

PPG Quarterly Earnings Show Best Volume Growth in Three Years

PPG Industries in Pittsburgh reported record sales of \$2.9 billion for the fourth quarter 2007, surpassing the prior year's fourth quarter results of \$2.5 billion by 15 percent. The company's fourth quarter net income was \$200 million, or \$1.21 per share, com-

pared to \$157 million net income during the same period in 2006. The fourth quarter earnings per share from continuing operations represents a 30-percent increase over the prior year's quarter.

Glass segment sales increased \$27 million, or 10 percent, during the reported

quarter. According to information from the company, this was due to improved volumes in the performance glazing and fiberglass businesses and the positive impact of stronger foreign currencies, although both were slightly offset by lower selling prices in performance glazing. Segment earnings improved by \$8 million, primarily as a result of improved sales volumes offset somewhat by the impact of inflation. The impact of lower pricing was offset by higher other earnings, the company reports.

"Our strong fourth quarter results capped one of the best annual financial performances in the company's history," says Charles E. Bunch, chairperson and chief executive officer. "We achieved over 5-percent volume growth in the quarter, marking our best quarterly performance in three years despite a slowing economy, and each of our business segments increased sales for the quarter by at least 10 percent over the prior year."

Bunch attributed the significant growth in sales and earnings per share to strategic actions taken to reshape the company, including its expansion in emerging regions and acquisitions intended to broaden PPG's geographic presence.

► www.ppg.com

Installation Write-Downs Impact Apogee's Third Quarter Earnings

While revenues for the architectural segment Minneapolis-based Apogee Enterprises Inc. grew 4 percent in the fiscal 2008 third quarter, the segment's operating income decreased 43 percent, from the same period last year, to \$7.7 million. According to information from the company, this was largely the impact of installation write-downs of \$6.5

PPG Industries and Consolidated Subsidiaries Condensed Statement of Operations (unaudited)

(All amounts in millions except per-share data)

	3 Months Ended Dec. 31		Year Ended Dec. 31	
	2007	2006	2007	2006
Net sales	2,874	2,500	11,206	9,861
Cost of sales, exclusive of depreciation and amortization	1,846	1,596	7,087	6,153
Selling and other	659	570	2,475	2,138
Depreciation	82	77	322	298
Interest	26	20	93	83
Amortization	14	11	58	43
Asbestos settlement - net	2	5	24	28
Business restructuring	-	-	-	35
Other - net (Note A)	(47)	(19)	(96)	121
Income Before Income Taxes and Minority Interest	292	240	1,243	962
Income tax expense	82	74	355	241
Minority interest	17	16	73	68
Income from Continuing Operations	193	150	815	635
Income from discontinued operations, net of tax	7	7	19	58
Net Income	200	157	834	711
Earnings per common share				
Income from continuing operations	1.18	0.91	4.95	3.94
Income from discontinued operations	0.04	0.04	0.12	0.35
Net Income	1.22	0.95	5.07	4.29
Earnings per common share - assuming dilution				
Incoming from continuing operations	1.17	0.90	4.91	3.92
Income from discontinued operations	0.04	0.04	0.12	0.35
Net Income	1.21	0.94	5.03	4.27
Average shares outstanding	164.3	165.3	164.5	165.7
Average shares outstanding - assuming dilution	166.0	166.5	165.9	166.5

Note A: The change in "Other - net" for the three months ended December 31, 2007, is due to higher interest income gains from asset sales, foreign currency gains and lower legal charges compared to 2006. The change in "Other - net" for the year ended December 31, 2007 is due to \$196 million of lower environmental expenses compared to 2006.

million on three architectural glass installation projects in Florida.

“The installation job write-downs were significant and extremely disappointing,” says Russell Huffer, Apogee chairperson and chief executive officer. “Poor execution early in three projects in one market—Florida—has resulted in material cost increases required to complete the projects within customer requirements and deadlines.”

Write-down of the three installation projects reduced earnings by \$0.14 per share. Excluding this adjustment, the company reports that its operating income would have increased 17 percent and operating margin would have been 8.7 percent.

Overall, the company’s revenues of \$211.0 million were up 3 percent versus the strong prior-year period. Operating income was \$11.8 million, down 24 percent from the prior-year period. Operating margin was 5.6 percent, compared to 7.6 percent in the prior-year period.

In other significant third-quarter items, Apogee agreed to sell its 34-percent interest in the non-strategic PPG Auto Glass LLC joint venture to PPG Industries, resulting in an impairment charge of \$0.11 per share. Cash proceeds of approximately \$25.5 million are expected when the sale closes.

