



# PPG Industries, Inc. First Quarter 2009 Financial Results

Recorded Commentary – April 16, 2009

## Comments by: *Charles E. Bunch, Chairman & CEO*

I will provide a quick overview of the first quarter. Bill Hernandez will then review some of the financial details and then I will add some closing remarks before we field questions.

### Agenda



- ❖ Opening Remarks
- ❖ Financial Review
- ❖ Recap
- ❖ Question & Answer Session

As we mentioned during our January conference call, we anticipated then that the first quarter was shaping up to be more challenging than the fourth quarter of 2008, and in fact it was. In the first quarter, economies continued to slow in each major global region and further weakening occurred in most of the end-use markets we serve. We experienced the largest sales declines in our global automotive OEM and industrial coatings end-use markets, including sharply weaker results in both the United States and Europe. However, our Commodity Chemicals, Architectural Coatings EMEA, and Optical and Specialty Materials segments remained good, stable performers, and our Asian business displayed the most promise, with results

improving each month of the quarter.

### First Quarter Recap



- ❖ Low global end-use market demand continued
  - Global Automotive OEM and industrial output declines
  - European declines the steepest
  - China market improved each month
- ❖ Input costs deflating
- ❖ Cost actions yielding benefits
  - Additional restructuring program underway
- ❖ Cash focus remains

Bill will review our segment results in further detail and also discuss our input costs, but let me quickly comment that we are beginning to realize some benefit from lower costs in many of the items we buy, and we anticipate this deflation trend will continue.

During the quarter we announced further restructuring initiatives. We announced an initial, more targeted restructuring in September 2008, which was primarily centered on what we anticipated would be our hardest hit segments of Industrial Coatings and Glass, along with securing planned synergies from our continued integration of the SigmaKalon acquisition. The additional restructuring actions we announced about one

month ago were much broader with initiatives in nearly all of our business units and most support and administrative functions. We also accelerated additional SigmaKalon synergies. Also, over the past six months, as you would expect PPG to do, we implemented a variety of other cost-reduction measures.

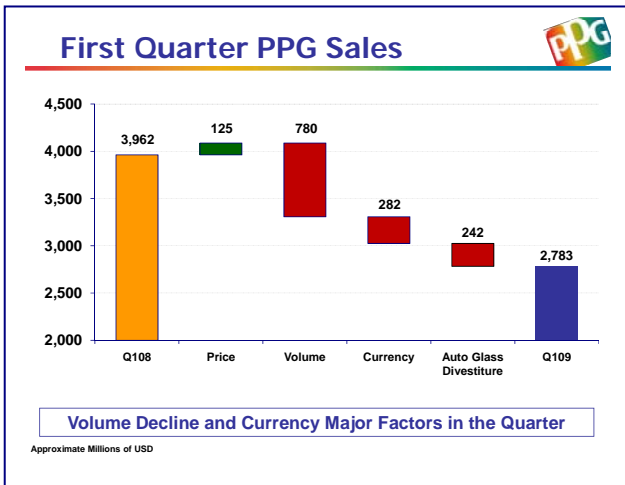
As a result of our quick and significant cost-cutting steps, we have been successful in partially offsetting the negative impacts that the global recession has had on our sales volumes. This is most evident when reviewing our Industrial Coatings segment results where global demand continued to plummet this quarter from already low fourth quarter levels, but we actually had better bottom-line results versus the fourth quarter.

Lastly, PPG has been focused on managing our businesses to maximize cash generation and we remain cautious relative to cash deployment. You will see later that we have a solid cash cushion that is several

hundred million dollars higher versus the first quarter level in prior years, and I will remind you that from a seasonal perspective our first quarter has historically been our weakest cash generation quarter of the year.

Now here is Bill to review some of the details.

**Comments by: William H. Hernandez, Sr. Vice President Finance**



#### First Quarter PPG Sales

Thanks Chuck. I will start by reviewing our sales results, which are detailed on slide #5.

Overall, sales for the company were down nearly \$1.2 billion versus the first quarter of last year, including a reduction of just over \$240 million stemming from our third quarter 2008 divestiture of a majority interest in the Automotive Glass and Services businesses. Exclusive of that divestiture, our sales declined about \$940 million.

Lower volumes were the largest negative, accounting for about \$780 million of the decline. Currency was about a \$285 million headwind; however we did achieve year-over-year pricing gains of about \$125 million.

