# PPG Industries, Inc. Second Quarter 2006 Financial Results

William H. Hernandez, Senior Vice President, Finance, July 20, 2006 Recorded Comments

In the next few minutes, I'll review our record second quarter 2006 performance. I'll also comment on many macro and company specific trends underlying our excellent performance. Let me first provide a quick recap of some significant items which drove our strong second quarter results.

- PPG delivered an all-time sales mark for both the second quarter as well as any single quarter in company history. Our sales were $2.8 billion, and this marks the thirteenth consecutive quarter, or more than three years in a row, of quarterly sales records. Despite a shift in the Easter holiday into the second quarter this year, we exceeded by six percent our all-time sales mark which was set in the second quarter of last year. Individual second quarter sales records were achieved in eight of our fifteen business units including all six coatings businesses and our optical business.

- While price and volume growth were the primary factors in our sales increases, sales from business acquisitions also contributed to our record performance. Currency, primarily the Canadian dollar, contributed slightly to the sales gains.

- Our earnings-per-share were also a record for both the second quarter and for any quarter in the company's history. This unprecedented earnings performance is a result of our focus on profitable sales growth, our continued cost diligence and continuing growth in the global economy.

- Our primary energy cost, natural gas, abated to prior year levels and while still high by historical standards, we are very pleased to see these costs return to price levels more closely supported by supply and demand and not speculation.

- Our coatings operating margins continued to improve as profitable volume growth, selling prices and cost management remained focal points. Overall coatings raw material costs, while high, have remained relatively steady. Meanwhile our chemical business once again posted operating margins above 20 percent, and our glass margins are returning to prior year levels.

- As expected, our ever present cost diligence once again produced manufacturing improvements of nearly $25 million.

- We continue to generate strong operating cash flow, with about $300 million in the quarter. Year-to-date our operating cash flow is almost 25 percent higher then our excellent results in 2005. As we have historically done, we are using that cash to increase value. We spent or committed about $250 million this year on business acquisitions with a focus in our coatings and optical businesses. Also during the quarter we repurchased just under 750,000 shares of stock. Even with these notable investments focused on achieving earnings-per-share growth, we ended the quarter with over $400 million of cash or cash equivalents.

Now I will discuss our results in more detail.

**Business Segment Sales**

| | 2nd Quarter | | | Year-to-Date | | |
|---|---|---|---|---|---|---|
| Sales | 2006 | 2005 | Change | 2006 | 2005 | Change |
| Coatings | $ 1,579 | $ 1,450 | $ 129 | $ 3,019 | $ 2,782 | $ 237 |
| Chemicals | 634 | 625 | 9 | 1,267 | 1,232 | 35 |
| Glass | 611 | 581 | 30 | 1,176 | 1,135 | 41 |
| Total PPG | $ 2,824 | $ 2,656 | $ 168 | $ 5,462 | $ 5,149 | $ 313 |

## Business Segment Sales

First, reviewing the slide which recaps our unprecedented business segment sales performance; PPG once again delivered an excellent quarter achieving all-time record sales of over $2.8 billion. The $2.8 billion also represents a record level for any quarter in the company's history. Overall sales for the quarter increased 6 percent year-over-year. Our second quarter sales are up over 30 percent since 2002 and this marks the fourth consecutive year we achieved a second quarter sales record.

Record second quarter sales were also achieved in all six coatings businesses, as we recognized growth of at least eight percent in five of the six businesses. Our chemical segment as had record second quarter sales supported by our optical business which grew sales over 20 percent, marking the ninth consecutive quarter of double-digit growth. Optical, once again, set a new all-time sales record for both the second quarter as well as any quarter. Our architectural flat glass business, which was renamed performance glazings to better convey our value added focus, increased sales 15 percent, continuing our transformation to value-added products, which are supplying a very robust commercial construction market.

Geographically, year-over-year North American volumes were flat due mostly to lower chlor-alkali volumes. Similar to what we said in the first quarter, the whole chlor-alkali industry operated in 2005 at very high and unsustainable capacity utilization levels. While our capacity utilization this quarter was slightly higher than the first quarter, it did not approach the level of last year.

Asian volumes were up 17 percent, demonstrating both our strong commitment and execution, along with the overall continued growth prospects in the region. European volumes were a positive 5 percent as the Western European economies once again demonstrated consistent improvement over the past several months.

**Second Quarter Comparisons**

| | 2006 | | 2005 | |
|---|---|---|---|---|
| | Million | EPS | Million | EPS |
| Net Income As Reported | $ 280 | $ 1.68 | $ 231 | $ 1.34 |
| Net Income Includes the Following Charges (Earnings): | | | | |
| Asbestos Settlement - Net | 4 | 0.03 | 2 | 0.01 |
| Net Legal and Insurance Matters | (12) | (0.07) | - | - |
| Debt Refinancing Costs | - | - | 12 | 0.07 |
| Adjusted Net Income | $ 272 | $ 1.64 | $ 245 | $ 1.42 |

Adjusted Net Income is included in this presentation, together with the most directly comparable GAAP financial measure, because management uses this information in evaluating the results of the continuing operations of the Company and believes this information provides useful insight to investors.

