**PPG Industries, Inc.**
One PPG Place Pittsburgh, Pennsylvania 15272 USA Telephone: (412) 434-2406 Fax: (412) 434-2014

**David C. Cannon Jr.**
Vice President
Environment, Health and Safety

November 23, 1998

Mr. John P. Connelly
Vice President, Member Relations and
Corporate Secretary
Chemical Manufacturers Association
1300 Wilson Boulevard
Arlington, VA 22209

**Re: <u>CMA Prime Network Contacts</u>**

Dear Mr. Connelly:

In response to your request, enclosed is an updated prime network contacts list for PPG Industries. If you have any questions regarding this list, please call me.

Keep in official file as notice of name change

Very truly yours,

David C. Cannon Jr.

*Copies to:*

J. A. Barter
L. B. Boswell
J. C. Diggs
K. J. Fay
L. C. Murphy
E. K. Pollock
J. C. Reichenbach Jr.
R. E. Boston
R. L. Crane
G. B. Edwards
R. K. Lee
M. E. Petruccelli
J. C. Pugh

CMA 175026

# PPG's Priorities

## *Pumping Up the Portfolio*

MANAGEMENT AT PPG INDUSTRIES (Pittsburgh) is on a campaign. The mission is to transform the sleepy $7.8-billion maker of coatings, chemicals, and glass into a dynamic growth operation built around a core of priority businesses. Those businesses will be sustained by leading low-cost positions in the company's commodity operations.

The campaign began four years ago, when Jerry Dempsey, the first outsider CEO, was brought from WMX Technologies to reverse wavering earnings and establish a management team that would be prepared to take the helm within five years.

Chairman and CEO Raymond LeBoeuf, 51, who succeeded Dempsey as chairman November 1, sees a clear mandate: Continue to improve the company's earnings performance, and make PPG less cyclical than S&P 500 companies.

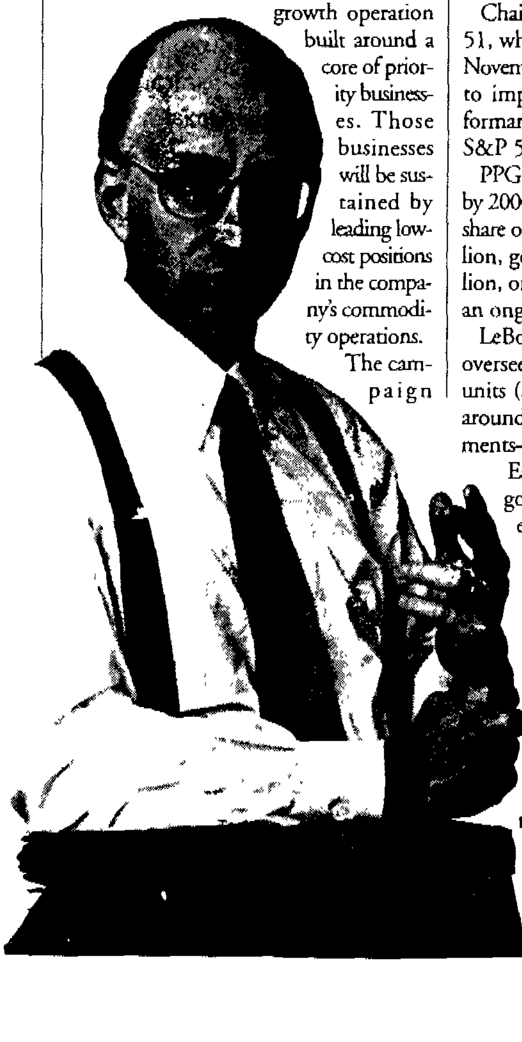
PPG's goals call for $10 billion/year in sales by 2000 and a doubling of 1995 earnings per share of $3.70. Sales last year were $7.79 billion, generating net earnings of $729 million, or $4.06/share. Those targets include an ongoing share buyback program.

LeBoeuf's first task as CEO has been to oversee the shift to 15 strategic business units (SBUs), which are loosely organized around the company's three operating segments—coatings, chemicals, and glass.

Each SBU falls into one of four categories—top priority, cash generator, emerging business, and what LeBoeuf calls the "fix or get out category."