Huffer says that the company’s exit of “the non-strategic auto replacement glass industry” is a key step in its strategic repositioning to focus on its more profitable architectural business.

As a result of significant third-quarter items, the outlook for fiscal year 2008 earnings from continuing operations is now \$1.40 to \$1.50 per share, reflecting the \$0.03 per share difference between the PPG Auto Glass impairment charge and the research and development net tax

Apogee Enterprises, Inc. & Subsidiaries Consolidated Condensed Statement of Income (Unaudited)

(Dollar amounts in thousands, except for per share amounts)

	13 Weeks Ended 12/1/07	13 Weeks Ended 12/2/06	% Change
Net sales	\$210,975	\$203,885	3%
Cost of goods sold	170,761	163,233	5%
Gross profit	40,214	40,652	-1%
Selling, general and administrative expenses	28,437	25,060	13%
Operating income	11,777	15,592	-24%
Interest income	263	221	19%
Interest expense	444	683	-35%
Other income (expense), net	92	14	557%
Equity in (loss) income of affiliated companies	(3,967)	1,080	N/M
Earnings from continuing operations before income taxes	7,721	16,224	-52%
Income taxes	155	5,992	-97%
Earnings from continuing operations	7,566	10,232	-26%
Earnings (loss) from discontinued operations	3,430	(329)	N/M
Net earnings	\$10,996	\$9,903	11%
Architectural Segment Information (Unaudited)			
	13 Weeks Ended 12/1/07	13 Weeks Ended 12/2/06	% Change
Sales	\$189,134	\$182,071	4%
Operating income (loss)	\$7,718	\$13,444	-43%
Architectural Segment Information (Unaudited)			
	39 Weeks Ended 12/1/07	39 Weeks Ended 12/2/06	% Change
Sales	\$575,445	\$510,576	13%
Operating income (loss)	\$33,695	\$28,203	19%

benefit, two items not included in prior guidance. Strong fourth-quarter performances in other businesses are expected to make up the third-quarter shortfall in the installation business. Prior guidance was \$1.43 to \$1.53 per share.

“Our architectural businesses, with the exception of the one installation market, have been performing well this year. Including the execution setback in the third quarter, we expect to have an

architectural segment operating margin ranging from 6.4 to 6.8 percent, slightly below our prior range of 6.7 to 7.1 percent,” Huffer says.

He adds, “I want to underscore that our architectural markets and backlog remain strong, and our businesses are generally operating well, giving us the ability to grow earnings 20 percent annually in fiscal years 2009 and 2010.”

▶ www.apog.com

NSG Releases Financial Results

NSG in Japan has released its consolidated business results for the first half of fiscal year 2008, from April 1, 2007, to September 30, 2007.

Gross income for the first half of 2008 was JPY 139.2 billion (USD 1.2 billion), as compared to JPY 81.4 bil-

lion (USD 759 million) in the same period for 2007. Net sales for the first half of 2008 were JPY 433.9 billion (USD 4.0 billion), up from sales in the first half of 2007, which amounted to JPY 273.2 (USD 2.5 billion). Net income reported for the first half of 2008 was JPY 51.4 billion (USD 480 million), as compared to

JPY 20.2 billion (USD 189 million) during the same period of 2007. Net income for all of 2007 amounted to JPY 12 billion (USD 112 million).

The company recorded JPY 50.5 billion (USD 471 million) in extraordinary profits, primarily a result of the sale of its Pilkington Australia subsidiary (see August 2007 USGlass, page 26), as well as the sale of investment securities. The performance of Pilkington, which became a consolidated subsidiary in June 2006, was included in the company's consolidated income statement from the second quarter of the previous fiscal year, leading the company's sales, operating profits and ordinary profits to show substantial year-on-year increases in the first half.

The company's building products (BP) business, which includes glass and glazing systems for exterior and interior architectural use, achieved sales of JPY 205 billion (USD 1.9 billion) and operating income of JPY 17.5 billion (USD 163 million).

In addition, the group used its financial report as an opportunity to announce its long-term vision, to be executed in three phases. Over the next four years the company aims to create a new entity focused on differentiating itself from competitors, and maximizing productivity and operational quality while reestablishing financial foundations. Phase two will last for three years, during which the company aims to achieve "aggressive growth" in its flat glass business, expand into emerging countries; improve competitiveness, launch major new products, improve research and development and foster technologies. During the three-year-long third phase, NSG will focus on exploring new areas for further growth; exploring new businesses by leveraging both customers and technical and operational competencies; and pursuing acquisitions, mergers and alliances in related areas.