## Second Quarter Comparisons

Now, reviewing our earnings in summary, you can see on the slide titled "Second Quarter Comparisons" we reported EPS of $1.68 cents in the quarter that included charges of $4 million after-tax, or 3 cents a share, related to the proposed asbestos settlement, and 7 cents per share of earnings for net legal and insurance matters. Our adjusted earnings-per-share of $1.64 cents, excluding these items, is an all-time second quarter record for PPG nearly 16 percent above our prior second quarter record.

Please refer to slide number four of this presentation on the investor center section of our website for a reconciliation of this adjusted number to the comparable GAAP financial measure.

With regard to the net legal and insurance matters, our second quarter earnings were aided by a net $20 million pre-tax, $12 million after-tax or 7 cents per share. I will detail the significant matters as I review our business segment earnings in a few minutes.

Our second quarter tax rate was 26.4 percent, which includes a one-time benefit relating to settlement with the Internal Revenue Service of our tax returns for years 2001, 2002, and 2003. This favorable benefit equates to about 13 cents per share. We expect our ongoing tax rate for the remainder of 2006 to be between 31 percent and 32 percent.

A year ago we reported EPS of $1.34 cents in the quarter that included a 1 cent reduction related to the asbestos settlement and a 7 cent per share charge relating to debt refinancing costs. The tax rate then was 31 percent.

Let me comment, but just briefly, on our proposed asbestos settlement. As we've been reporting since mid-2002, our reported earnings include the charge or income resulting from adjusting the asbestos settlement liability to it's current value. As with last quarter, I will avoid the redundancy of reciting the details of the asbestos settlement. For those not familiar with those details, please refer to page 16 of our first quarter 2006 Form 10-Q for more information.

Let me remind you once again that our EPS numbers have included the impact of expensing stock options since the first quarter of 2004, two years ahead of most companies.

**Business Segment Earnings**

| | 2nd Quarter | | | Year-to-Date | | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | Change | 2006 | 2005 | Change |
| Operating Earnings | | | | | | |
| Coatings | $ 272 | $ 210 | $ 62 | $ 439 | $ 219 | $ 220 |
| Chemicals | 137 | 152 | (15) | 265 | 307 | (42) |
| Glass | 48 | 52 | (4) | 80 | 93 | (13) |
| | $ 457 | $ 414 | $ 43 | $ 784 | $ 619 | $ 165 |
| Operating Margins | | | | | | |
| Coatings | 17.2% | 14.5% | | 14.5% | 7.8% | |
| Chemicals | 21.6% | 24.3% | | 20.9% | 24.9% | |
| Glass | 7.9% | 9.0% | | 6.8% | 8.2% | |

## Business Segment Earnings

Moving to the chart detailing our business segment earnings; our coatings operating earnings of $272 million were a record for any quarter in PPG history. Included in this figure is $28 million relating to an insurance recovery stemming from a lawsuit which we settled in the first quarter of 2005. Excluding this recovery, our coatings operating earnings are still easily a quarterly record. Driving this excellent performance was revenue growth of 9 percent, coupled with continued cost management. During the quarter, coatings raw material costs increased about 2 percent year-over-year or just over $10 million.

Excluding the favorable insurance recovery, our year-over-year ongoing coatings margins improved by 100 basis points. Driving this improvement are selling price increases of about 3 percent, profitable volume growth and a variety of aggressive cost actions. However, not all of our businesses have fully offset last year's rise in raw material costs so we will continue to aggressively pursue all methods to recover our industry leading margins including additional increases in selling prices and further cost actions.

Our second quarter cost for natural gas used in our chemicals and glass businesses was about $7.00 a MMBTU. This compares to $10.00 per MMBTU in the first quarter of 2006 and about $7.00 in the second quarter of 2005. As I mentioned we are pleased that these costs have moderated and now are more representative of actual market supply/demand dynamics.

In chemicals, our operating earnings dipped slightly from last year's level which, as mentioned earlier, was supported by very high chlor-alkali industry utilization levels. Our chemical operating margins once again exceeded 20 percent, and also exceeded our first quarter margins. These consistent margins are driven by solid chlor-alkali performance and continued excellence in our optical business. This year's chemical earnings were also reduced by about $12 million pre-tax for environmental charges.

As we mentioned in the first quarter, we expect our full year environmental costs to be at or even exceed the upper end of our historical annual range of $10 million to $49 million. We currently are working with various environmental agencies in both New Jersey and Louisiana with regards to potential remediation of several sites in those states.

