarter, so if raw materials, pricing holds now where it's at we would get that full recovery.

---

**Don Carson - UBS - Analyst**

Okay. And then just one final question on Architectural. Chuck, are you gaining share? We're seeing a movement in DIY to lower price points, so are people trading down from Valspar to Olympic and does that benefit your volumes, as well?

---

**Chuck Bunch - PPG Industries - Chairman & CEO**

It's too early for us to comment on share. I would say that my view would be that share is relatively stable and we have some, we think, favorable marketing initiatives that we're going to be executing on here in the second quarter that we would hope would improve that, but at this point I would say shares are relatively stable.

---

**Don Carson - UBS - Analyst**

Okay. Thank you.

---

**John McNulty - Credit Suisse - Analyst**

Good afternoon, just a few quick questions. Bill, when you look at the interest expense, it dropped to a noticeable amount, I think it was about \$13 million, your debt was only down \$60 million, so can you give us color as to how we should be thinking about the interest expense line going forward?

**Bill Hernandez - PPG Industries - CFO**

A lot of the interest is variable debt, and that has dropped quite a bit. We're paying commercial paper, and as I mentioned in the comments we're trying to rollover roughly \$0.25 billion in commercial paper at any point in time and right now that's right about 1.4%, 1.5%, so that is lower. I think you will see interest rates drop the remainder of the year. The only maturing debt we have, we have \$116 million of debt maturing in the third quarter, when that falls off it will cause interest to continue to drop. I can't give you a specific number but I can tell you shall see a continued decline in interest.

---

**John McNulty - Credit Suisse - Analyst**

Okay, great, and then just the last question. On Page 17 you have the ECU price index and clearly things came down a bit in the first quarter off of really peak levels. If you were going to look on that chart and price where you were right now, how would that look?

---

**Chuck Bunch - PPG Industries - Chairman & CEO**

Well, every month it is a little bit different, but obviously I think you're going to continue to see a gradual decline as we go through the second quarter, but from somewhat modest levels here and -- if you look at what we're thinking is going to happen from April through June somewhat a modest declines from where we were at the end of March.

---

**John McNulty - Credit Suisse - Analyst**

Great. Thanks a lot.

---

**John Roberts - Buckingham Research Group - Analyst**

Afternoon, guys.

---

**Chuck Bunch - PPG Industries - Chairman & CEO**

Good afternoon.

---

**John Roberts - Buckingham Research Group - Analyst**

On Slide 13 where you show the monthly pattern in the Industrial Coatings segment earnings, did sales only turn up in March or did they bounce up in January and then February's better than January, or was it flat and then spiked up in March?

---

**Chuck Bunch - PPG Industries - Chairman & CEO**

Well, January was the lowest, February wasn't much better, so March was a clear improvement on that score.

---

**John Roberts - Buckingham Research Group - Analyst**

And secondly, has your regional mix changed substantially with a greater weakness in the US automotive market and the Asian, or Chinese market holding up a little better? I know you don't give it all the time but periodically you give a regional breakdown of the Industrial Coating segment.

---

**Chuck Bunch - PPG Industries - Chairman & CEO**

Yes, we have seen some change in the regional sales, but if you look at Asia, as an example, that has overall been the region that's held up best, but that has been, let's call it level production in China, but we have seen weakness there in Korea, as an example, and some weakness in Australia. But overall Asia's still our strongest region. And the weakest region where sales fell some 50% has been North America and clearly this has been the weakest segment. Europe weak also, and certainly we were at levels close to 30% declines in Europe, but the North American region is our weakest and we think that there will be an opportunity later in the year for these production levels to improve.

**John Roberts - Buckingham Research Group - Analyst**

Would you hazard a guess at what percent of the Industrial Coating sales in '09 will be in Asia?

---

**Chuck Bunch - PPG Industries - Chairman & CEO**

Industrial Coating sales --

---

**Vince Morales - PPG Industries - CFO**

For the entire segment, John, it'll probably be 25%, approaching 30% for the segment in its entirety, counting all three business units.

---

**Chuck Bunch - PPG Industries - Chairman & CEO**

Yes that's -- I think that's about right. 20 -- it's actually been closer to 25%, probably, for the first quarter and that wouldn't -- we wouldn't expect that to maintain that level, but it certainly has been our strongest region.

---

**John Roberts - Buckingham Research Group - Analyst**

Thank you.

---

**Vince Morales - PPG Industries - VP - Investor Relations**

Operator, we have time for two more questions, operator, please.

---

**Steve Schuman - Lafayette Research - Analyst**

Good morning, guys.

---

**Chuck Bunch - PPG Industries - Chairman & CEO**

Morning.

---

**Steve Schuman - Lafayette Research - Analyst**

Looking at your military end market obviously there's been a big budget change here in the last couple of weeks and those tend to be higher margin products, how do you see that going forward?

---

**Chuck Bunch - PPG Industries - Chairman & CEO**

This is in aerospace?

---

**Steve Schuman - Lafayette Research - Analyst**

Well, primarily aerospace I think is most of your military equipment, right.