Top priority businesses must meet targets of 12%/year earnings growth and the companywide return-on-capital ratio of 15%. The top priority businesses include coatings, specialty chemicals, and fiberglass.

Of PPG's 12 acquisitions in 1997, all but one were in top priority lines. Underperforming operations in surfactants, specialty glass, and some Asian flat glass plants were disposed of. "In the top priority businesses we'll invest at a rate of 1.5-2 times depreciation," says LeBoeuf. "The cash flow business will be reinvested at a rate of 60%-70% of depreciation."



LeBoeuf: A clear mandate.

LeBoeuf says PPG's more mature businesses identified as cash flow generators are not candidates for sale. Those businesses, primarily chlor-alkali, and automotive and flat glass, will still be held to aggressive earnings and return-on-capital targets, says LeBoeuf. Most important, they will play key roles as cash providers to fund ambitions in other areas.

Right now, the top priority businesses account for just over of 60% of sales, says LeBoeuf. There will be internal growth, but the main driver will be acquisitions. He expects 12-15 deals to be completed this year, "all in top priority businesses. These are the businesses that will provide sustained earnings growth and the potential for stable growth." The deals are being driven by PPG's desire to expand its top priority lines as well as geographically.

Analysts estimate that through 2000 PPG will make acquisitions that will add $300 million-$500 million/year in sales. Last year's deals will add about $400 million to sales in 1998. "We can afford any acquisition opportunity that makes sense to us strategically. There could be fairly significant acquisitions in the future," LeBoeuf says. The company bid on the Unilever specialties business, which was eventually sold expansion at La Porte, TX. The fine chemicals unit is aggressively targeting pharmaceutical actives and intermediates while it continues to expand its traditional fine chemical base in chloroformates and acid chlorides used in agchems and polymer additives, says Thomas Von Lehman, v.p./specialties.

Early last month, PPG closed on the acquisition of Sipsy Chimie (Arvillé, France), a unit of Warner-Lambert subsidiary Jouveinal. Sipsy will add $40 million-$50 million to 1998 sales and will expand PPG's pharmaceutical capabilities beyond phosgene chemistry into lithium aluminum hydride reductions, chiral synthesis, and catalytic hydrogenation. Von Lehman says the La Porte expansion will be adjusted to incorporate Sipsy's technologies.


**Pollock: Profitability by segment and customer.**


**Burton: Outperform others in chlor-alkali.**


**Von Lehman: Not biggest, but best.**

In the U.S., PPG is on target to bring its commercial-scale cGMP pharmaceutical intermediate facility at La Porte onstream in mid-1998, says Von Lehman. A pilot facility now operates at the site.

"When you address the pharmaceutical industry, the key thing is that you have to be able to provide a variety of technologies," Von Lehman says. "They're looking for someone who can handle as many steps of a project as possible." He says the reception from the pharmaceutical industry has been encouraging, and notes that PPG already has made significant inroads by demonstrating its ability to handle intermediates based on phosgene.

PPG is searching for acquisitions but will be selective, pursuing technology rather than manufacturing capability, Von Lehman says. "We're still aggressively looking for other technologies as we determine what our capability will be," he says. "We're looking to differentiate. We're not interested in being the biggest overall [but] in being the best in a specific technology."

PPG's largest specialties operation is optical products, which has been one of the fastest-growing segments within the company—with sales and earnings advances of 30% or more in recent years. PPG is a leading supplier of CR-39, a specialty monomer used in plastic eyeglass lenses. The product is expected to continue to post significant growth as plastic lenses gain market share in Europe and Asia.

In its Transitions jv with Essilor (Milan), PPG also has a booming consumer business for photochromic lenses, which lighten and darken with sunlight. "We have an 8% market share in the U.S. and 4% in Europe with our photochromic lenses," says Von Lehman. "Market research shows there's no reason it can't reach 20% with these kind of projects." PPG is also nearing the commercialization of electrochromics, which would allow a wearer to manually adjust tint. Von Lehman says the product will be introduced in two to three years and that it presents significant growth opportunities for the company.

