

**Thomson StreetEvents**<sup>SM</sup>



## Conference Call Transcript

PPG - Q4 2007 PPG Industries Earnings Conference Call

Event Date/Time: Jan. 17. 2008 / 11:00AM ET

Jan. 17. 2008 / 11:00AM ET, PPG - Q4 2007 PPG Industries Earnings Conference Call

## CORPORATE PARTICIPANTS

**Vince Morales**

*PPG Industries, Inc. - IR*

**Chuck Bunch**

*PPG Industries, Inc. - Chairman, CEO*

**Bill Hernandez**

*PPG Industries, Inc. - SVP, Finance, Treasurer, CFO*

**David Begleiter**

*Deutsche Bank - Analyst*

## CONFERENCE CALL PARTICIPANTS

**Frank Mitsch**

*BB&T Capital Markets - Analyst*

**Jim Brown**

*Mirage Research - Analyst*

**Kevin McCarthy**

*Banc of America - Analyst*

**Gregg Goodnight**

*UBS - Analyst*

**PJ Juvekar**

*Citigroup - Analyst*

**Don Carson**

*Merrill Lynch - Analyst*

**Sergey Vasnetsov**

*Lehman Brothers - Analyst*

**John Roberts**

*Buckingham Research - Analyst*

**Robert Goldberg**

*Scopus Asset Management - Analyst*

## PRESENTATION

---

### Operator

Good day, ladies and gentlemen, and welcome to the fourth quarter 2007 PPG Industries earnings conference call. My name is Stacey, and I will be your moderator for today. At this time all participants are in a listen-only mode. We will be facilitating a question and answer session towards the end of the conference. (OPERATOR INSTRUCTIONS). As a reminder, this conference is being recorded for replay purposes. I would now like to hand the presentation over to your host for today, Mr. Vince Morales, Vice President of Investor Relations for PPG Industries.

---

### Vince Morales - PPG Industries, Inc. - IR

Good morning. My name is Vince Morales, Vice President of Investor Relations for PPG Industries, and I would like to welcome you to PPG's 2007 fourth-quarter and full-year financial commentary. Joining me on our call today is Chuck Bunch, Chairman and CEO and Bill Hernandez, Senior Vice President and Chief Financial Officer. Visuals supporting today's briefing may be accessed through our investor center on the PPG website at [www.PPG.com](http://www.PPG.com).

Jan. 17. 2008 / 11:00AM ET, PPG - Q4 2007 PPG Industries Earnings Conference Call

Turning to slide number two, please note that parts of today's presentation contain forward-looking statements, reflecting the company's current view about future events and their potential effect on operating and financial performance. These statements involve risks and uncertainties that could affect the company's operations and financial results as discussed in PPG Industries' filings with the SEC, and I would refer you to the Safe Harbor statement therein. Now if you turn to slide number three, let me introduce PPG's Chairman and CEO, Chuck Bunch.

---

**Chuck Bunch - PPG Industries, Inc. - Chairman, CEO**

Thank you, Vince. Welcome, everyone, and thank you for joining us on today's call. I will make a few opening remarks, then Bill Hernandez will review our fourth quarter and full-year financial performance. I will then highlight the accomplishments of some of our businesses, discuss several strategic achievements and provide our current perspectives on 2008.

Regarding our fourth quarter, we are proud of our financial performance and our growth in the face of a difficult economic environment. In the quarter we posted our best organic volume results in three years with growth above 5%. Bill and I will comment on a few of our actions that allowed us to excel in the fourth quarter and for the full year in just a few moments. However, before we do that let me just say that for 2007, while we did perform well, our financial results are just one measurement of our success. Just as our past strategic actions paved the way for a successful 2007, during this past year we took additional even more decisive steps, including the SigmaKalon acquisition that we expect will benefit the company for years to come.

Here are just a few of the key 2007 accomplishments you will hear about in today's call:

We delivered meaningful growth in sales and earnings and did so by successfully executing in all our businesses. This execution was even more critical this past year given the economic backdrop and was a major contributor leading to our strong financial performance.

Next, we continued to significantly grow the core business segments of coatings and Optical and Specialty Materials, which combined grew by 17%. Also exiting 2007 these core segments approached 80% of our segment sales and earnings. Also of significant importance, we again rewarded our shareholders with two dividend increases during the past year.

Strategically during the year we took several decisive steps to shape the company's future.

Following up on our dozen or so acquisitions in 2006, we completed several additional coatings acquisitions in 2007, which further extended our global footprint.

We truly accelerated our transformation by acquiring SigmaKalon, a transaction we finalized on January 2, 2008. We expect this acquisition to grow our coating sales by an additional 40% in 2008 versus 2007, and will provide PPG with one of the broadest geographic reaches of any coatings company in the world. In 2008 less than 50% of our segment sales will be in the United States and Canada, down from the 70% we reported at the end of 2006.

We also made decisions to divest our Automotive Glass and Services and Fine Chemicals businesses as we transform our portfolio. We completed the sale of the Fine Chemicals business in the fourth quarter. And while our Automotive Glass business sale was not finalized as we had expected, our intent remains to divest this business in 2008. These were just a few highlights from this past year, and we will review some additional details throughout the call.

Before turning it over to Bill, let me reiterate that in 2007 we delivered strong financial performance and of equal importance made considerable progress in shaping our company's future. And now, if you would please go to slide number four, here is Bill Hernandez.

---

**Bill Hernandez - PPG Industries, Inc. - SVP, Finance, Treasurer, CFO**

Thanks, Chuck. Let me review the few financial highlights.

For the fourth quarter and full-year we achieved new all-time sales records. Our fourth quarter segment sales grew by 15% with organic volume growth the largest contributor. Our full-year results were up about 14% also due to solid organic growth, as well as the performance of our acquisitions and currency.

Fourth quarter earnings per share from continuing operations improved by 30% versus the prior year and were a new all-time fourth quarter record. As a reminder, our earnings per share was up about 16% in the third quarter, so we have continued to perform well even in today's slowing economy. Our full-year earnings per share was also an all-time record for the company.