### PPG Segment Sales

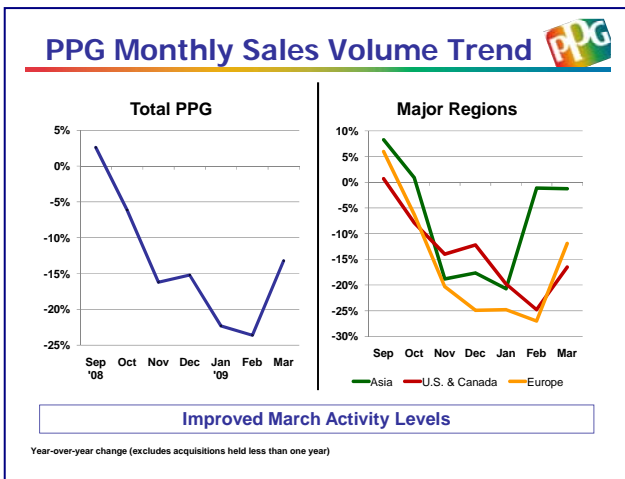
	Q1, 2009	Q1, 2008	Change	%
Performance Coatings	928	1,114	-186	-17%
Industrial Coatings	644	1,058	-414	-39%
Architectural Coatings EMEA	409	536	-127	-24%
Optical & Specialty Materials	245	295	-50	-17%
Commodity Chemicals	361	423	-62	-15%
Glass	196	294	-98	-33%
<b>Sub-Total</b>	<b>2,783</b>	<b>3,720</b>	<b>-937</b>	<b>-25%</b>
Auto Glass (divested 9/2008)	--	242	-242	-100%
<b>Total PPG</b>	<b>2,783</b>	<b>3,962</b>	<b>-1,179</b>	<b>-30%</b>

Millions of USD

#### PPG Segment Sales

The next slide provides our sales by segment and I will review each segment in detail later. In summary, sales in all segments declined and we experienced the largest decline in our Industrial Coatings segment as global demand for new automobiles, durable goods and other general industrial products plummeted in reflection of lower consumer demand. Industrial Coatings segment sales declined about 40 percent in total with a 34 percent decline in volumes. Currency accounted for most of the remaining change in the segment.

Also our Glass segment, excluding the impact of divesting our Automotive Glass and Services business, experienced a similar 33 percent sales drop, with the entire decline attributed to volumes.



As I mentioned previously, currency was a large factor in the overall company results, including in the Architectural Coatings EMEA segment where currency was the largest single factor in its sales decline.

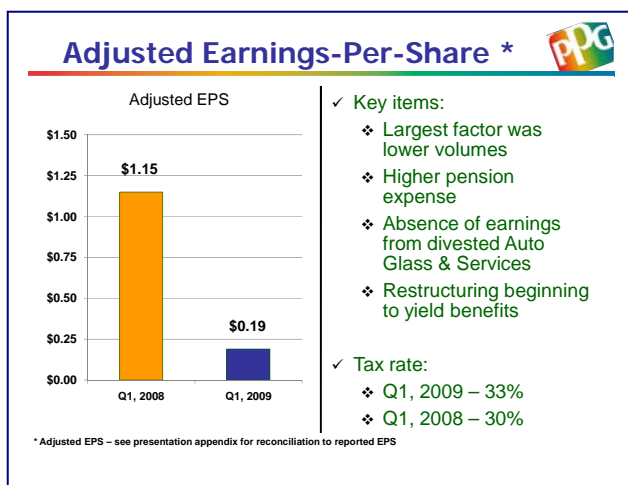
#### PPG Monthly Sales Volume Trend

The next slide provides some monthly trend data for both PPG in total as well as results by major regions. Year-over-year volumes declined further this quarter from the fourth quarter, with February the worst month and declines less severe in March.

By region, our sales in the United States and Europe continued to decline through February, while Asia nearly returned to last year's sales level in February and maintained that trend in March. I will mention that due to observed holidays, March 2009 had one additional shipment day versus 2008.

Regarding Asia and China more specifically, companies that operate primarily an export business are likely being very negatively impacted as exports from China are down dramatically. However, many of the

products we produce there are consumed for the domestic market. And while the export markets from China are down considerably, their domestic market continues to grow.



### Adjusted Earnings-Per-Share & Q1 EPS Impacts

The next slide details our adjusted earnings per share results. A reconciliation of these amounts to our reported earnings per share is included in the appendix of today's presentation materials, which is available at the investor center on our website at [www.ppg.com](http://www.ppg.com).

Our 2009 adjusted earnings per share were 19 cents, compared with \$1.15, in the first quarter of 2008. In a minute I will provide some details on the major year-over-year changes, but by far the largest factor in the decline was the lower volumes driven by the slower end-use market demand. Also, a few other headwinds include higher pension expense and the absence of earnings from our divestiture of the Automotive Glass and Services business.

Also as Chuck mentioned, we are beginning to realize some benefits from both of our restructuring initiatives, as many of our actions are underway from our initial restructuring announced last fall and we are beginning to execute on actions from our announcement last month. The savings will continue to grow throughout the year as we complete actions, and are being supplemented by ongoing cost management in all areas of the company.

### PPG Segment Earnings

	Q1, 2009	Q1, 2008	Change	%
Performance Coatings	89	120	-31	-26%
Industrial Coatings	-16	95	-111	-117%
Architectural Coatings EMEA	3	9	-6	-67%
Optical & Specialty Materials	60	74	-14	-19%
Commodity Chemicals	83	68	15	22%
Glass	-27	19	-46	-242%
<b>Sub-Total</b>	<b>192</b>	<b>385</b>	<b>-193</b>	<b>-50%</b>
Auto Glass (divested 9/2008)	-	11	-11	-100%
<b>Total PPG</b>	<b>192</b>	<b>396</b>	<b>-204</b>	<b>-52%</b>

Millions of USD

One other item of note is that our ongoing tax rate was 33 percent this quarter versus 30 percent in the first quarter of 2008. Our calculated tax rate on reported earnings is significantly different due to special charges in both years. We expect 33 percent to be our ongoing tax rate in the second quarter as well.