Glass earnings, while improving, are still slightly below prior year levels. Sales improvements in performance glazings, fiber glass and automotive replacement glass were offset by a difficult environment for our automotive OEM glass business. Our performance glazings results are due, in large part, to our shift to a more value added product mix which supports the very robust commercial construction market. As you have come to expect from us, our continued focus on operational excellence delivered significant improvements in our manufacturing costs for the quarter.

To summarize, our very strong financial results validate the execution and delivery on our strategies focused on generating profitable growth. Through the first half of the year, business units which represent nearly 40 percent of our sales have delivered sales gains in excess of 10 percent. As important, our operating earnings are at record levels. As I am sure you expect, our businesses generated a substantial amount of cash and we continue to utilize that cash to fund future profitable growth initiatives, such as the acquisitions completed in both 2005 and 2006.

Now let me talk about the overall market.

**Market Indicators**

| | 2Q 2006 (change from 2Q 2005) |
|---|---|
| U.S. Real GDP* | 3.4% |
| U.S. Industrial Production* | 4.6% |
| EEC Real GDP* | 2.4% |
| China Real GDP* | 10.9% |
| N.A. Vehicle Production | -3.9% |
| N.A. Light Vehicle Sales | -2.4% |
| Western Europe Auto Production* | -3.7% |
| Western Europe, New Registrations* | -1.0% |
| U.S. Housing Starts* | -8% |
| U.S. Commercial Construction (Real Investment)* | 8% |

*Estimates

**Market Indicators**

The slide "Market Indicators" shows that in North America, growth is moderating as evidenced by the estimated second quarter GDP figure of about 3.4 percent year-over-year. Industrial production in the quarter was up a solid 4.6 percent versus the year-ago quarter. Again, let me clearly state these metrics indicate that growth is in fact continuing, but as we mentioned for several quarters, at an overall disciplined pace.

In Western Europe we continue to see a variety of positive economic signals continuing a trend which began late last year. Current estimates have Western Europe GDP expanding at about 2.4 percent, year-over-year. Although we would like to see further participation in the economy from the consumer which would indicate sustainability, the economic momentum is continuing and we expect a similar pattern for the rest of the year.

Japan, the world's second largest economy, has also begun to post positive economic growth figures after nearly a decade of virtually no growth. China and India both continue to show strong GDP growth. Economists estimate second quarter growth in China of about 10.9 percent and India of 9.3 percent. We continue to benefit from this growth rate due to our strong industry positions in the coatings market within the Asian region.

In North America, overall vehicle production was down about 4 percent in the quarter and is flat year-to-date. This is consistent with our continued communications that the overall automotive OEM market volumes remain stable, with the primary anxiety relating to market share shifts occurring among the players. Per Global Insight, second quarter production was down 3 percent for Ford, 8 percent for Daimler-Chrysler and 6 percent for General Motors. Toyota and Nissan had production declines of 4 percent and 12 percent respectively, while Hyundai had significant production gains due to the start-up of their new U.S. facility mid last year. Honda's production was up about 1 percent.

Global Insight projects essentially flat North American automotive production for the full year of 2006, with the third quarter down a few percent year-over-year.

Also in the second quarter, according to Global Insight, Western European vehicle production is estimated to have been down about 4 percent with Eastern European production up over 10 percent. PPG's automotive OEM coatings volumes increased 10 percent in the region. Germany, France, the U.K. and Spain were all down between 4 percent and 7 percent, while Italy posted a 33 percent year-over-year improvement. Global Insight still forecasts the full year in Western Europe to be relatively flat in vehicle production, with relatively flat vehicle sales.

Back in the U.S., housing starts slowed to be between 1.8 and 1.9 million units annually. More important to PPG, as demonstrated by our strong architectural coatings and performance glazings volumes, commercial construction continues to demonstrate sustained and strong activity increases.

**2006 Key Topics and Outlook**

- Economy
- Inflation
  - Energy
  - Raw Materials

## 2006 Key Topics and Outlook

Referring to the slide "2006 Key Topics and Outlook"; first, to summarize the economic figures I cited earlier, Global GDP has actually been accelerating for past several quarters as two of the most significant world economies, Western Europe and Japan, have also begun to deliver consistent improvement and contribute to global growth. The North American economy is continuing to grow but at a more modest pace. Also, the emerging economies, including China and India, continue to post very high growth figures. Latin America has also posted growth, although somewhat erratic.

A recovering Western Europe and Japan provide more stability to the global economy and rapid growth in several Asian regions provides new market opportunities. Meanwhile, a disciplined growth rate in the North American economy keeps focus on ensuring that a lean supply of inventory exists, and forces companies to place further emphasis on technology and customer service, two traits we feel provide us with competitive advantage.

As we have stated many times in the past year, in our opinion, this economic expansion will be prolonged by a measured growth rate that is supported by good fundamentals and discipline in most markets. What is becoming continually more important to companies with a global presence such as PPG, is the growing overall worldwide economy, as it provides opportunities to extend our geographic and customer reach.