For the full year we again generated \$1 billion of cash from operations. And during the year we raised our dividend twice, making 2007 the 36th consecutive year in which we increased our shareholder payments.

We are obviously very pleased with these overall results; but equally important is the fact that several of our year-over-year financial comparisons have become more positive throughout the year despite a more challenging economic backdrop. These improving trends provide us with measurable proof of both the soundness of our strategies and the extent to which we have successfully implemented them. Now let me review some of the details.

Our fourth-quarter and full-year sales results are illustrated on slide number 5. As I mentioned, our overall sales increased 15% to a new all-time fourth quarter record. Each business segment delivered sales growth of at least 10% with our organic volume growth leading the way. We will review some additional segment details later.

For the full year we grew sales by about 14% to a new all-time annual record. We once again achieved double-digit percentage growth in both of our coatings segments and our Optical and Specialty Materials segment. We also are pleased by the fact that we strengthened even further our global presence, including continued rapid and profitable growth in emerging regions.

Now as I mentioned, the largest factor in our fourth quarter sales increase was our organic volume growth. As depicted on slide number 6 our organic volume growth has continued to accelerate during the year despite a deceleration in the overall economy. Our fourth quarter volumes improved by over 5%, our best quarterly growth in three years. These gains were broad based as not only did every single business segment improve, but ten of our eleven individual business units posted positive volume growth, with the one remaining business unit posting essentially flat results.

From a geographic perspective our results were also impressive with each region contributing nicely. Our volume growth in the United States and Canada was up 5%. Also, we continued to grow rapidly in emerging regions with double-digit percentage growth in Asia and Latin America despite difficult comparison periods.

Now let me discuss how we translated these results into earnings.

As noted on slide number seven, our reported fourth quarter earnings per share from continuing operations was \$1.17, which includes a charge of \$0.01 for our proposed asbestos settlement. This level represents a 30% increase over last year's figure of \$0.90, which included a \$0.02 reduction for the asbestos settlement. Supporting this improvement, were higher operating earnings in each one of our business segments, which in total grew by 14%.

Our earnings per share also benefited by \$0.04 during the quarter as a result of lower taxes stemming from the Canadian government reducing its federal corporate income tax rate.

Our total PPG earnings per share were \$1.21 in the quarter, which included \$0.04 stemming from our discontinued operations of Fine Chemicals and Automotive Glass and services.

Let me discuss a few details regarding our strong business segment performance. I will attempt to cover this quickly to leave sufficient time for questions.

As slide eight shows, our performance coatings segments quarterly sales improved by 22%, once again with strong volume growth led by our Aerospace and Refinish businesses, and the impact from our Renner and Barloworld acquisitions. Quarterly earnings improved to \$143 million or 7%. On a full-year basis we grew the segment sales by just less than 25%, with about half relating to the acquisitions. While our 2007 acquisitions were not expected to be accretive in 2007, they will be in 2008. Our segment earnings improved by 10% year-over-year due in part to the performance of our 2006 acquisitions.

Some business unit highlights. Our Aerospace business volumes grew by 15% in the quarter and 13% for the full year, with the gains accelerating throughout the year, which certainly bodes well heading into 2008.

The overall North American architectural coatings market remained a challenge. However, as our results indicate, we manage this end market very well. Our full-year volumes declined just 1%, and for each quarter within the year we posted fairly similar year-over-year volume results. In both the quarter and the year favorable pricing offset the slight volume decline. We expect an equally challenging environment in 2008, and we remain equally focused on execution.

Our Automotive Refinish business remains a key contributor with record performance all around. Our water-based product continues to perform very well in the marketplace, and we are realizing continued growth in the emerging regions. We expect both of these positive factors to continue in 2008.

Moving to Industrial Coatings on slide number nine, during the quarter our sales grew 10%, supported by continued excellent gains in Europe and the emerging regions, which more than offset lower US volumes. Volume growth in the quarter was 3% with automotive OEM coatings being the biggest contributor. For the full year sales grew 13%, and earnings grew 6%.

As detailed on the chart, for the year we continued to broaden our geographic presence. Our US volumes were down mid single digits, reflecting several slower industrial economic sectors. However, our largest region, Europe, grew by just under 20%. With just more than half of that due to currency and just less than half due to organic growth. Also, Asian sales continue to grow significantly, improving by more than 40%.

For the full year our automotive OEM coatings business unit achieved 6% volume growth. This growth was broad based with each region delivering positive results. Our footprint in this business is truly global in nature, with the United States and Canada representing only about one-third of the unit sales. Also, as detailed on the chart, in North America we once again delivered growth in this difficult market and outpaced the total North American automotive industry, which declined.

Similar to 2007, we expect the total global automotive market to grow once again in 2008 and, as our results continue to indicate, this remains a growth platform for PPG.

Our Optical and Specialty Materials segment results are detailed on slide number 10. Our fourth quarter sales grew by about 14%, mostly due to volume gains. One item of significant note is during the quarter our customers worked to deplete their inventory of our transition lenses Generation V product as Generation VI will be available in the United States on February 1st.

Earnings in the quarter were up 5% versus the prior year. However, we recorded an additional \$9 million of advertising costs versus last year, most of which was to drive volume growth initiatives in all regions including our new Generation product. For the full year sales were up 14% in the segment, and earnings improved by 8%. We are very optimistic about 2008 given the launch of our new Generation into the marketplace.

As illustrated on slide 11, our Commodity Chemicals business realized 14% sales growth in the quarter, aided by solid caustic sales and a healthy export market. Earnings improved by more than 50% versus the prior year. Our full-year sales reached an all-time record for the business as ECU prices have remained relatively stable during the year and actually the past 18 months. Full-year earnings were down 15%, but as detailed on the graph they have trended above prior year results for the past two quarters. Some recent trends carrying us into 2008 are that we announced a price increase midway through the fourth quarter and our fourth quarter capacity utilization was our second-highest out of the past eight quarters.