### PPG Segment Earnings

The following slide lists our segment earnings and again I will discuss the segments in detail later. As expected the severity of sales declines provide a good proxy on the respective segment earnings results, with the most significant earnings impacts being in the Industrial Coatings and Glass segments, which both reported losses. We had much lesser earnings impacts in Architectural Coatings EMEA, Performance Coatings and Optical and Specialty Materials. And Commodity Chemicals performed solidly.

### Select Q1'09 Earnings Impacts

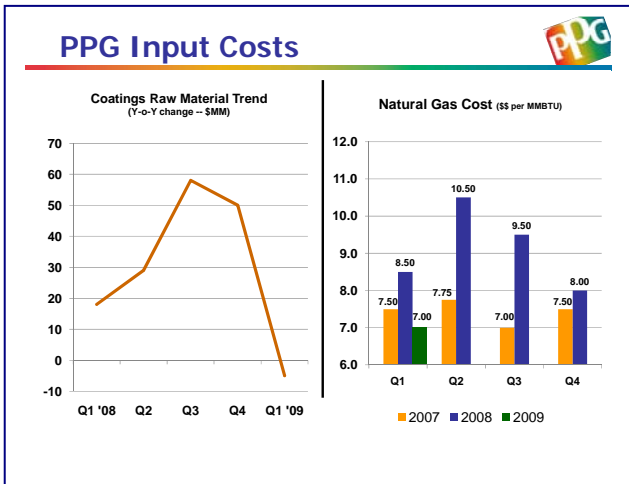
	Y-o-Y Change (Approx. \$MM)
<b>Memo: Total Year-over-Year Segment Earnings Change</b>	<b>-204</b>
<b>Items Reducing Earnings:</b>	
Earnings Impact from Lower Sales Volumes	-\$350
Higher Pension Expense	-30
Lower Manufacturing Utilization / Other	-48
Auto Glass & Services Divestiture	-11
<b>Sub-Total</b>	<b>-\$439</b>
<b>Items Increasing Earnings:</b>	
Price	\$125
Lower Segment Research, Selling & Administrative Cost	70
Raw Materials and Energy Cost Deflation	40
<b>Sub-Total</b>	<b>\$235</b>

### Select Q109 Earnings Impacts

Detailed on the next slide are the key items which impacted the change in segment earnings. Again, a few of the most dominant negative factors were the lower volumes and higher pension expense. Also, our manufacturing costs were up in the quarter as lower demand drove lower manufacturing utilization in our

Commodity Chemicals and Glass businesses. Both coatings and optical products have significantly higher variable cost structures and as such are not as sensitive to volume swings.

Pricing increased our segment earnings, as did lower research, selling and administrative costs. A good portion of these savings are due to our cost reduction initiatives. Also, we are benefiting from lower energy and raw material costs with some details on this deflation on the next slide.

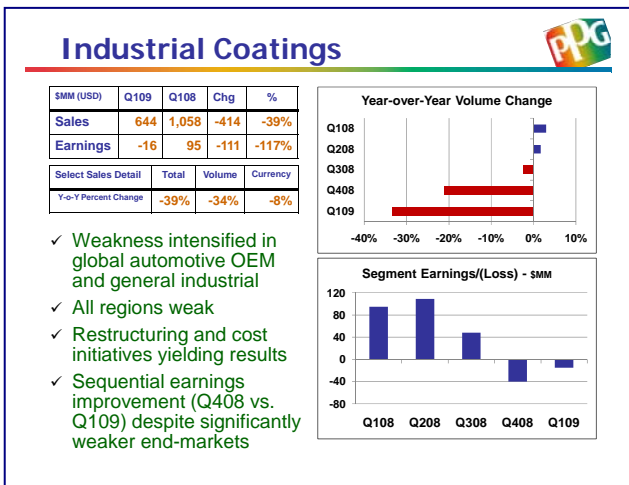


**PPG Input Costs**

Raw material costs are our largest cost component in coatings, and many of the materials we buy are petroleum based. These costs escalated significantly in the third quarter of 2008, lagging oil prices by about three months. But as a result of lower global demand and weakening oil prices, we have experienced raw material deflation in the first quarter 2009 compared with the first quarter of last year. We anticipate that second quarter raw material pricing will be at or below first quarter levels.

Also displayed on the slide is our natural gas cost trend. We use about 60 to 70 trillion British Thermal Units or BTU's of natural gas annually to manufacture both

commodity chemicals and glass. Our first quarter 2009 unit cost averaged about \$7.00 per million BTU's versus about \$8.50 from a year ago. We currently have about 50 percent of our second quarter natural gas needs hedged at about \$7.50 per million BTU's.