Barring any unforeseen geopolitical event, we expect the North American economy to post somewhat similar year-over-year growth rates for the remainder of 2006, and expect the global GDP rate to continue to grow at similar rates as the recent past.

With regard to inflation, over the past several months there has certainly been a great deal of anxiety relating to the level and directional trend of inflation. In our opinion inflation at the consumer level is fairly well contained. Regardless, we are fairly comfortable the interest rate actions already taken recently by all three major economies will ensure that consumer inflationary pressures do not mute future growth.

From a PPG perspective, we already recognized very high inflationary impacts over the past few years in energy, primarily natural gas, and coatings raw materials.

With respect to natural gas, as I mentioned earlier, our natural gas costs were flat year-over-year after a welcomed decline from record levels the past several quarters. We use 60 to 70 trillion Btu's of natural gas a year to generate power for the production of chlorine and caustic soda and to produce glass and fiber glass. So if natural gas costs change by a dollar per million Btu, our pre-tax costs change by about $60 million to $70 million on an annual basis.

We have been active in our natural gas hedging program and hedged over 50 percent of our third quarter requirements at about $7.00 per MMBTU, and roughly 30 percent of our fourth quarter natural gas requirements at about $8.25 per MMBTU. The primary goal of our hedging program has always been to moderate, over time, large price fluctuations in our natural gas purchases and our current hedges will assist us in accomplishing this goal.

Our coatings raw material costs began to rise rapidly in late 2004 and continued on this trend until the second quarter of 2005, when they plateaued. As I mentioned earlier our second quarter 2006 raw materials costs increased a modest 2 percent or just over $10 million.

Looking ahead we currently expect a generally stable overall raw materials environment with about the same modest inflation rate as the second quarter, as some raw materials are declining while others, primarily those that are petroleum based, are rising.

To summarize and as I stated last quarter, the economic environment as we currently see it, continues to favor well disciplined and efficient companies such as PPG. Technology, customer service, innovation and leadership, all PPG strengths, remain key traits when economic growth is at a consistent but measured pace.

And now let me review our sales and growth activity in the quarter.

**Approx. Trends in Sales – Total PPG**

| 2Q 2006 (change from 2Q 2005) | Sales | Volume/Mix | Price | Curr. | Acq./Other |
|---|---|---|---|---|---|
| | 6% | 2% | 2% | 1% | 1% |

**Approximate Trends in Sales – Total PPG**
Looking at our year-over-year sales trends this quarter, sales were up 6 percent, pricing grew 2 percent, volume was up 2 percent, business acquisitions contributed one percent, and currency aided sales by about one percent. Once again, our sales performance was a second quarter and all-time quarterly record for PPG.

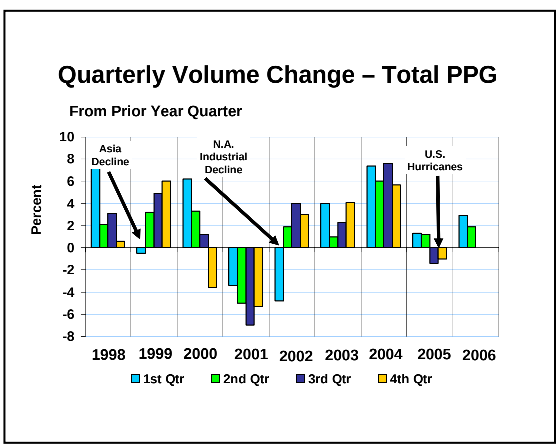
Volume was flat in North America, up 5 percent in Europe, increased 17 percent in Asia and about 5 percent in Latin America.

Overall volume gains were realized in coatings at 4 percent and glass at a positive 3 percent. Volumes declined in chemicals by about 3 percent, driven by our chlor-alkali volumes as I discussed previously. Our optical product volumes increased by 15 percent, once again a very strong performance.

Pricing improved about 2 percent overall. Glass pricing was flat, while both chemical and coatings pricing improved by about 3 percent. Coatings pricing has improved for six consecutive quarters, reflecting the impact of rising raw materials over the same period.

Business acquisitions added over one percent to our total sales, and as many of you are aware, we announced a series of acquisitions in the second quarter of 2006 that we anticipate will push this number higher in the future. We expect announced acquisitions to add about four to five percent to our sales for the remainder of the year.

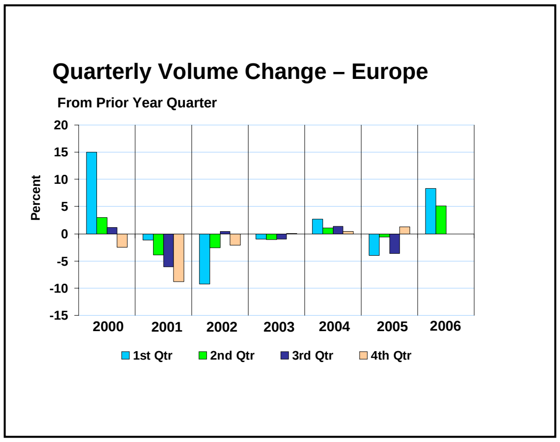
Finally, currency added just over $17 million to our total revenues for the quarter, and about $2 million to operating earnings.