Moving to slide 12, our quarterly Glass segment sales improved by 10% as our Performance Glazings and Fiber Glass businesses delivered at or just below 10% volume growth. Earnings also improved nicely, growing 40% due in large part to better Fiber Glass operating margins. Full-year sales are up 3% while earnings were off 9%, primarily due to lower year-over-year earnings in the first half of the year, predominantly in Performance Glazings, reflecting a competitive end market. As detailed on the chart, our year-over-year performance has improved throughout 2007. However, heading into 2008 these remain very competitive industries.

To summarize, we had an excellent fourth quarter with sales growing 15% and earnings per share growing 30%. For the full year we achieved combined sales growth of 17% in our coatings and Optical and Specialty Materials segment. And that growth was consistent and growing throughout the year.

Let me conclude my comments with a discussion on cash. Our long track record of consistently generating cash continues, and as detailed on slide 13, our cash deployment remains balanced. For the year we again generated \$1 billion in cash from operations, which includes a reduction of \$100 million for a voluntary US pension fund contribution.

Jan. 17. 2008 / 11:00AM ET, PPG - Q4 2007 PPG Industries Earnings Conference Call

We have remained consistent in our prioritized uses of cash with the overriding goals of strengthening our businesses and providing sustainable benefits to our shareholders. We balance these uses in 2007 spending just under \$600 million to strengthen our businesses and returning just over \$600 million to shareholders.

To strengthen our businesses our 2007 organic capital spending excluding acquisitions was about \$350 million, within our perennial target of 3 to 4% of sales. And in terms of acquisitions to grow our businesses, we spent about \$225 million in 2007. PPG has paid uninterrupted dividends for 108 years, and in 2007 we once again rewarded our shareholders by raising our dividend twice. We paid \$335 million in dividends and this marked the 36th consecutive year of increasing dividend payments, a heritage we are very proud to continue. Also in 2007 we spent just about \$275 million in repurchasing a little under 3.7 million shares of PPG stock. We currently have just below 4 million shares remaining on our current Board authorized share repurchase program.

Remarkably, after completing all these activities our year end cash balance was about \$525 million, \$75 million higher than the previous year.

Now let me turn the call back over to Chuck.

---

**Chuck Bunch - PPG Industries, Inc. - Chairman, CEO**

Thanks, Bill. At our New York investor day in November we talked about transforming PPG and several of the actions we are taking to accelerate this transformation. One of our key objectives in transforming PPG has been to drive profitable organic growth. The two charts on slide 14 illustrate our 2007 results as they relate to this goal. As you can see on the left chart, for each business segment we have delivered solid volume growth results. And as Bill described, our total results actually improved as the year progressed.

The chart on the right provides similar details by geography and for some of the specific business units that have either faced difficult market conditions or where we received many questions from some of you in the equity markets. Bill discussed our growing Aerospace results earlier and in regards to automotive OEM coatings, he also stated that we have continued to post positive results, and we now have a five-year trend of outperforming the US industry metrics. We have stated for a long time that the automotive OEM coatings business remains a growth platform for us and once again our US and global results provide measurable proof of that.

Meanwhile, despite a very challenging residential construction market our North American architectural coatings and our Performance Glazings or Architectural Glass businesses have performed admirably due to our focus on operational excellence and a broad range of value added products and innovative customer relationships.

Geographically each major region has contributed nicely. Our ability to deliver this organic growth performance, both in total and within the individual businesses, is a direct result of our execution and leading technologies and services. Slide 15 shows the results of our next strategic objective, which is to focus on the emerging regions. Our growth here this past year was substantial with each of these regions growing by nearly 50%.

This performance is noteworthy because combined these regions are now a meaningful portion of our portfolio, accounting for 20% of our total, and growth rates in these regions will likely remain well above the growth rates in more mature regions of the world.

On slide number 16 let me conclude our transformation update by discussing SigmaKalon. The acquisition of SigmaKalon provides us with additional earning stability and even more consistent and much higher ongoing cash flow. It adds significantly to the core of our company and as detailed on the chart enhances our overall global presence, further minimizing the impact of any one region. Certainly in 2008 a major focus for the corporation will be the successful integration of SigmaKalon, and even though the closing was just a few weeks ago, we are now fully engaged in the integration process. Like PPG, SigmaKalon also had a very successful 2007, and their results exceeded all of our projections. Based on SigmaKalon's 2007 financial results, and PPG's successful financing and currency activities for this transaction, we paid a multiple of less than nine times 2007 EBITDA to acquire this business. This is certainly a very reasonable price given the quality of these assets.

As previously announced, we are creating a separate reporting unit, Architectural Coatings EMEA for SigmaKalon's architectural paint business in Europe, the Middle East and Africa, which represents roughly three quarters of the acquired sales. We are doing this so that everyone is able to measure the performance of the major business acquired in the largest acquisition in our company's history.

In November we also provided a variety of financial projections with admittedly wide ranges since we had not yet closed on the transaction and did not have access to some of the detailed financial information given we were still competitors. These ranges related to intangible amortization,

Jan. 17. 2008 / 11:00AM ET, PPG - Q4 2007 PPG Industries Earnings Conference Call

interest costs and acquisition related costs. We don't yet have any updated guidance on the onetime acquisition costs but will provide clear detail of these costs this year as we announce our quarterly earnings.

Regarding the interest costs, we anticipate first quarter incremental interest will be around \$40 million versus the fourth quarter of 2007. We are currently using interim financing and permanent financing will be in place sometime in 2008.

Regarding the non-cash intangible amortization progress has been made in this complex area. We now estimate that the amortization in the first quarter will be \$20 million. This could be revised as our purchase accounting is finalized later this year, but we are not currently expecting any adjustments to be material.

Regarding the acquisition I am happy to report that our integration process is off to a great start. This is an excellent business with strong managers and energized people. And today more than ever we are confident that this acquisition will provide ongoing benefits to PPG and its shareholders. Our execution and performance here is obviously one of our most significant tasks this year and will continue to be the focus of our future investor updates.

In summary, as you can see, 2007 was a milestone year for PPG financially and strategically. Our financial performance provided continued proof of our abilities to perform well and grow despite external challenges. Strategically we made the most progress in any single year in the company's history as we continued to position our company for success in today's and tomorrow's global economy. We have truly accelerated our transformation and positioned the company to be successful and reward shareholders for years to come. As our performance in 2007 indicates, our past actions have us poised for continued success in 2008 despite the challenges in the economy as we enter the year.