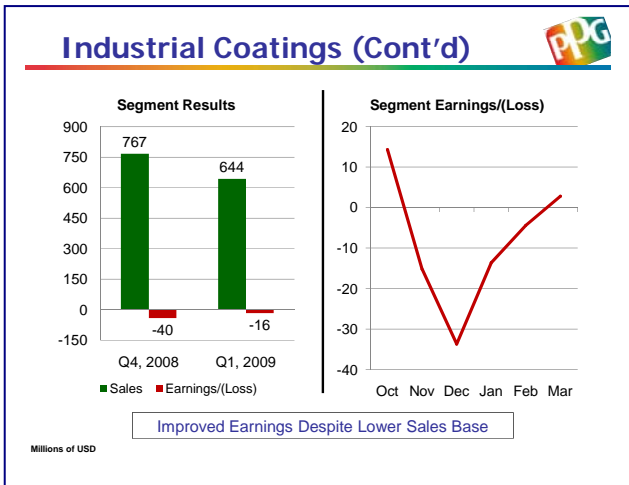
**Industrial Coatings**

Moving to our business segment review, our Industrial Coatings segment results are displayed on the next slide. For the past several quarters, our automotive OEM coatings and industrial coatings businesses have been at the center of the economic slowdown, facing some of the most difficult global end-use markets, with some markets dropping to demand levels last seen not several years ago, but several decades ago. Reflecting these weak end-use markets, our Industrial Coatings segment sales fell nearly 40 percent or slightly more than \$400 million, and segment earnings declined by about \$110 million to a loss of \$16 million.

As displayed on the volume chart, first quarter declines were even steeper than an already weak fourth quarter with current quarter volumes dropping by 34 percent versus last year's first quarter.

Global automotive demand declined significantly with the United States and Europe both posting industry production shortfalls exceeding 40 percent. Our volumes followed suit. Also, demand for many general industrial products abated significantly on a global basis, with each of our major regions posting volume declines of at least 25 percent.

Our announced restructuring actions last September, in advance of the severe economic declines, were in part focused on this segment, which we believed would be most negatively impacted by economic slowing. Execution of these actions, along with subsequent aggressive cost management, more recent restructuring, and raw material deflation, have allowed us to partly offset the negative impacts of the dramatic activity level declines. As illustrated on the earnings trend graph, our segment earnings results, while down year-over-year, actually improved from the fourth quarter.



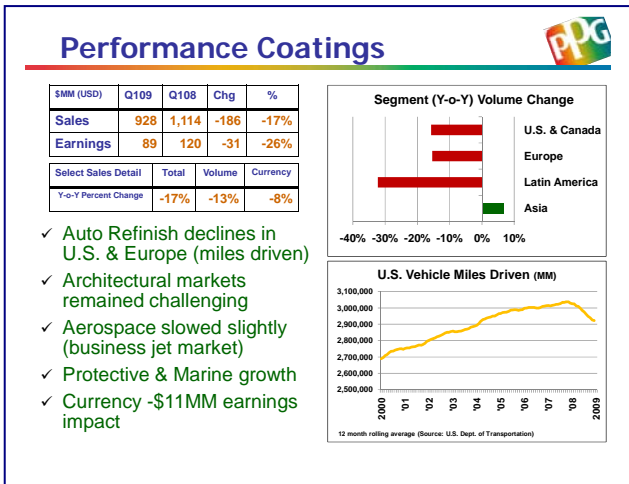
### Industrial Coatings (Cont'd)

If you move to the next slide you see that this sequential bottom line improvement from a \$40 million loss to a \$16 million loss, is despite a nearly 20 percent further drop in sales from the already low fourth quarter level. Also, displayed is a chart of our monthly segment earnings or loss. As illustrated, our results have continued to improve following the steep monthly declines late in the fourth quarter.

One of the objectives of our restructuring actions was to permanently reduce our fixed costs in this segment so that we can be profitable at lower end-use market activity levels. Obviously, we are pleased that in March

we delivered slight, positive earnings despite abnormally low market demand. I will add that this is also prior to us realizing the full benefits of our two restructurings.

Now that being said, this business still has a long way to go to either match historic financial results or to meet our corporate financial objectives. We currently expect that second quarter demand levels will likely remain weak in comparison with prior years and we will remain diligent in executing on our announced cost reduction actions.



### Performance Coatings

Performance Coatings results are detailed on the next slide. Sales were \$928 million, down 17 percent versus last year, as volumes declined 13 percent.

Earnings were down \$31 million due to lower volumes and more than one-third of the earnings decline stemmed from negative currency translation. Partially offsetting the declines were lower costs due to aggressive cost management, along with improved selling prices.

Volume declines were the largest in January and improved with each month of the quarter. Our regional

performance is detailed on the chart, with our Asian business growing while all other regions declined, with the largest percentage decline occurring in Latin America where architectural coatings is our largest single business.

Looking individually at each of our business units, our Automotive Refinish business experienced lower sales volumes as result of less collision repairs due, in part, to the continuing trend of fewer miles driven. As illustrated on the graph detailing U.S. miles driven, this trend began in 2008 and has continued into 2009.

Our Architectural Coatings - Americas and Asia business continued to face harsh market conditions with overall sales declines exceeding 15 percent, with the largest percentage decline in Latin America. Our organic sales in the United States were down about 10 percent, with our stores and dealer channels down more while our national accounts or do-it-yourself channel was essentially flat. One other item of note is that in March, our U.S. organic sales results were positive year-over-year. That being said, both comparison periods are at very low activity levels from a historical perspective. Aerospace sales were lower due to substantially lower activity levels in the general aviation category, which includes business jets, and slightly lower airline aftermarket sales. Organic sales growth continued in our Protective and Marine Coatings business.