PPG's specialty operations also includes a leading position in precipitated silicas. "Silicas has been growing quite well," with 7%-8%/year growth in volume and about 10%/year in sales, says Von Lehman. Market fortunes in silicas may lie with the green tire, which improves fuel efficiency by decreasing rolling resistance. Michelin has introduced the tire successfully in Europe, and producers are waiting to see if it catches on in the U.S. "Acceptance [in the U.S.] would represent tremendous growth opportunities that will drive the product into a higher gear" and growth into double digits, he says.

Von Lehman also oversees new business development efforts at PPG. The company spends approximately $5 million-$10 million/year on such efforts. Electrochromic lenses recently emerged from the division, and a coating used in ink jet printers developed by PPG is nearing commercialization. The coating would allow high-quality color reproduction of digital images on paper and allow customers to instantly reproduce an image with poster-like quality. Consumers could even select and design their own wallpaper and have it instantly printed in the store on wide paper.

PPG's largest chemicals segment, chlor-alkali, posted 1997 sales of just under $2 billion. The company's emphasis has been on building a low-cost operation to provide steady cash flow and earnings to fund its ambitions in top priorities.

Its largest chlor-alkali facility, at Lake Charles, LA, is well situated to take advantage of growth in polyvinyl chloride and urethanes. Rae Burton, v.p./chlor-alkali and derivatives, says incremental expansion opportunities are now being evaluated that may result in adding 300 tons-500/tons day of capacity. Burton says the project is contingent on securing long-term supply agreements being negotiated but adds that PPG is in a position to bring on incremental capacity at a very competitive cost without adding plant employees.

PPG's chlor-alkali division includes its 50% stake in PHH Monomers—a 1.15-million lbs/year vinyl chloride monomer jv with Condea Vista—and approximately 300 tons/day of perchloroethylene and 1,1,1 trichloroethylene.

Analysts have applauded LeBoeuf's efforts in improving costs and in shifting the PPG portfolio to growth opportunities overseas and to high priority areas. "LeBoeuf is quite focused on [reaching the performance targets] and isn't afraid to chop underperforming assets if he has to," says Nancy Traub, an analyst with Donaldson, Lufkin & Jenrette (New York). She cites the recent swap of its underperforming surfactants business for BASF's industrial coatings and divestment of specialty glass and Chinese float glass operations.

"I fully believe that by 2000 PPG will be a less cyclical company," says LeBoeuf. He adds that 1998 will be a pivotal year for the company if the sales and earnings targets for 2000 are to be met. "I understand we have to demonstrate it, but keep an eye on us over the next two to four years and look at how the company is positioned to handle the next cycle. You'll see that we [perform] better."

—ROBERT WESTERVELT *in Pittsburgh*

to ICI. An analyst says PPG is prepared to make a bid on Hoechst's coatings business, Herberts, which may be sold as part of Hoechst's restructuring plan.

Coatings posted just over $3 billion in sales in 1997, about 42% of the company's total, and is expected to continue to be the focus of most of PPG's acquisition activity. All four coatings segments—automotive OEM, automotive refinish, industrial coatings, and architectural—have been tagged top priority.

PPG is number one in automotive OEM, which has long been a strength. In auto refinish it is neck and neck with DuPont and ahead of Herberts, BASF, Kansai, and Nippon Paint—all of which are also active in OEM. PPG insists that it is not yet prepared to downshift in auto markets. "We still have 70% of the market to capture," says LeBoeuf. PPG's emphasis will be on Asia, South America, and Europe.

In the past few months, PPG has made deals to acquire German auto coatings maker Bollig & Kemper and Max Meyer Duco, an Italian maker of auto refinishes. Late last year, PPG also announced plans to build coatings production facilities in Argentina and Brazil.

But the biggest opportunity for PPG may well be the sprawling $20-billion industrial coatings market. That market ranges from high-end truck paints to products for lawn and garden furniture.

"Industrial coatings historically have been dwarfed by automotive in PPG," says LeBoeuf, "but five to 10 years out it will be every bit as large." PPG has been selective about its participation in the segment to date, playing primarily in the technology-driven truck, appliance, and coil coatings segments.

"The greatest opportunity for us is industrial coatings, because it's still the most fragmented," says Kears Pollock, executive v.p./coatings. Unlike OEM, where six suppliers dominate, there is no clear leader in the industrial segment. "There's a tremendous amount of pressure from regulators to make more environmentally benign products. You need critical mass to achieve compliance economically, and for R&D and product development," Pollock says.