**Quarterly Volume Change – Total PPG**
The slide “Quarterly Volume Change – Total PPG” is one we show every quarter.

As we stated last quarter we see the overall worldwide economy expanding as evidenced by our volume growth the past two quarters. Our overall volumes grew between two and three percent in both the first and second quarters.

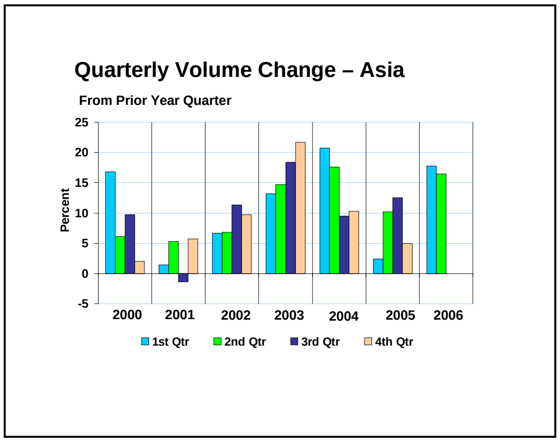
Although not displayed separately on the slide, in North America, despite a shift in the Easter holiday into the second quarter and very difficult comparisons in commodity chemicals, our volumes remained steady with last year.




**Quarterly Volume Change – Europe**

The next slide depicts our European volumes.

Our volumes for the quarter in Europe were up just about 5 percent. This is on the heels of 8 percent growth in the first quarter. As we discussed last quarter, the first quarter volumes were aided and second quarter volumes hampered by the Easter holiday shifting between the quarters. Excluding this impact European volume growth has been steady this year and validates a slightly recovering European economy.




**Quarterly Volume Change – Asia**

Moving to the Asia volume slide; in Asia, we experienced extremely healthy growth as we continue to expand our presence in the Asian market. We once again achieved double-digit volume growth this past quarter with each month within the quarter posting comparable figures.

Our Asian sales continue to grow at excellent rates and have increased by over 100 percent since 2002. Even more important is that our Asian margins remain excellent and even exceed the worldwide coatings industry margins by over two hundred basis points.

Now let me discuss our individual business performance which supports the geographic sales growth.

**Approx. Trends in Sales – Coatings**

| 2Q 2006 (change from 2Q 2005) | Sales | Volume/Mix | Price | Curr. | Acq./Other |
|---|---|---|---|---|---|
| COATINGS | 9% | 4% | 3% | 1% | 1% |
| Automotive OEM | 3% | 2% | | | |
| Refinish | 8% | 3% | | | |
| Industrial | 11% | 4% | | | |
| Aerospace | 9% | 7% | | | |
| Architectural | 16% | 5% | | | |
| Packaging | 8% | 6% | | | |

**Approximate Trends in Sales – Coatings**

The next slide is coatings sales trends. In the quarter, coatings enjoyed an all-time second quarter sales level and also broke the all-time record for any quarter. Overall in the quarter, sales grew 9 percent with growth of 21 percent in Asia. Asia now accounts for nearly 10 percent of our total coatings sales. Coatings pricing increased 3 percent, volumes were up 4 percent, and both acquisitions and currency added one percent each.

Automotive OEM coatings sales grew 3 percent and were a second quarter and an all-time quarterly record. Price was flat, which is a significant improvement considering the history of price down pressure in this market.

Overall volumes were up 2 percent despite several carmakers such as Nissan and Daimler-Chrysler cutting North American production in the second quarter. It is important to note that the North American vehicle market accounts for less than half of our total OEM coatings sales and strong production by our European customers more than offset the North American market. Currency added one percent.

Global Insight currently expects third quarter vehicle production to decline by a few percent year-over-year in both North America and Europe.

Refinish sales grew 8 percent and were a second quarter record. Both price and volume were up mid-single digits for the quarter.

Industrial coatings sales grew a robust 11 percent and were both a second quarter and all-time quarterly sales record. Pricing improved 5 percent, while acquisitions and currency each added one percent. Overall volumes were up 4 percent despite the Easter holiday shifting into the second quarter this year. Our Asian volumes were up over 30 percent and European volumes grew 4 percent, more than offsetting a decline in North America.

As the worldwide industrial base continues to migrate to Asia, we continue to execute on our Asian strategies which to date have resulted in our organic growth well outpacing even the high levels of regional economic growth. We have and will likely continue to supplement our organic growth with disciplined acquisitions in the region.

Aerospace sales were a record for a second quarter and also an all-time record for any quarter. Volumes were up 7 percent, with Asian volumes up nearly 30 percent. Pricing gained one percent.