For the segment in total, following the improving monthly trend that we experienced in the first quarter, we expect less year-over-year volume erosion in the second quarter, which is also typically a stronger quarter seasonally. Currency will likely remain a headwind.

Architectural Coatings EMEA				
Segment Results:				
\$MM (USD)	Q109	Q108	Chg	%
Sales	409	536	-127	-24%
Earnings	3	9	-6	-67%
<ul style="list-style-type: none"> <li>Seasonally slow quarter</li> <li>Currency the largest impact on sales decline</li> <li>Organic sales results vary greatly by region</li> <li>Earnings erosion minimal</li> </ul>				
EBITDA Reconciliation:				
\$MM (USD)	Q109	Q108		
Earnings	3	9		
Depreciation & Amortization	25	33		
EBITDA	28	42		
EBITDA % of Sales	6.8%	7.8%		
Note: Year-over-year decline in D&A is primarily currency related				

### Architectural Coatings EMEA

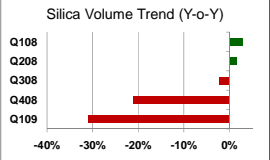
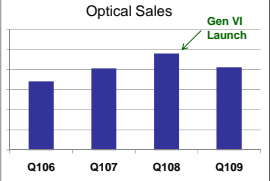
Results for our Architectural Coatings Europe, Middle East and Africa or "EMEA" business are on the next slide. Sales were \$409 million, down more than \$125 million, with about \$80 million of the decline related to currency conversion.

As expected, volume results throughout the region differed greatly with several markets growing and several contracting. Volumes in the segment as a whole declined about 10 percent; however pricing gains partially offset the negative volumes. The United Kingdom easily remained our weakest major region and was down considerably more. Of significance, is that the segment volumes in the month of March were flat.

In the quarter, there was minimal earnings erosion versus last year, as strong cost controls offset nearly all the decline stemming from the sales results.

Also, depicted on the slide are the earnings before interest, taxes, depreciation and amortization or EBITDA. We measure this business on EBITDA given the ongoing non-cash amortization stemming from the acquisition.

Looking ahead, we don't see any significant changes that will impact the organic performance of the business; however, as has been the case historically, the business is expected to experience a notable seasonal uptick. Currency is expected to remain a stiff headwind on sales and may result in an earnings headwind as well as we approach peak earnings quarters.

Optical and Specialty Materials				
<ul style="list-style-type: none"> <li>Silica volumes decline 30% (weak auto OEM &amp; auto aftermarket)</li> <li>Optical prior year comparable difficult (new product launch and pipeline fill in 1H08)</li> <li>Stable segment operating margins</li> </ul>				
\$MM (USD)	Q109	Q108	Chg	%
Sales	245	295	-50	-17%
Earnings	60	74	-14	-19%
% of Sales	24.5%	25.0%	--	--
				
				

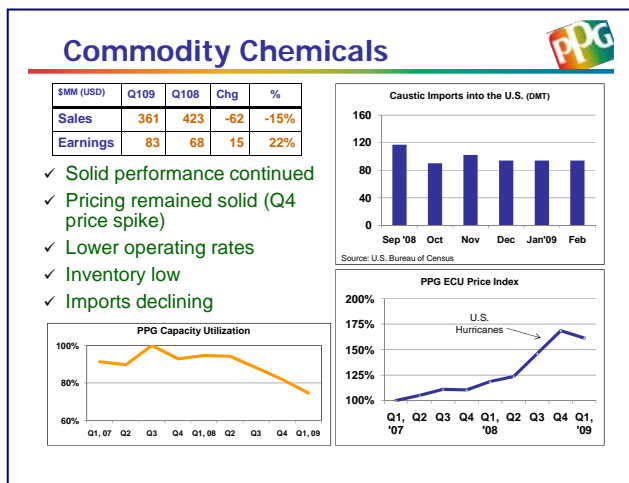
### Optical and Specialty Materials

Our Optical and Specialty Material segment results are detailed on the next slide. Sales were \$245 million, down \$50 million from last year. Earnings were \$60 million, down about the same percentage as sales, while segment margins remained constant year-over-year.

Silica, which is an input into tires and car batteries, experienced volume declines of more than 30 percent, as demand collapsed in both the automotive OEM and auto aftermarket.

Our Optical Products business sales were impacted by both negative currency and lower volumes. The volume decline is due, in part, to strong first half 2008 activity levels in support of our Transitions Gen VI new product launch and inventory pipeline fill, combined with the decline in economic conditions in most major regional markets. As we mentioned during our fourth

quarter conference call, we do not anticipate our first half 2009 volumes will match these difficult comparable periods; however we are very comfortable with the continued growth prospects in the business.