And now with the time remaining we will take any questions you may have.

## QUESTION AND ANSWER

---

### Operator

(OPERATOR INSTRUCTIONS) Frank Mitsch, BB&T Capital Markets.

---

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

-- I get to ask the very first question on a PPG conference call. This is a very special moment for me, indeed, and forgive me for choking up. As I listen to the commentary it sounded as if you were putting together a thesis that things were accelerating for PPG, as we progress through the year in terms of the year-over-year comparisons, which obviously bodes well for the early part of '08. Is that a fair takeaway? And also, Bill, if you could provide some thoughts on the broader economic environment both domestically and internationally.

---

### Chuck Bunch - PPG Industries, Inc. - Chairman, CEO

Thank you, Frank. This is Chuck Bunch, and thank you for being the historic first caller on this webcast. And I would say that from an economic standpoint the fourth quarter had a lot of the issues in our markets that we talk about dealing with in 2008. We've had -- we've been dealing with a weaker residential construction market here in the US all year and certainly continued in the fourth quarter of '07. The automotive market also in the fourth quarter of '07 was weaker, but I think you saw the strength that we have with our geographic diversity and our mix of businesses that despite weaknesses in some of our end markets especially here in the US, we still had a very solid quarter. And we think some of those issues will be with us in at least in the first half of 2008, especially here in the US. But overall we do not see signs of weakness outside of the US at this point. And I will let Bill also respond and what he is saying.

---

### Bill Hernandez - PPG Industries, Inc. - SVP, Finance, Treasurer, CFO

I think Chuck is right, Frank. As we look at it we are really seeing, we are in for a little bit of a soft patch here in the U.S., maybe for the first half of the year. I think we mentioned a year ago that we saw and felt the soft patch was coming and it is here now. Now in our opinion we've

Jan. 17. 2008 / 11:00AM ET, PPG - Q4 2007 PPG Industries Earnings Conference Call

really had to navigate through some very choppy waters in the past six months and there is still some ahead. But we think the economy is doing quite well and is absorbing these issues and is still growing.

There are still some lagging effects to be felt out there, no doubt about it. But and I think there is a great deal of pessimism baked into some people's thoughts that may be overdone. We are not predicting a recession, and we hope we are right. If we are wrong, we can act accordingly and quickly.

I think if you are just looking at some of the specific markets I think in terms of things like residential construction, we don't see any meaningful change in the market until earliest the latter half of this year, especially given some of the inventory overhang that is out there. Now relative to commercial construction -- and you know that is a bigger part for us. This segment continues to perform and grow well, but we do expect a leveling off of that here in the first half. But that had pretty good activity level.

And turning to Europe, we think the European economy is going to continue outpacing the US growth, primarily I think in areas of, in support of the continued needs of Western Europe product that is going into Eastern Europe and China. And as we talked about our footprint has really changed in emphasizing much more of a balance worldwide distribution out there. Again, I think that is helping us, too, in terms of just general economics if you look at the automotive market. And (inaudible) again only about one-third of our automotive sales are in the US market. And that being said as we've seen over the past several years we continue to expect a slight decline here in automotive production.

But as with the past five or six years, we assume and anticipate that we will once again outperform the overall market statistics. And the important thing we think is globally automotive production will continue to grow and we think this will be roughly in the 5% kind of growth market -- growth arena.

---

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

Terrific. And then lastly, Chuck or Bill, what is your best guess in terms of timing as to when you would cash the \$25 million breakup fee check from Platinum Equity? And in terms of timing, what would be your expectation in terms of announcing the sale of the Auto Glass business?

---

**Chuck Bunch - PPG Industries, Inc. - Chairman, CEO**

Right now, Frank, as you may know we have filed a countersuit against Platinum Equity. We are vigorously pursuing our rights under the contract. And as you know, we are a very experienced buyer and seller, nothing like this has ever happened in any of the transactions that we have done. So we will intend to vigorously pursue that. The course of the legal actions and the timing I would say is unclear. We will have to depend on the legal system to do that. We still, however, intend to pursue a divestiture of this business. We are evaluating our process now, and I would say in the next few months we'll be back to you to tell you what we think the prospective timing would be on any transaction for our Glass business.

---

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

All right, terrific. Thanks, guys.

---

**Vince Morales - PPG Industries, Inc. - IR**

Stacey, before we take the next question let me also introduce for the Q&A session Dave Navikas, our Vice President and Controller.

---

**Operator**

Kevin McCarthy, Banc of America.

---

**Jim Brown - Mirage Research - Analyst**

Jan. 17. 2008 / 11:00AM ET, PPG - Q4 2007 PPG Industries Earnings Conference Call

This is [Jim Brown, Mirage Research]. A couple of questions regarding you guys, what are your top three anticipated gains of your PPG's (inaudible) continuous improvement programs?

---

**Chuck Bunch - PPG Industries, Inc. - Chairman, CEO**

What was your question again? Sorry, we had a problem hearing you.

---

**Jim Brown - Mirage Research - Analyst**

What are your top three anticipated gains on your continuous and leanest improvement programs?

---

**Chuck Bunch - PPG Industries, Inc. - Chairman, CEO**

The top three gains would be continued improvement in terms of our labor productivity, in terms of our material usage so that we would see continued declines in our scrap rate improvements in yield. And those and also the first run quality that we deliver to our customers. I would say those were the three largest gains we would expect from our quality program.

---

**Jim Brown - Mirage Research - Analyst**

Also [executives] are a lot of world-class manufacturers similar to yours are now seeking real-time visibility into performance across their entire plan networks. How are you guys addressing this issue, and what kind of concerns do you have regarding this?

---

**Chuck Bunch - PPG Industries, Inc. - Chairman, CEO**

I'm not sure I followed your question.

---

**Jim Brown - Mirage Research - Analyst**

Regarding all your plants how you guys looking into real-time visibility regarding your plants in terms of capacity constraints, labor savings over time, stuff like that, to help improve throughput across your plants.