By all indications, including published metrics, the aerospace industry as a whole continues to have sustainable and elongated growth prospects as both passenger and cargo segments continue to grow worldwide.

Architectural coatings sales expanded 16 percent and were also a second quarter record and all-time quarterly record. Price, volume and acquisitions each contributed about one third of the growth.

Sales growth continues at the national accounts level and, as we announced recently, we have acquired an additional paint product segment at Lowes which we began servicing in July. Also we are continuing to aggressively grow the number of PPG company-owned service centers and now have over 400. Through a combination of acquisitions and organic growth, we have added over 100 service centers in the past eighteen months, representing a 33 percent increase.

Packaging coatings recognized an all-time sales record for any quarter led by strong volume gains.

Let me summarize our coatings discussions by reiterating once again all six of our coatings businesses enjoyed second quarter sales records with five delivering all-time records for any quarter. Moving forward, in addition to our strong organic growth, we expect additional sales growth in the upcoming quarters due to the business acquisitions we announced this past quarter. Looking at the acquisitions from an earnings perspective, we expect a break-even earnings impact from the announced acquisitions when considering start-up and integration costs.

**Approx. Trends in Sales - Glass**

| 2Q 2006 (change from 2Q 2005) | Sales | Volume/Mix | Price | Curr. | Acq./Other |
|---|---|---|---|---|---|
| **GLASS** | 5% | 3% | 0% | 0% | 2% |
| Automotive OEM | -4% | -2% | | | |
| Automotive ARG | 11% | 3% | | | |
| Insurance & Services | -7% | -7% | | | |
| Fiber Glass | 3% | 4% | | | |
| Performance Glazings | 15% | 10% | | | |

**Approximate Trends in Sales - Glass**

Moving to the glass sales trends slide; glass sales increased by 5 percent due to higher volumes. Pricing was flat in the quarter.

Sales in OEM glass were down 4 percent with price down 3 percent, volumes down 2 percent, and currency adding a percent. The volume decline reflects some of the same factors I just discussed relating to North American vehicle production this past quarter. <u>This remains a very competitive industry</u>.

Auto replacement glass sales grew 11 percent as we continue to grow the quantity of glass we distribute through our distribution network. Also, we have put in place over the past year-or-so a revised sourcing strategy and now source 20 percent of the glass we distribute from producers in low labor cost regions of the world.

Our fiber glass sales were up 3 percent versus the prior year. Pricing was down one percent, somewhat offsetting volume growth of 4 percent. During the quarter we finalized our joint venture with Sinoma, China's largest reinforced fiber glass producer, which is a milestone event as it will allow us to source and/or produce regionally competitive product in all major economic regions of the world.

Our performance glazings architectural glass business delivered record second quarter and all-time record quarterly sales improving 15 percent year-over-year. Volumes grew 10 percent and pricing was up 4 percent. As we have stated many times, our portfolio is heavily tilted towards commercial construction with only a small portion of our glass used on new home construction. Our volume growth the past two quarters confirms this fact as new home construction has slowed while commercial construction volumes are very healthy.

Also, our new glass coater in Texas came online this year and is servicing the southern part of the country with value-added glass. Value-added glass now represents about 50 percent of our total product mix.

**Approx. Trends in Sales – Chemicals**

| 2Q 2006 (change from 2Q 2005) | Sales | Volume/Mix | Price | Curr. | Acq./Other |
|---|---|---|---|---|---|
| **CHEMICALS** | 1% | -3% | 3% | 0% | 1% |
| Commodity | -8% | -13% | | | |
| Specialty | 19% | 14% | | | |

**Approximate Trends in Sales - Chemicals**

Moving to chemical sales, overall chemical sales were up one percent to a new second quarter record and also new all-time quarterly record. This primarily is a result of continued strong volume gains in optical and year-over-year price gains in chlor-alkali.

In chlor-alkali, ECU prices grew year-over-year, but declined slightly versus the first quarter of 2006 as natural gas pricing also declined. Our facility utilization rates this quarter did not achieve last year's level, which was very elevated due to strong market demand. However, we operated our facilities at a slightly higher capacity utilization level this quarter versus the first quarter of this year.

Looking ahead at our business we see a balanced market, both in supply and demand.

In our other major chemical business, our optical sales grew over 20 percent lead by continued strong volumes gains of 15 percent. This business continues to greatly extend geographic penetration as we experienced double-digit volume growth in all major regions, including Europe, Latin America and Asia, following new advertising campaigns launched in many countries of these regions. Also, our acquisitions of International Polarizer and Intercast have added to our sales growth and also strategically broadened our product offering.

Looking forward, our level of advertising spending in the third quarter will be elevated to continue to capitalize on our sales momentum.

Finally, our fine chemical business grew sales by over 20 percent and final efforts are underway to begin producing an ingredient that will be used for the Tamiflu vaccine.