PPG has already moved into one new area, acquiring BASF's packaging coatings in exchange for PPG's surfactants business. The BASF operation is mainly in can coatings. In addition to entry to a new market, the deal provides a channel for a PPG product the company thinks could be a blockbuster: a barrier coating for PET soda bottles that extends shelf life by preventing the release of carbon dioxide. "We're now even testing it for plastic beer bottles, since it prevents oxygen from entering [the container]," Pollock says.

The deal also allows PPG to build on BASF's relationships with Coca-Cola, Pepsico, and the major brewers, which will become increasingly important as PPG looks to build the market for its PET coating. Pollock says there are more industrial acquisitions to come.

Architectural coatings, which Pollock admits was a "disaster" previously, has been taken off intensive care and the fix or get out list and has emerged as a growth candidate after solid profitability gains the past two years.

PPG management says the mistake it made in the segment was trying to transfer high technology developed in automotive and industrial sectors into architectural markets. "Architectural is not a high-tech business," says LeBoeuf. "It's a marketing business, a distribution business, and a low-cost manufacturing business. I think we understand that a lot better now." He says the story would have been different two years ago. "I believed we had run our course in architectural, that it wasn't a business we should be in," he says. "Our people proved me wrong, and I feel real good about that."

Pollock says the company turned the architectural segment on its head, evaluating profitability by each segment, customer, and salesperson. "The first thing we had to do was get some alligators out of the pond," says Pollock. "We had some really bad deals out there in the U.S. causing us to lose money, and we weren't profitable in Europe." The European operations were sold to ICI in 1996.

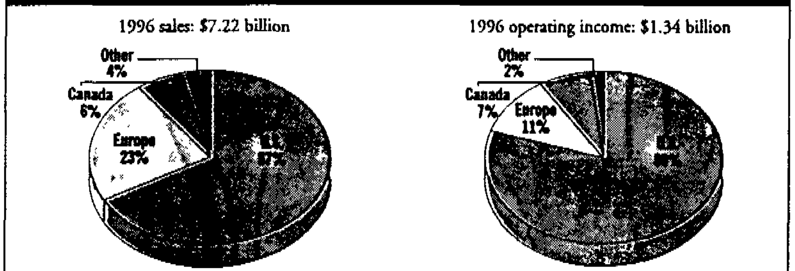
The company then turned to its U.S. and Canadian operations and tried to get its house back in order. "We've concentrated on brand discipline," says Pollock. "If you don't have that discipline you can't have a customer that likes you. You're hurting their ability to manage their business and damaging some real loyal customers."

Last April, the company signed an exclusive branded paint deal with Lowe's Home Improvement Centers, which has stores concentrated in the South. PPG sells Olympic Paints, an extension of its popular Olympic stains, exclusively through Lowe's, a deal that has exceeded expectations so far.

Sales in the chemicals segment, which consists of chlor-alkali and three specialty chemical SBUs, totaled $1.647 billion in 1997. The specialties operations are built around positions in optical products, silicas, and fine chemicals.

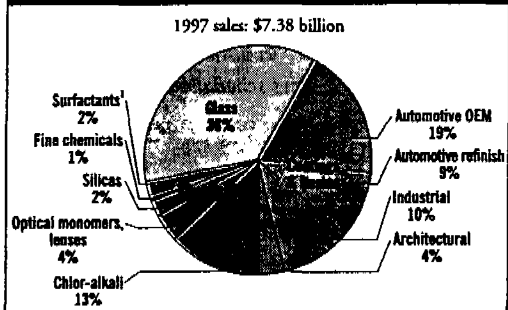
Fine chemicals—the smallest SBU within PPG, with an estimated $85 million in sales in 1997—has been bolstered by the recent acquisition of a French pharmaceutical intermediates maker and a major

**PPG'S REACH**




Source: PPG Industries (Pittsburgh).