---

**Chuck Bunch - PPG Industries, Inc. - Chairman, CEO**

You mean we would make this proprietary information available in our presentations? Is that your question?

---

**Jim Brown - Mirage Research - Analyst**

No, I am just asking in general.

---

**Chuck Bunch - PPG Industries, Inc. - Chairman, CEO**

We have visibility throughout our organization. We have metrics and goals and objectives of which all of our executives, our teams, every associate would have a set of goals that would remain completely transparent and visible to them through our organization and would be measured against.

---

**Bill Hernandez - PPG Industries, Inc. - SVP, Finance, Treasurer, CFO**

And each of our businesses are very different one from the other, so I don't think we can give you a single answer for the overall company.

Jan. 17. 2008 / 11:00AM ET, PPG - Q4 2007 PPG Industries Earnings Conference Call

**Jim Brown - Mirage Research - Analyst**

And final question, how you guys making strides now to shorten your manufacturing cycles through these [images]?

**Chuck Bunch - PPG Industries, Inc. - Chairman, CEO**

We've done that over the years, and one of the I think the key characteristics of PPG that we've discussed for years is the fact that when we manufacture our products, on first-run capability and the ability to shorten the production cycle (inaudible)significantly over the years that has really been the hallmark of the Company.

**Jim Brown - Mirage Research - Analyst**

So you guys are real happy right now with your manufacturing cycles?

**Bill Hernandez - PPG Industries, Inc. - SVP, Finance, Treasurer, CFO**

Yes.

**Operator**

David Begleiter, Deutsche Bank.

**David Begleiter - Deutsche Bank - Analyst**

-- SigmaKalon, I know it has only been two weeks of owning the company but any further update on synergy savings and I know you gave a range back in November; any further clarity or further upside?

**Chuck Bunch - PPG Industries, Inc. - Chairman, CEO**

Could you identify -- we are having a little bit of a lag. Could you identify yourself and repeat the question again please?

**David Begleiter - Deutsche Bank - Analyst**

This is David Begleiter of Deutsche Bank. Just looking at SigmaKalon, any further update on synergy targets or within that range you gave back in November, having owned it for I know a short two weeks here?

**Chuck Bunch - PPG Industries, Inc. - Chairman, CEO**

No, we don't have an update on the synergy targets. We certainly feel still very comfortable with the range. But as you know, the transaction only closed two weeks ago, so we are hard at it right now. We are still comfortable that the integration is going to produce the kind of synergy that we talked about but we don't have enough date for you at this time.

**David Begleiter - Deutsche Bank - Analyst**

And Bill, what was SigmaKalon's EBITDA for 2007, do you have a hard number yet?

**Bill Hernandez - PPG Industries, Inc. - SVP, Finance, Treasurer, CFO**

Jan. 17. 2008 / 11:00AM ET, PPG - Q4 2007 PPG Industries Earnings Conference Call

We have a hard number. I don't think we disclosed that, but it is close to \$.250 billion.

---

**Chuck Bunch - PPG Industries, Inc. - Chairman, CEO**

Yes, if you do the math we paid under nine times 2007 EBITDA, David.

---

**Chuck Bunch - PPG Industries, Inc. - Chairman, CEO**

8.8 times EBITDA for 2007. That was our --

---

**Chuck Bunch - PPG Industries, Inc. - Chairman, CEO**

You know what we paid.

---

**David Begleiter - Deutsche Bank - Analyst**

Yes, that is helpful.

---

**Chuck Bunch - PPG Industries, Inc. - Chairman, CEO**

Divide it by 8.8 and you'll get -- (multiple speakers)

---

**David Begleiter - Deutsche Bank - Analyst**

And Bill just on the permanent financing, where do you stand and what types of rates are you looking at today?

---

**Bill Hernandez - PPG Industries, Inc. - SVP, Finance, Treasurer, CFO**

We are still anticipating the rate being somewhere between 5% and 6% for the permanent financing. We have bridge financing that can extend through the end of the year 2008, but we are starting to see a little bit more settling in there in the market both in Europe and US. So if all things go well, we will probably be going out to permanent financing after we finalize and have our audited statements for the end of the year. So probably early part of March is what we are anticipating unless we see a real advantage to delaying that a little bit because of future interest rates or moving it up forward. But right now I think we should be accomplished in the first quarter.

---

**David Begleiter - Deutsche Bank - Analyst**

Thank you very much.

---

**Operator**

Kevin McCarthy.

---

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

The prior caller was not in fact Kevin McCarthy. I think we got the wires crossed a bit earlier in the call, or perhaps somebody is impersonating, who knows. In any event, can you comment on your outlook for raw material costs in 2008 given the energy complex, insolvents, [soda ash], etc., some of your other key inputs?

Jan. 17. 2008 / 11:00AM ET, PPG - Q4 2007 PPG Industries Earnings Conference Call

---

**Chuck Bunch - PPG Industries, Inc. - Chairman, CEO**

We think there will be a little more pressure on raw materials this year. We kept the overall raw material build around 2% last year in terms of inflation. This year our range is probably the low end would be 2%, maybe 2% to 4%; although we do note that oil is back down to \$90. Natural gas, here in the US has been stable. And you haven't seen as much pressure outside of the US because of the strength of the currencies with the price of oil. So we are hopeful that as the year progresses that we are going to be able to certainly keep it in the lower end of that range. But we are preparing right now for a worst-case scenario. We are discussing our own pricing actions and initiatives with customers. And we recognize that if the inflationary environment accelerates, then we are going to have to deal aggressively with it.

---

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

Okay, and just a follow-up on SigmaKalon, Chuck, you referenced a multiple of 8.8. It seems as though that is coming in better than you would have anticipated. Can you comment on the variances, perhaps, versus your prior expectations? And also elaborate on your expectations for the architectural coatings market in Europe here in 2008?