To summarize, we see a balanced chlor-alkali market and our optical growth prospects remain strong as we continue to expand geographically and diversify into adjacent optical material product offerings.

**Use of Cash**

- Prudently fund businesses
- Dividends
- Manage debt
- Pension & asbestos settlement
- Related acquisitions
- Repurchase stock

## Use of Cash

Now turning to the slide "Use of Cash". We currently have a very strong cash position of around $400 million of cash and short term investments on hand. In addition to our healthy cash position, we have significant short term borrowing capacity of at least a billion dollars, and in addition, we have access to the long term capital market as well. As many of you know we have a systematic approach toward prioritizing our uses of cash. Our overriding objective has been and will continue to be utilizing cash to benefit shareholders.

As far as "prudently funding our businesses," as stated previously, we believe capital spending will be between $300 million to $400 million for the year. This remains in our communicated range of about 3.5 percent to 4.0 percent of sales. Year-to-date we have spent about $150 million on capital projects, excluding acquisitions.

Next, we continue our tradition of rewarding shareholders with annual returns in the form of dividends as evidenced by the fact that we have paid uninterrupted dividends for 107 years. In the first quarter we once again raised our dividend marking 35 consecutive years of increasing dividend payments.

Regarding debt, our debt-to-total capital is about 28 percent and still at the lower end of our target range. We currently have only minimal amounts of debt maturing until the year 2015.

With respect to pensions, as stated last quarter, our U.S. pension plans do not require mandatory funding until at least 2008 based on conservative assumptions concerning pension fund investment returns and utilizing our substantial funding credits. We are still awaiting a resolution to the current legislative activity relating to U.S. pensions. Meanwhile, pension fund investment returns for the first half of 2006 were modest, consistent with the U.S. equity and debt markets. We recognize that over time we will need to contribute funds to the plans and it is likely we will make a contribution between $100 million and $200 million to our U.S. plans in the second half of 2006.

With regard to our proposed asbestos settlement, many of you have heard us discuss this for the past several years, our arrangement on the settlement does not require any funding until the settlement is finalized. If the settlement becomes effective before the end of this year, we would anticipate using cash to satisfy around $450 million of the accrued asbestos liability.

Next on our list are acquisitions, and we have announced a number of acquisitions focused in coatings and optical. These acquisitions provide both strategic and geographic benefits. In 2006, we have committed or spent approximately $250 million on these acquisitions. As I mentioned earlier, we expect a break-even earnings impact in 2006 based on these acquisitions.

The final priority is to repurchase stock with the remaining funds. In the quarter we repurchased about 750,000 shares of stock, offsetting dilution and then some. Looking at history, we have reduced our shares outstanding by over 40 percent since 1984.

We will address all these uses of cash while continuing to fully support those key elements of our business strategy that provide us with a competitive advantage. These elements are technology, customer service and organic growth.

Let me conclude our discussion on cash by reiterating what I mentioned previously, despite several business acquisitions and the repurchase of 750,000 shares of stock we still ended the quarter with about $400 million of cash and cash equivalents. This is evidence of our strong and continuing cash generation abilities.

**Conclusion**

In conclusion, as I have mentioned for the past few quarters, we see growth continuing to moderate in North America while major economies elsewhere in the world continue to gain momentum. This worldwide growth has resulted in global GDP acceleration the past several quarters. We believe that this continued global recovery combined with disciplined growth in North America will prolong the global economic cycle.

While there is a variety of disparate economic data and a great deal of anxiety, as is normally the case at any point in the economic cycle, it is easy to lose sight of the many positive traits present today. Here is a short list of only a few of these positive economic traits in the U.S. economy:

- Continued productivity growth
- Excellent commercial construction activity levels
- Strong business capital spending and balance sheets
- High industrial capacity utilization
- Solid industrial production

With respect to the last two, in most industries additional capacity has not been built during the higher growth periods, thus overcapacity has not been prevalent, resulting in a practical supply/demand balance. Proof of this is the capacity utilization figures announced earlier this week, which was at a several year high despite moderating U.S. growth.

Lastly on the economic indicators, but very important to any economic period, overall consumer spending remains steady. This is despite the consumer already absorbing higher energy costs and higher interest rates.

Regarding inflation, as I stated earlier, we expect inflation to remain under control as many components have kept overall inflation low, including items which have a large overall impact on inflation such as wages and other retail consumer goods. We expect the actions already taken by the FED to subdue the overall inflation rate.

There are always potential challenges to any economic environment, but you easily see there are many good and is some cases excellent economic metrics at hand today. Many of these metrics are sustainable for the remainder of 2006, outside of any major economic shock. Even more important to PPG, several of the industries we service such as optical, aircraft and commercial construction, are all continuing to grow at very solid levels.

We remain optimistic as the North American economy is supported by good fundamentals, and the global economy is accelerating and enjoying growth rates above those of the past several years. This growth diversification away from just North America is very positive as it broadens the overall growth base and, as evidenced by our performance, allows global companies such as PPG to extend our customer reach.