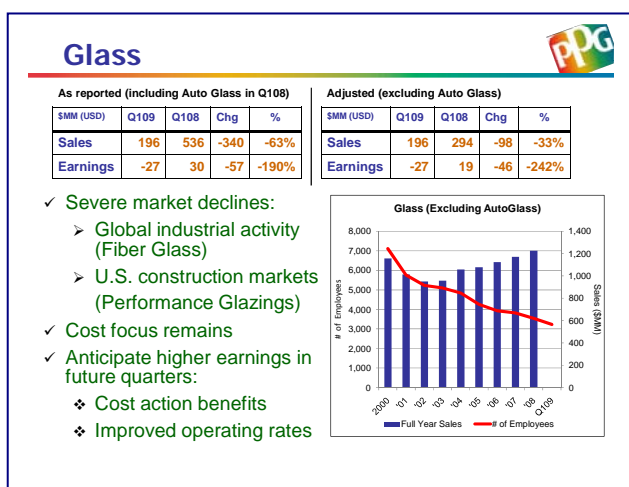
### Commodity Chemicals

On the next slide are our Commodity Chemical segment results. Sales declined about \$60 million, with lower volumes partially offset by higher year-over-year pricing. Earnings improved by \$15 million, or 22 percent, as lower input costs offset unfavorable manufacturing due to lower capacity utilization.

Our first quarter operating rate was around 75 percent, generally in sync with the industry. This lower utilization was in response to lower market demand and has resulted in our inventories remaining at low levels when compared historically.

First quarter pricing was up versus prior year, but declined from fourth quarter levels, which were impacted by low product availability following two U.S. hurricanes in the third quarter. Caustic soda imports spiked up late in the third quarter to fill critical demand needs following the hurricanes, but imports have declined.

Low demand stemming from the slower economy continues and we anticipate a smaller spring inventory build in the PVC chain. Also, we anticipate imports of product into the region will continue to decline.



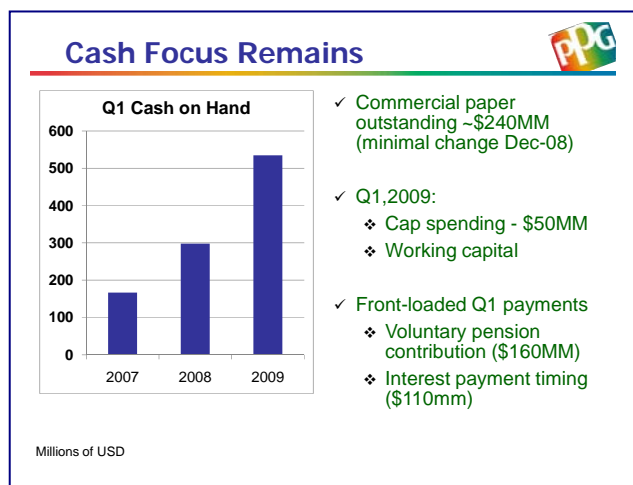
### Glass

Our Glass segment details are on the following slide. We included 2008 results both with and without the Automotive Glass and Services business we divested late in 2008. My comparison comments will be against the 2008 results excluding auto glass.

Sales this quarter were \$196 million, down about \$100 million or 33 percent from last year. We experienced severe declines in both Fiber Glass, reflecting much lower global industrial demand, and in Performance Glazings, as U.S. residential construction continued to be weak and commercial construction demand declined rapidly.

Earnings dropped \$46 million year-over-year to a loss of \$27 million. As the lower volumes, relating lower manufacturing utilization and declining equity earnings stemming from a weak first quarter electronics end-market, combined to outpace restructuring and a variety of other cost reduction actions. As shown in the chart detailing our number of employees and our sales levels, we have and will continue to manage these businesses very aggressively relative to costs.

We expect future quarter earnings to improve, as we have yet to fully benefit from previously announced cost reduction actions. We expect to benefit from a seasonal uptick, which will aid in our manufacturing utilization, customer inventories are low, and a few of the industrial end-use markets including electronics have begun to partially recover.



## Cash

Now, let me conclude my remarks by reviewing cash which is detailed on the next slide.

We ended the quarter with about \$530 million of cash on hand. As detailed in the chart, this level is up considerably from prior year's first quarter levels.

During the quarter we have remained focused on the prudent management of both cash and debt. Our commercial paper outstanding at the end of the first quarter was about \$240 million, which is a minimal change from our year-end 2008 figure. We anticipate continuing to roll-over roughly this level of commercial paper for the foreseeable future.

Our cash from operations in what has traditionally been a slower quarter for cash generation was a negative \$290 million. This included the negative impact of a \$160 million voluntary contribution we made to our U.S. pension funds during the quarter, and also includes the impact of growth in working capital of \$300 million driven largely by lower payables and customer rebate accruals at March 31 associated with lower production and sales levels in the U.S. and Europe. The remaining elements of cash from operations were positive, driven largely by our segment earnings.

Also impacting our ending cash balance were payments totaling nearly \$110 million related to interest on our debt. These first quarter payments, which approach about 60 percent of our anticipated full year interest costs based on our current debt profile, are front-loaded in the calendar year and then are notably lower in subsequent quarters.

Regarding other cash uses, we had about \$50 million of capital spending which is on pace for our full year capital spending target of \$200 million. This targeted annual capital spending level is down 50 percent from our 2008 level. Also we are not very active relative to acquisitions.

Looking ahead regarding potential cash uses, outside of capital spending, we have about \$115 million of term debt maturing in the third quarter with no other maturities of size this year. Also, we are still reviewing the level of pension contributions to make for the year, most of which is voluntary, but the full year figure is not expected to exceed about \$350 million and may be less.