---

**Chuck Bunch - PPG Industries, Inc. - Chairman, CEO**

Well, the biggest single contributor to the improvement -- and we had been discussing this throughout the process -- was the performance of the SigmaKalon businesses over the course of 2007. And we have obviously a window into the market through our own businesses in Europe. We saw that there was continuing strength. The SigmaKalon management team was very confident that they would be able to exceed the forecast. They had a very strong year throughout the year in the architectural or decorative segment.

We also were observing the growth and improvement in the marine and protective coating segment because we are participants there as well. We thought that they would be able to improve those results. And so the single biggest component of the improvement was the results of SigmaKalon. However, we were also able through successful financial and currency hedging and also improvement in the overall balance sheet with a record date at SigmaKalon to improve the multiple to what is now an 8.8 is something we feel is a very good price, especially considering the quality of the assets here at SigmaKalon. So that was the -- those were the principal drivers, Kevin, of the improvement in the multiple to EBITDA.

---

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

And a final question for Bill, if I may. Bill, the other income line came in above trend. Can you comment on the components of other income in the quarter and the magnitude of any gain on sale that may be embedded in that number?

---

**Bill Hernandez - PPG Industries, Inc. - SVP, Finance, Treasurer, CFO**

Actually let Vince answer that one.

---

**Vince Morales - PPG Industries, Inc. - IR**

Kevin, I think for the quarter we were a little bit favorable in other income. A couple, lots of cats and dogs, but a couple of items were foreign currencies included in there. We also have embedded in there; we had a couple losses last year that as you know we always put those in the number. We had a casualty fire and also a legal settlement last year. And we also had a gain from the [Azdel] sale we announced, and those four collectively accounted for the majority of the difference. But on a year-to-date basis I think the biggest difference I think we were off about \$220 million year-to-date, full-year over full-year, \$196 million, \$197 million of that was environmental. So for the full year that number, the total number was fairly even year-over-year.

---

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

Thank you very much.

Jan. 17. 2008 / 11:00AM ET, PPG - Q4 2007 PPG Industries Earnings Conference Call

---

**Operator**

Gregg Goodnight, UBS.

---

**Gregg Goodnight - UBS - Analyst**

I noticed that your margins in the performance in applied coatings weren't down very much despite a lot of raw material increases. You mentioned revenue -- I mean pricing increases. Could you please rationalize why your margins weren't down more in a pretty tough pricing or cost environment?

---

**Chuck Bunch - PPG Industries, Inc. - Chairman, CEO**

We have in that business segment we have really four sub-segments now. We have a refinish business -- this is Automotive Refinish Coatings, which is a very stable margin business, continues to do very well both in terms of growth. And we also have been able to offset inflationary pressure with pricing in that market. Aerospace had an excellent year. So we had very good margins in Aerospace; in fact some improvement. The other sub-segment in there is marine and performance coatings. And that is also a segment that is improving.

The one other area where we had more margin pressure was in our Architectural business. This was a result of one, a weaker environment especially here in the US, and then some of the purchase accounting on the acquisitions that we made, we made two acquisitions of significance in this segment in '07. That was the Renner acquisition in Brazil and Barloworld in Australia. So you saw some pressure on margins from those acquisitions and the overall market conditions in the US, but they were offset largely by continued strength in the other segments.

---

**Gregg Goodnight - UBS - Analyst**

Seems like an improved mix story.

---

**Chuck Bunch - PPG Industries, Inc. - Chairman, CEO**

Actually Aerospace has continued to improve year-over-year for the last few years.

---

**Gregg Goodnight - UBS - Analyst**

Excellent. The second question I had is what are your plans for share repurchases in '08? Is this going to depend upon the timing of the Glass sale? How much are you going to repurchase do you think?

---

**Chuck Bunch - PPG Industries, Inc. - Chairman, CEO**

Bill will respond there.

---

**Bill Hernandez - PPG Industries, Inc. - SVP, Finance, Treasurer, CFO**

Really most of the repurchases we did in 2007 were in the first half of the year if you look at how it laid out. And once we knew we were buying SigmaKalon we really scaled back the amount of share repurchases. So I think really the emphasis is going to be here in the short-term paying off some of the outstanding debt that we have out there. And share repurchase probably be a much smaller percentage going forward at least for 2008.

---

**Gregg Goodnight - UBS - Analyst**

If you complete your Glass sale by midyear will you relook at the possibility of repurchasing shares?

Jan. 17. 2008 / 11:00AM ET, PPG - Q4 2007 PPG Industries Earnings Conference Call

**Bill Hernandez - PPG Industries, Inc. - SVP, Finance, Treasurer, CFO**

I don't think that will have a marginal, much effect on it. I think we will probably continue paying down debt. That will probably be the primary emphasis. We may buy some shares back depending on if there is a, we see a major disruption out there in terms of what is going on in the market. But that is not our intent at the moment.

**Gregg Goodnight - UBS - Analyst**

Finally, last question, your tax rate in '09; you said maybe 25 to 29%. Have you put a finer point on that?

**Bill Hernandez - PPG Industries, Inc. - SVP, Finance, Treasurer, CFO**

Gregg that is 25 to 29% was SigmaKalon's tax range on their earnings full-year rate. Next year will be likely around 31%.

**Gregg Goodnight - UBS - Analyst**

Okay. Thank you very much.

**Operator**

PJ Juvekar, Citigroup.

**PJ Juvekar - Citigroup - Analyst**

Good morning, Chuck and Bill. We all know that housing has slowed down. In your numbers and now that you have access to SigmaKalon's books, do you see any spillover into industrial or commercial construction so far?

**Chuck Bunch - PPG Industries, Inc. - Chairman, CEO**

And you are talking about Europe?

**PJ Juvekar - Citigroup - Analyst**

I am talking both Europe and US.

**Chuck Bunch - PPG Industries, Inc. - Chairman, CEO**

Okay, well, right now the fallout here in the US is principally in new home residential. Obviously we've seen the renovation market in residential flatten out, and commercial has held up. So we have not seen a decline here in the US in commercial construction. And so for our visibility which would be the first half of this year, we continue to feel that the commercial construction market in the US will remain healthy.