Let me conclude reflecting on our strong performance. We achieved all-time quarterly sales and earnings-per-share at PPG, and we expect to see continuing sales gains moving forward.

Although a great deal of uncertainty and anxiety exists today, our record performance this past quarter has proven that under the current economic conditions we have continuing and meaningful opportunities for profitable growth. We are committed to capitalize on these organic and adjacent growth opportunities by continuing to rely on our heritage strengths as industry leaders in technologies and services, continuing our ever present cost diligence, and by investing wisely our strong and consistent cash flow.

These long-time PPG traits continue to serve us and our customers well, and have provided us means in the past and will allow us going forward to continue to reward our shareholders.

**PPG INDUSTRIES, INC,**
**Condensed Statement of Operations**
**2nd Quarter Results**
(Millions of Dollars)

| | 3 Months Ended June 30 2006 | 3 Months Ended June 30 2005 | % Change |
|---|---|---|---|
| **Net Sales** | **$ 2,824** | **$ 2,656** | **6.3** |
| Cost of Sales | $ 1,747 | 1,650 | |
| **Gross Profit** | **$ 1,077** | **$ 1,006** | 7.1 |
| Other Expenses (Earnings): | | | |
| Selling and Other | 573 | 537 | 6.7 |
| Depreciation | 84 | 85 | (1.2) |
| Interest | 21 | 20 | |
| Amortization | 10 | 8 | 25.0 |
| Asbestos Settlement - Net | 8 | 3 | |
| Business Restructuring | 2 | - | |
| Other - Net (a) | (26) | (7) | |
| **Income Before Income Taxes and Minority Interest** | **405** | **360** | |
| Income Tax Expense | 107 | 111 | (3.6) |
| Minority Interest | 18 | 18 | |
| **Net Income** (b) | **$ 280** | **$ 231** | 21.2 |
| **Earnings per common share** | **$ 1.69** | **$ 1.35** | 25.2 |
| **Earnings per common share--assuming dilution** | **$ 1.68** | **$ 1.34** | 25.4 |
| **Average shares outstanding** | **165.9** | **171.1** | (3.0) |
| **Average shares outstanding--assuming dilution** | **166.9** | **172.6** | (3.3) |

(a) The three months ended June 30, 2006, includes pretax earnings of $20 million for net legal and insurance matters. The three months ended June 30, 2005, includes a pretax charge of $19 million for debt refinancing costs.

(b) The three months ended June 30, 2006, includes aftertax earnings of $12 million for net legal and insurance matters. The three months ended June 30, 2005, includes an aftertax charge of $12 million for debt refinancing costs.

# PPG INDUSTRIES, INC.
## Business Segment Information
## 2nd Quarter Results
(Millions of Dollars)

| | Net Sales | | Operating Income | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| COATINGS (a) | $ 1,579 | $ 1,450 | $ 272 | $ 210 |
| GLASS | 611 | 581 | 48 | 52 |
| CHEMICALS | 634 | 625 | 137 | 152 |
| **SUBTOTAL** | **$ 2,824** | **$ 2,656** | **$ 457** | **$ 414** |
| **INTEREST EXPENSE - NET** | | | (18) | (17) |
| **ASBESTOS SETTLEMENT - NET** | | | (8) | (3) |
| **COMPENSATION COST ASSOCIATED WITH STOCK OPTIONS** | | | (8) | (8) |
| **OTHER UNALLOCATED CORP. EXPENSE - NET (b)** | | | (18) | (26) |
| **INCOME BEFORE INCOME TAXES, AND MINORITY INTEREST** | | | **$ 405** | **$ 360** |

(a) Operating income for the three months ended June 30, 2006, includes pretax earnings of $28 million for insurance recoveries.

(b) Other unallocated corporate expense - net for the three months ended June 30, 2005, includes a pretax charge of $19 million for debt refinancing costs.

## 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 increasing price and product competition by foreign and domestic competitors, fluctuations in cost and availability of raw materials and energy, the ability to maintain favorable supplier relationships and arrangements, economic and political conditions in international markets, foreign exchange rates and fluctuations in such rates, and the unpredictability of existing and possible future litigation, including litigation that could result if the asbestos settlement discussed in PPG's filings with the SEC does not become effective. However, it is not possible to predict or identify all such factors. Consequently, while the list of factors presented here is considered representative, no such list should be considered to be a complete statement of all potential risks and uncertainties. Unlisted factors may present significant additional obstacles to the realization of forward-looking statements.

Consequences of material differences in results compared with those anticipated in the forward-looking statements could include, among other things, business disruption, operational problems, financial loss, legal liability to third parties and similar risks, any of which could have a material adverse effect on PPG's consolidated financial condition, operations or liquidity.

All information in this presentation speaks only as of July 20, 2006, and any distribution of this presentation after that date is not intended and will not be construed as updating or confirming such information.