One other potential cash call relates to our proposed asbestos settlement and while I don't have any updates this quarter on the status of the settlement, our current outlook is that the settlement, if approved by the Bankruptcy Court, will not require cash funding until at least year 2010.

I will conclude my remarks by reiterating that we remain diligent on managing cash even as we move into what are traditionally higher cash generation quarters.

And now I will turn it back over to Chuck for some closing comments.

## Comments by: Charles E. Bunch, Chairman & CEO

Thanks Bill.

### Summary



- ❖ Challenging external environment remains
- ❖ Executing on restructuring and cost initiatives
- ❖ Positioned to capitalize on recovery
- ❖ Prudent management approach remains

### Conclusion

Let me summarize our thoughts on the first quarter by recapping a few key items.

As we mentioned, the global economic environment remains challenging. While we are beginning to see occasional upticks in activity, they have not been significant nor have they been sustained over a long enough period of time to give us comfort that any region or market has “turned the corner”, and it is very likely some have yet to reach bottom. Although we did outperform our expectations in March, we expect second quarter activity levels to remain low in comparison to prior years, although we do anticipate seasonal improvement versus the first quarter.

As evidenced by our Industrial Coatings segment results this quarter versus the fourth quarter, despite steeper market declines, our past actions cushioned the negative earnings impacts from the slowing economies. And, we have not yet completed all of our previously announced actions so we will have further cost savings for the next several quarters. Also, given the level of industrial production and moderation in energy costs, we expect raw material costs to at a minimum, remain in check.

As I mentioned last quarter, PPG has a great deal of experience in managing through the economic cycles. What’s more, today we have the advantage of a much stronger business portfolio and a broader geographic presence. Due to our much lower cost base and deflating input costs, the company is well-positioned to fully capitalize on any improvements in demand levels.

Until that occurs, however, we will continue to manage the company in a conservative manner, remaining very mindful of all costs and discretionary spending, and our focus remains on conserving cash.

That concludes our prepared remarks. Operator, would you please give instructions and open the lines for questions.

### Adjusted EPS Reconciliation



First Quarter	2009		2008	
	\$\$	EPS	\$\$	EPS
Net Loss/(Income) Attributable to PPG as Reported	\$(111)	\$(0.68)	\$100	\$0.61
Business Restructuring Charge	141	0.86	-	-
Net Charge for Asbestos Settlement	2	0.01	-	-
Acquisition-Related Costs	-	-	89	0.54
Adjusted Net Income	<u>\$32</u>	<u>\$0.19</u>	<u>\$189</u>	<u>\$1.15</u>

Amounts in Millions of USD except EPS

PPG INDUSTRIES AND CONSOLIDATED SUBSIDIARIES  
 CONDENSED STATEMENT OF OPERATIONS (unaudited)  
 (All amounts in millions except per-share data)

	Three Months Ended March 31	
	<u>2009</u>	<u>2008</u>
Net sales	\$ 2,783	\$ 3,962
Cost of sales, exclusive of depreciation and amortization (Note A)	1,718	2,596
Selling and other	810	983
Depreciation	88	107
Interest	48	64
Amortization	30	34
Asbestos settlement - net	4	-
Business restructuring	186	-
Other - net (Note B)	10	(5)
<b>(LOSS) INCOME BEFORE INCOME TAXES (Notes A and B)</b>	<b>(111)</b>	<b>183</b>
Income tax (benefit) expense (Note C)	(20)	57
Net (loss) income attributable to the controlling and noncontrolling interests (Note D)	(91)	126
Less: net income attributable to the noncontrolling interests (Note D)	(20)	(26)
<b>NET (LOSS) INCOME (ATTRIBUTABLE TO PPG) (Note D)</b>	<b>\$ (111)</b>	<b>\$ 100</b>
(Loss) earnings per common share (attributable to PPG)	\$ (0.68)	\$ 0.61
(Loss) earnings per common share - assuming dilution (attributable to PPG)	\$ (0.68)	\$ 0.61
Average shares outstanding	164.0	164.5
Average shares outstanding - assuming dilution	164.4	165.6

Note A:

Includes expense of \$94 million in the three months ended March 31, 2008, for the flow-through cost of sales of the step up to fair value of inventory related to the SigmaKalon acquisition.

Note B:

Includes expense of \$23 million in the three months ended March 31, 2008, for the write-off of in-process research and development related to the SigmaKalon acquisition.

Note C:

The effective tax rate on pretax earnings for the three months ended March 31, 2009, was 18 percent, consisting of a tax benefit of 24 percent on the charge for business restructuring and tax expense of 33 percent on remaining pretax earnings. The effective tax rate for the three months ended March 31, 2008, was approximately 31 percent, consisting of a tax benefit of 24 percent on SigmaKalon acquisition-related costs, a tax benefit stemming from the settlement of the IRS audit of PPG's 2004 and 2005 U.S. tax returns, and tax expense of 30 percent on remaining pretax earnings.

Note D:

On January 1, 2009, PPG Industries, Inc., adopted Statement of Financial Accounting Standards No. 160, "Noncontrolling Interests in Consolidated Financial Statements - an amendment of ARB No. 51," which requires that "minority interests" be renamed "noncontrolling interests" and that a company present a consolidated net income (loss) measure that includes the amount attributable to such noncontrolling interests for all periods presented.