**PPG'S MIX**




1) Recently swapped for BASF's packaging coatings business. Sources: PPG Industries; CS First Boston (New York)



CMA 175029

Wk file Jen- Nominatg ~~John~~ Bum File

PPG Industries, Inc.
One PPG Place Pittsburgh, Pennsylvania 15272 USA Telephone: (412) 434-2076 Fax: (412) 434-2134

**Raymond W. LeBoeuf**
President & Chief Executive Officer

August 22, 1997

VIA FAX

Mr. John P. Connelly
Director, Member Relations
Corporate Secretary
Chemical Manufacturers Association
1300 Wilson Boulevard
Arlington, VA 22209

Dear John:

Confirming our conversation, I am proposing that E. Kears Pollock, our Executive Vice President, replace me as a member of the CMA Board. In addition, he would also serve on the oversight committee responsible for the CIIT.

Kear's background and present responsibilities at PPG make him the ideal candidate to represent us on the CMA Board. If possible, I would like to effect this change as of January 1998.

Sincerely,

R W LeBoeuf

R. W. LeBoeuf

RWL/cwe

cc: Mr. Frederick L. Webber
Mr. E. Kears Pollock

CMA 175030

## Trinidad and Tobago Methanol Price Set

*CW* has learned that the minority shareholders in Trinidad and Tobago Methanol Co. (TTMC; Point Lisas) will pay a total of $165.64 million, $150 million of it in cash, for the government's 69% stake in the firm (*CW, April 16, p. 14*). Equity interest in TTMC will be Ferrostaal, 62.5%; Helm, 26.25%; and Colonial Life Financial, 11.25%. Finbar Gangar, minister of energy, confirms that the partners plan to consolidate TTMC with the other producer on the island, Caribbean Methanol, and with one of the new projects, Methanol IV. "The purchasers have also signaled their intention to float a portion of the new merged company on the local and international stock exchanges," he adds. The merged company would have total capacity for 2 million m.t./year of methanol, representing 8% of worldwide production and 20% of the merchant market.

## LeBoeuf Designated PPG's CEO-Elect

PPG Industries says president Raymond LeBoeuf will become CEO July 1; he will continue as president. Jerry Dempsey, current board chairman and CEO, will remain chairman until his retirement on November 1. Frank Archinaco, senior v.p./glass, and E. Kears Pollock, senior v.p./coatings and resins, have been elected executive v.p.s and assigned broader responsibilities. Archinaco and Pollock will join Dempsey and LeBoeuf in the newly created office of the chief executive.

Jen,
Pls put this in a tickler for you to change his title to President and CEO effective 1 Jul 97.
Done

...atalysts joint venture in China, ...d development, tells *CW*. Ell- ...e venture; approval is expect-

...k

...Convention (CWC) this week. ... (R., NC) released his hold on ...wo independent agencies into ...*il 16, p. 10*). However, CWC ...t (R., MS) says he may oppose ...ification; several amendments .... will be excluded from CWC ...C by April 29.

...%, to $102 million, despite a ... ...lumes improved in every market, weak European currencies put downward pressure on the bottom line. Earnings compared favorably with year-earlier performance but fell 5% short of Wall Street's expectations (*CW, March 26, p. 5*). R&H's stock lost more than 20% of its value after the company warned analysts to adjust their estimates downward.

## ... Other Companies' Earnings Are Mixed

Occidental Petroleum says higher feedstock and raw material costs sent its chemical earnings down, from $118 million in first-quarter 1996 to $92 million in first-quarter 1997; chemical sales rose slightly, to $1.07 billion. Sherwin-Williams's first-quarter net income grew 18%, to $23.1 million, as sales improved 25%, to $1.1 billion, reflecting the acquisitions of Thompson Minwax and other businesses. PPG Industries' net income dropped 4%, to $166 million, despite a 2% sales increase, to $1.8 billion. Nalco's earnings improved 13%, to $35.8 million, on an 11% sales gain, to $334.6 million. Rexene says a "temporary increase in raw materials costs" offset strong operating earnings. The company's net income slid 6%, to $6.1 million, despite a 17% sales rise, to $163.7 million, and a $6.5-million accounting gain. Nova Chemicals' net was C$71 million ($51.4 million), 89% better, as sales improved 25%, to C$892 million, on the strength of the polyethylene market. RPM's third fiscal quarter, which ended February 28, brought a 7% drop in earnings, as the company netted $7.5 million on $297.2 million in sales, up 16%.