Now there are predictions later potentially late in 2008 or next year, you could see some softness. But right now in commercial construction we haven't seen that, and we have seen, however, continued weakness on the new home residential. At SigmaKalon I would say the visibility there in terms of their architectural markets, they are primarily on the coatings side commercial and what we would call maintenance and renovation. Those markets are still solid. The new home residential market in Europe has principally been in Spain where SigmaKalon is not a participant. And so right now we have not seen any weakness on the markets for architectural or decorative in SigmaKalon.

On the industrial side in Europe we still are seeing good growth in automotive, which is coming from our PPG indicators. On the industrial side there was a little weakness in Europe in the fourth quarter in what we would call co-ex market, coil and extrusion. Some of that you saw that

Jan. 17. 2008 / 11:00AM ET, PPG - Q4 2007 PPG Industries Earnings Conference Call

there was some, end of year imports into Europe from China contributing to some of the weakness. So that is a market that we are going to have to continue to watch in Europe, and that market has been a little weaker in the US as well. Because it is tied both to -- there is residential and a little bit of commercial in that coil and extrusion market and that has been weaker here as well in the US.

---

**PJ Juvekar - Citigroup - Analyst**

That is a good overview. If I may ask one more question, on the architectural side, you sell through big boxes and through your own company-owned stores; did your stores outperform the big boxes in terms of volume growth? Thank you.

---

**Chuck Bunch - PPG Industries, Inc. - Chairman, CEO**

No, they didn't. Our stores where we have I would say the PPG store network has more exposure to new home residential and to some markets that were more affected regionally than the national markets. So our same-store sales growth in our store network underperformed versus the national accounts or the home centers, which are more tied to, as you know, the renovation and maintenance markets.

---

**PJ Juvekar - Citigroup - Analyst**

Can you quantify that a little bit?

---

**Chuck Bunch - PPG Industries, Inc. - Chairman, CEO**

I would say that we were -- we saw same-store sales growth that approached minus 5% on a year-over-year basis. And I would say the performance of, if you looked at Home Depot or Lowe's I think they had negative same-store sales growth. But it was less than that, 5%.

---

**PJ Juvekar - Citigroup - Analyst**

Thank you very much.

---

**Operator**

Don Carson, Merrill Lynch.

---

**Don Carson - Merrill Lynch - Analyst**

A couple clarifications on SigmaKalon. Chuck, the slide you presented back in November you were talking about 50 to \$150 million in amortization when you gave that pretty wide range of what the EPS impact would be of SigmaKalon in '08. So basically narrowing that down to about \$80 million on a full-year basis? Is that the takeaway we should have?

---

**Chuck Bunch - PPG Industries, Inc. - Chairman, CEO**

Yes, that's correct.

---

**Don Carson - Merrill Lynch - Analyst**

Okay, but you're not in position yet to narrow down that integration in purchase accounting line then is what --

---

**Chuck Bunch - PPG Industries, Inc. - Chairman, CEO**

Not yet, no.

Jan. 17. 2008 / 11:00AM ET, PPG - Q4 2007 PPG Industries Earnings Conference Call

---

**Don Carson - Merrill Lynch - Analyst**

Okay, Bill, if you look at your base business -- I know you guys don't give out formal guidance, but based on your economic outlook of slowdown but no recession in the US, what kind of volume growth do you see in your business ex SigmaKalon this year? And I would presume that if volumes are growing given your traditional excellence and productivity you would expect based earnings ex SigmaKalon to be up in 2008 versus 2007.

---

**Bill Hernandez - PPG Industries, Inc. - SVP, Finance, Treasurer, CFO**

Yes, that is true, Don. As we said, we are probably in a soft patch here the earlier part of the year, but we had built into our thoughts of continued volume growth albeit not maybe not at the rapid rate it may have been the last couple years. And we do have productivity baked into it, so yes, your assumption is correct.

---

**Don Carson - Merrill Lynch - Analyst**

And then what is your outlook on the chlor-alkali business? Obviously caustic pricing is very robust. I am somewhat surprised that you ran at such a high rate in the fourth quarter given the reduced demand for chlorine. What is your outlook for chlor-alkali in 2008 in terms of what operating rate you might run at and sort of year over year improvement in ECU pricing margin?

---

**Chuck Bunch - PPG Industries, Inc. - Chairman, CEO**

I think we've been really pleased with the performance of the business in the fourth quarter. The chlorine side of the molecule is a little weaker, and that is of course tied to PVC. Caustic, as you know, very strong. The \$75 price increase on caustic appears to be fully implemented. We had the aluminum contract that settled here in the first half at around that same time kind of increase. So we are at a very attractive level for the aluminum contract which will hold for the first six months. And so we think that caustic is certainly going to hold up its side of the ECU. We were a little more active in terms of the export market, and there we are being helped by the weakness of the dollar. That is both improves our competitiveness, and it makes it more difficult for potential exporters into the US. So that was a little bit of the flywheel here in the fourth quarter to help offset some of the domestic weakness of the PVC business.

So we are relatively optimistic about chlor-alkali. This is in the face of, as you know, the much talked about Shintech expansion should come on at some point in the second quarter. This would be -- this is now we've seen maybe a small impact on the chlorine side, but caustic there has not been a ripple. So at this point we think that the market looks solid for the next couple of quarters here. And we feel pretty good about it.

---

**Don Carson - Merrill Lynch - Analyst**

Thank you.

---

**Operator**

Sergey Vasnetsov, Lehman Brothers.

---

**Sergey Vasnetsov - Lehman Brothers - Analyst**

Good afternoon. We almost ran through the conference call without the chlor-alkali question, so I thought I was listening to the specialty coatings company conference call. Don would not allow us to escape with that. So that's good. So just a few remaining questions. One is on Glass business. You have shown very strong volume gains versus last year and also about 3% gain on currency. Given the only business I know that you were doing outside the US would be essential sale of Mercedes windshield screens. Is that the driver or there was some other product lines you were exporting out of US?