---

**Chuck Bunch - PPG Industries - Chairman & CEO**

And right now margins obviously have held up but we're seen some volume weakness. The weakest segment within that has not been the military segment, Actually the weakest segment has been in business aviation, where we've seen some of our business jet or general aviation customers cut back more rapidly their build rates. Whereas I think in the commercial construction or the commercial airliner segment they're talking about lower build rates but starting in mid 2010. The airlines have also been somewhat weaker, and that would be an aftermarket product for us. But military has hung in there pretty well and we've seen some programs obviously being talked about with the new administration, but right now military spending, at least on the programs that we're on, has been maintained.

**Steve Schuman - Lafayette Research - Analyst**

So you don't see a decline as the number of these aircraft programs are being cut back?

---

**Chuck Bunch - PPG Industries - Chairman & CEO**

Not in the near term, so this may be something that affects us in the three year timeframe, but right now, obviously, the biggest impact for us is business or general aviation, some aftermarket, especially the airlines, and we are preparing for a downturn after this year in commercial aviation.

---

**Steve Schuman - Lafayette Research - Analyst**

Switching gears to autos, assuming we see maybe one auto bankruptcy, or at least a restructuring -- pretty large scale restructuring, do you guys anticipate getting hurt as a supplier to the autos and also to the auto part companies?

---

**Chuck Bunch - PPG Industries - Chairman & CEO**

We have exposure to both the Chrysler and General Motors. We have been disclosing those receivable amounts, so that would be the most -- the first impact of any bankruptcy would be on current receivables with Chrysler because they are a -- primarily a North American manufacturer and our current payment terms our exposure there is less than with General Motors, but we would see an impact with the receivables. We are taking steps and planning for that possibility, although we hope that it does not happen. And eventually, if either one or both went into bankruptcy, they will -- there will be -- one of the manufacturers will be producing vehicles.

We don't think it will affect the demand, and we have a strong position with all of the manufactures, both with the Japanese, the Koreans, with the European suppliers and with domestic Chinese suppliers, as an example. So we feel we are positioned in the short-to-medium term to pick up the -- our share or position with the manufacturers that if, in the event of a liquidation we would be on the vehicles that are being sold. Now, obviously there could be some disruption if this happens in the second or third quarters. We're hoping it doesn't. We hope we have a smooth transition, and -- but we are preparing for any and all possibilities here.

---

**Steve Schuman - Lafayette Research - Analyst**

Now does that include -- have you taken any reserves against this?

---

**Chuck Bunch - PPG Industries - Chairman & CEO**

No, we do not have any specific reserves for General Motors or Chrysler. They are current, they have been prompt in payments, and there are no invoices under dispute. We are not participating, or have elected not to, in the supplier receivable protection program from Chrysler, but there is a program being offered, as well, by General Motors that we are still getting information on. But as you know a number of the automotive suppliers have and are participating in accounts receivable protection plans that have been sponsored through the federal government but being administered by General Motors and Chrysler and we're examining that in the case of General Motors.

---

**Steve Schuman - Lafayette Research - Analyst**

Great. Thanks for the call, guys.

---

**Chuck Bunch - PPG Industries - Chairman & CEO**

Thank you.

---

**Mike Judd - Greenwich Consultants - Analyst**

Good afternoon and congratulations on a better-than-anticipated quarter.

**Chuck Bunch - PPG Industries - Chairman & CEO**

Thanks, Mike.

---

**Mike Judd - Greenwich Consultants - Analyst**

One of the things I don't think we really talked about is you guys typically do a very good job with cost reductions, and obviously that was -- that had a big impact on the quarter. Can you give us any update there in terms of any new numbers or bogeys or targets that you have for the full year? Thank you.

---

**Chuck Bunch - PPG Industries - Chairman & CEO**

Well, we are trying to implement or execute on our announced restructurings. Not everything that was announced in the third quarter of 2008, that restructuring, we have not implemented all of that. We hope to conclude most of that by the second quarter, and then we hope to conclude everything, both from the last year's restructuring and then last month's restructuring by the end of the year. But we think sequentially each quarter we're going to be showing some improvement in terms of our cost position in -- across our businesses, but certainly those most impacted, the Industrial Coating segment and the Glass segment. And we have targets for those restructuring, which we've identified, and we hope to fully execute on those by the end of the year and you're going to see sequential improvement.

But we're also doing a variety of things -- freezing salaries, suspending bonus payments, and a wide variety of what I would call very aggressive cost and spending program reductions so that we can sustain our -- at this level of cash generation and performance until we see an improvement in the end-user markets.

---

**Mike Judd - Greenwich Consultants - Analyst**

Thanks for the help.

---

**Vince Morales - PPG Industries - VP - Investor Relations**

Operator, that was the final question. Certainly people can contact investor relations if they have further questions. Thanks, everybody, for participating in the call.

---

**Operator**

Thank you for your participation in today's conference. This concludes the presentation. You may now disconnect. Have a good day.

#### 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 and financial performance. These matters involve risks and uncertainties that may affect PPG's operations, 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 global economic conditions, 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, integration of acquisitions and achievement of expected synergies therefrom, the impact of environmental regulations, unexpected business disruptions, 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 Securities and Exchange Commission 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, and 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. All information in this presentation speaks only as of April 16, 2009, and any distribution of this presentation after that date is not intended and will not be construed as updating or confirming such information.