## BUSINESS SEGMENT INFORMATION (unaudited)

	Three Months Ended March 31	
	<u>2009</u>	<u>2008</u>
	(millions)	
Net sales		
Performance Coatings	\$ 928	\$ 1,114
Industrial Coatings	644	1,058
Architectural Coatings EMEA	409	536
Optical and Specialty Materials	245	295
Commodity Chemicals	361	423
Glass (Note A)	196	536
<b>TOTAL</b>	<b>\$ 2,783</b>	<b>\$ 3,962</b>
Segment income (loss)		
Performance Coatings	\$ 89	\$ 120
Industrial Coatings	(16)	95
Architectural Coatings EMEA	3	9
Optical and Specialty Materials	60	74
Commodity Chemicals	83	68
Glass (Note A)	(27)	30
<b>TOTAL</b>	<b>192</b>	<b>396</b>
Legacy items (Note B)	(25)	(4)
Business restructuring (Note C)	(186)	-
Acquisition - related costs (Note D)	-	(117)
Asbestos settlement - net	(4)	-
Interest - net	(42)	(59)
Unallocated stock-based compensation (Note E)	(7)	(9)
Other unallocated corporate expense (Note F)	(39)	(24)
<b>(LOSS) INCOME BEFORE INCOME TAXES</b>	<b>\$ (111)</b>	<b>\$ 183</b>

## Note A:

Glass net sales and segment income include the results of the divested automotive glass and services business for the three months ended March 31, 2008.

## Note B:

Legacy items include current costs related to former operations of the Company, including certain environmental remediation, pension and other postretirement benefit costs and certain charges which are considered to be unusual or non-recurring. Legacy items also include equity losses from PPG's 40-percent investment in the former automotive glass and services business for the three months ended March 31, 2009.

## Note C:

For the three months ended March 31, 2009, business restructuring includes charges of \$41 million for the Performance Coatings segment, \$93 million for the Industrial Coatings segment, \$13 million for the Architectural Coatings EMEA segment, \$12 million for the Optical and Specialty Materials segment, \$6 million for the Commodity Chemicals segment, \$13 million for the Glass segment, and \$8 million for corporate. These costs are considered to be unusual and non-recurring and will not reduce the segment earnings used to evaluate the performance of the operating segments.

## Note D:

Represents costs related to the SigmaKalon acquisition for the three months ended March 31, 2008, including \$94 million of the flow-through cost of sales of the step up to fair value of acquired inventory and \$23 million for the write-off of in-process research and development. These costs are considered to be unusual and non-recurring and will not reduce the segment earnings used to evaluate the performance of the operating segments.

## Note E:

Unallocated stock-based compensation includes the cost of stock options, restricted stock units and contingent share grants which are not allocated to the operating segments.

## Note F:

Other unallocated corporate expense increased in part due to foreign currency translation losses in the three months ended March 31, 2009.

**QUESTION AND ANSWER****Bob Koort - Goldman Sachs - Analyst**

Thanks. Good morning.

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

Morning.

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**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?

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**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.

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**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.

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**Bob Koort - Goldman Sachs - Analyst**

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

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**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?

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**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.

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**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?

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**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.

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**David Begleiter - Deutsche Bank - Analyst**

Thank you very much.

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**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?

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**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?

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**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.

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**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?

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**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.

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**Sergey Vasnetsov - Barclays Capital - Analyst**

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

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

Thanks again, Sergey.

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

Yes. Hi, good afternoon.

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

Good afternoon.

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**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?

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**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.

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**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?

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**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.

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

Thank you.

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**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?

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**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.

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**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?

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**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.

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**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?

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**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.

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

I see.

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**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.

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**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?

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**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.

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

Okay, thank you.

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**Bill Hernandez - PPG Industries - CFO**

Thanks, Frank.

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

Thank you, Frank.

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**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.

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**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?

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**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.

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**Don Carson - UBS - Analyst**

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

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**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.

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**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?

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**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.

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**Don Carson - UBS - Analyst**

Okay. Thank you.

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**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.

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**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?

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**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.

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**John McNulty - Credit Suisse - Analyst**

Great. Thanks a lot.

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

Afternoon, guys.

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

Good afternoon.

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**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?

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**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.

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**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.

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**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?

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

Industrial Coating sales --

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**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.

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**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.

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

Thank you.

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

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

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**Steve Schuman - Lafayette Research - Analyst**

Good morning, guys.

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

Morning.

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**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 to you see that going forward?

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

This is in aerospace?

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**Steve Schuman - Lafayette Research - Analyst**

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

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**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?

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**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.

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**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?

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**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.

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**Steve Schuman - Lafayette Research - Analyst**

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

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**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.

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**Steve Schuman - Lafayette Research - Analyst**

Great. Thanks for the call, guys.

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

Thank you.

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**Mike Judd - Greenwich Consultants - Analyst**

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

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

Thanks, Mike.

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**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.

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**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.

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**Mike Judd - Greenwich Consultants - Analyst**

Thanks for the help.

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**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.

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**Operator**

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

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