Jan. 17. 2008 / 11:00AM ET, PPG - Q4 2007 PPG Industries Earnings Conference Call

---

**Chuck Bunch - PPG Industries, Inc. - Chairman, CEO**

No. If you look at the two remaining businesses that are in the segment, one that Performance Glazings or Flat Glass that is primarily a domestic business but the other business which is Fiber Glass is the global business, and we have benefited there from a global footprint and a strong markets in a couple of the product lines. And one being what we call the direct draw business, which is the product that is going into these wind energy markets or also the pipe markets that are going into energy and infrastructure.

So actually our Fiber Glass business which had experienced some very difficult times earlier this decade is on a strong rebound, so we still have great performance out of our PFG joint venture that is into the electronics chain. But our new joint venture in China, SJJ doing well in that market and also these infrastructure plays are helping our Fiber Glass business. So we have the best performance in our Fiber Glass business in '07 in seven years, and we are looking for further improvement in '08.

---

**Sergey Vasnetsov - Lehman Brothers - Analyst**

Okay, good. And my last question is about Optical. This business has been growing pretty steadily; it is about 8 to 10%, and now you are rolling out the Generation VI material. What kind of volume trends do you hope to achieve in '08 in Optical?

---

**Chuck Bunch - PPG Industries, Inc. - Chairman, CEO**

We hope to again have another high single digit growth rate for our Transitions business. We think that this Gen VI especially here in the first several quarters of '08 will drive that. And we are still seeing very good growth in this business outside of the US. So I would say we are looking for high single digit growth out of that Optical and Transitions business.

---

**Sergey Vasnetsov - Lehman Brothers - Analyst**

Okay. Thank you very much. Congratulations.

---

**Vince Morales - PPG Industries, Inc. - IR**

We have time for two more questions, please.

---

**Operator**

John Roberts, Buckingham Research.

---

**John Roberts - Buckingham Research - Analyst**

Bill you are a relatively good economic thinker here and there's a lot of debate on whether the emerging markets can hold up should the Western economies decline. I know you are not forecasting a recession but I think exports are still one-third of China's GDP, for example. So if we did go into a US or European downturn, would you expect your relatively high emerging market growth to continue, or do you think that would moderate a lot?

---

**Bill Hernandez - PPG Industries, Inc. - SVP, Finance, Treasurer, CFO**

It will continue, but you have to expect some moderation. I think if you just look at what is going on in China, the number of levers that the Chinese government is pulling on things going from the financial system to changing their export tax credits to discouragement of energy intensive businesses, they are seeking their own way. So I do think it is a little bit unclear what the total impact will be. But it could have a moderating effect, no doubt.

---

**John Roberts - Buckingham Research - Analyst**

Jan. 17. 2008 / 11:00AM ET, PPG - Q4 2007 PPG Industries Earnings Conference Call

But you think it would be a lot less than what -- previously we had kind of coordinated downturn globally when western turns down the emerging markets -- we sneeze here and they catch a cold there.

---

**Bill Hernandez - PPG Industries, Inc. - SVP, Finance, Treasurer, CFO**

No. I don't think we will see that at all. I think they are a little more independent than they ever were before. If we look at an awful lot of what our sales are in China they are for their own use. The major inroads we made there with automotive (inaudible) totally for their own use, the same with Refinish, the same with Aerospace. So the maintenance part of that. So we think it is becoming a little more dislocated in terms of a ripple effect.

---

**John Roberts - Buckingham Research - Analyst**

Thank you.

---

**Operator**

Bob Goldberg, Scopus Asset Management.

---

**Robert Goldberg - Scopus Asset Management - Analyst**

I am choked up also being the final call on a PPG conference call. Congratulations by the way on the quarter. Two questions. One is really more of a detailed type question. I am just curious if you were familiar yet with Sigma's seasonality, just wondering how much of the businesses 2Q and 3Q versus 1 or 4Q.

---

**Unidentified Company Representative**

Actually the first quarter is one of the toughest quarters if you kind of look at how their seasonality goes. I think they are probably roughly 10% to 15% in the first quarter.

---

**Vince Morales - PPG Industries, Inc. - IR**

In earnings.

---

**Bill Hernandez - PPG Industries, Inc. - SVP, Finance, Treasurer, CFO**

In earnings, yes. They have a much bigger impact in the second and third quarter, and I think you add those together and you are going to get 65%, 70% of their total earnings for the year. And roughly around 20% for the fourth quarter. So you can't expect the first quarter probably to be the lightest quarter for them in the year.

---

**Robert Goldberg - Scopus Asset Management - Analyst**

Okay, great. Appreciate that. And second, in terms of the optical business, I am just curious about what you think about the economic sensitivity of that business. It has performed so strongly, and you are expecting strong growth in '08. I am just wondering how sensitive that business would be if we did have a more serious and global slowdown.

---

**Bill Hernandez - PPG Industries, Inc. - SVP, Finance, Treasurer, CFO**

Jan. 17. 2008 / 11:00AM ET, PPG - Q4 2007 PPG Industries Earnings Conference Call

I think the optical business; I think it presents some aspects that of the market are tied to consumer spending. But it is very much also linked to the health care industry. And so I think you have a blend that makes this market more stable than a complete consumer discretionary item. So I think that even if there is some weakness on the consumer side, the health care side will stabilize that and then we will have the growth opportunities with the new Generation this year, which we think will generate a lot of interest in the brand. We are going to aggressively promote this new advertising campaign and the like. We did that last year and really re-established a very good momentum for the brand. We are confident even in a softer consumer market that we can still deliver these kinds of results this year.

---

**Robert Goldberg - Scopus Asset Management - Analyst**

Appreciate it. Thank you.

---

**Chuck Bunch - PPG Industries, Inc. - Chairman, CEO**

Okay, thank you. Thank all of you for listening in and participating.

---

**Vince Morales - PPG Industries, Inc. - IR**

If you have further questions feel free to give me a call, Vince Morales. My phone number is attached into the appendix of the slides accompanying today's presentation. Thank you very much.

---

**Operator**

Thank you for your participation in today's conference; this concludes your presentation. You may now disconnect, and have a good day.

#### DISCLAIMER

Thomson Financial reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON FINANCIAL OR THE APPLICABLE COMPANY OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

© 2005, Thomson StreetEvents All Rights Reserved.