### ◆ Sigma Shareholder Combats Execs

Sigma-Aldrich's (St. Louis) largest individual shareholder, Alfred R. Bader, is petitioning other shareholders to hold executives of the company responsible for paying a recent $480,000 fine involving exports of toxins to 17 countries. According to a March 28 proxy statement, Sigma paid the fine in July 1996 "to settle allegations by the department [of Commerce] that [Sigma] had illegally exported toxins that could be used to make biological weapons." The allegations involved 48 incidents during 1992 and 1993. Bader holds 5.6% of the company's stock. Sigma's board has urged investors to vote against the proposal, contending that "it would severely impair the company's ability to attract and retain qualified management."

# news

### ◆ Argentina Loses Duty-Free Status

The U.S. last week removed chemicals and other imports from the list of Argentine products that receive duty-free treatment under the Generalized System of Preferences. The move stems from an intellectual property rights dispute between the two countries. A recently passed Argentine law exempts Argentine companies from paying royalties on pharmaceuticals until 2000.

### ◆ Mobil Plans PE Hike

Sources say Mobil Chemical has announced a 4-cts/lb across-the-board increase for polyethylene (PE), effective June 1. Current PE initiatives are in doubt following Exxon's announcement of flat pricing for April (*p. 23*), pushing a planned 3-cts/lb increase to May.

### ◆ Venezuela to Double Supermetanol

Pequiven, the petrochemical arm of Venezuelan state oil company PDVSA, is conducting feasibility studies to double the size of its 750,000-m.t./year Supermetanol methanol joint venture with Ecofuel at José. The twin unit would be onstream by the end of the decade and would increase Pequiven's capacity to 2.3 million m.t./year.

### ◆ Dow Out of Canadian Implant Suit

A judge in Vancouver, B.C. has ruled that Dow Chemical will not be a defendant in the first stage of a lawsuit filed by 1,600 women who claim silicone breast implants caused illness. The ruling follows decisions in several U.S. states in which Dow was excluded from silicone implant suits.

CMA 175031

Working file

CHEMICAL MANUFACTURERS ASSOCIATION

JOHN P. CONNELLY
DIRECTOR, MEMBER RELATIONS
CORPORATE SECRETARY

November 22, 1996

Mr. Raymond W. LeBoeuf
President and Chief Operating Officer
PPG Industries, Inc.
One PPG Place
Pittsburgh, PA 15272

Dear Mr. LeBoeuf:

It is my pleasant duty to inform you officially of your election as a Director of the Association for a term ending May 31, 1997. In this capacity, you will also be PPG's Executive Contact for official business with the Association. For your information and guidance, I am enclosing our Bylaws, Strategic Plan and User's Guide and Directory.

A listing of CMA Officers and Directors, Board Committees and a Schedule of Meetings for the remainder of fiscal year 1996/97 are enclosed. Also enclosed is a form requesting some additional information for our records which will aid our communication with you and your office. Please complete and return this form as soon as possible.

In addition, I have enclosed a computer printout of your company's participation in CMA activities. It notes program and issues contacts, committee and task group participants as well as those individuals on other newsletter and mailing lists. Your help in keeping this information up to date is greatly appreciated. Please contact me with any changes you might have.

As an ongoing commitment to our Responsible Care® initiative, we ask that new Executive Contacts sign the Responsible Care® Guiding Principles. Enclosed is a customized copy of the Guiding Principles for PPG Industries, Inc. Please sign and return them to my office by December 20, 1996. You will notice that one of the ten basic elements of the intitiative is participation in Regional Executive Leadership Group (ELGs) meetings. The ELGs provide a forum for senior industry leaders to meet to discuss Responsible Care® and the progress each company is making in its implementation. You will be contacted in the near future regarding upcoming meetings.

Again, welcome and if I can be of help, please call me.

Sincerely,

Jake Connelly

CMA 175032

Enclosures

cc: Frederick L. Webber

Working file

CMA

CHEMICAL MANUFACTURERS ASSOCIATION

JOHN P. CONNELLY
DIRECTOR, MEMBER RELATIONS
CORPORATE SECRETARY

November 22, 1996

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President and Chief Operating Officer
PPG Industries, Inc.
One PPG Place
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