▶ www.nsg.co.jp/en

Asahi Glass Announces Revision of Operating Results Outlook

Asahi Glass Co. Ltd. in Japan has revised the outlook of consolidated operating results announced on October 31, 2007, for the fiscal year 2007 (January 1 through December 31, 2007).

In the flat glass business, the company expects to achieve earnings that exceed the initial forecast because conditions in the flat glass market in Europe remained favorable, mainly in fast-growing markets, including Russia. The outlook for consolidated net sales will remain unchanged but operating income and ordinary income are expected to exceed the initial forecast.

For the fourth quarter 2007, the company expects to sustain extraordinary losses of approximately 78.0 billion yen (USD 726 million), consisting of impairment losses on long-lived assets such as production facilities in the automotive glass business in Europe, a restructuring program and impairment losses on long-lived assets accompanying the closure of the Nakayama headquarters and plant of AGC Techno Glass Co. Ltd. and provision for the fine on the alleged anticompetitive behavior both in the flat glass and automotive glass sectors in Europe (see December 2007 USGlass, page 36). As a result, consolidated net income is estimated to fall short of the initial forecast.

Revised Outlook of Consolidated Operating Results for the Fiscal Year Ending December 31, 2007

(In million USD)

	Net Sales	Operating Income	Ordinary Income	Net Income
Previously announced outlook (A) (announced on October 31, 2007)	15,578	1,679	1,585	839
Outlook as revised this time (B)	15,577	1,790	1,697	559
Previous period (actual results for fiscal year ended December 31, 2006)	15,110	1,273	1,254	419

Glass Segment Outlook of Consolidated Operating Results for Fiscal Year Ending December 31, 2007

(In million USD)

Net Sales	
Previously announced outlook	8,022
Outlook as announced this time	8,022
Operating Income	
Previously announced outlook	569
Outlook as announced this time	615

Glaston's Profit "Unsatisfactory" For First Nine Months '07, But Forecast Remains Good

Mika Seitovirta, president and chief executive officer of Glaston Corp. in Finland, notes in the company's January-September 2007 interim report that profit levels "remained unsatisfactory" in the third quarter, and that the Group's net sales for the third quarter were at the previous year's levels. Profit for the financial period was EUR 2.6 (USD \$3.8) million. However, Seitovirta added, "The forecast for the final quarter of the year is good, exceeding the level of the third quarter."

Consolidated net sales for the January-September period grew by 17 percent to EUR 181.0 (USD \$266.8) million. Third quarter net sales were EUR 57.3 (USD \$84.4) million. Operating profit for the nine months, excluding non-recurring items, was EUR 9.5 (USD \$14.0) million, or 5.2 percent of net sales, while the third quarter operating profit was EUR 4.0 (USD \$5.8) million, or 6.9 percent of net sales.

Net sales for the Pre-Processing segment in the third quarter were EUR 20.6 (USD \$30.3) million, Heat Treatment's net sales were EUR 30.2 (USD \$44.5) million and the Software Solution business's net sales were EUR 6.8 (USD \$10.0) million. The Pre-Processing business area accounted for EUR 0.3 (USD \$0.4) million of the third quarter operating profit, Heat Treatment for EUR 3.2 (USD \$4.7) million and Software Solutions for

EUR 1.6 (USD \$2.3) million.

According to the interim report, the favorable development of the construction industry continued in all market areas, excluding North America where residential construction was subdued.

"A slowdown of private building and financial market instability in the USA had a weakening effect on the third quarter order book for the heat treatment business area," says Seitovirta.

In contrast with the general market situation, sales for the company's pre-processing business developed positively in North America. In the third quarter, measures aimed at improving the efficiency of product delivery were initiated in the business area. The general North American market situation was not reflected in the software solutions business, as a number of large glass manufacturers invested in new software solutions.

The report notes that the Group has a number of programs underway to increase profitability by improving the quality of the delivery chain and enhancing operational efficiency. "The results of the efficiency measures will begin to be seen during 2008," Seitovirta says.

According to the report, the Glaston Group's 2007 net sales and operating profit are expected to grow.

The company also note in its interim report that its glass processing unit, Tamglass Glass Processing, sold its balcony glass business to Lejo Network Oy on October 1. As part of the consideration, Tamglass Glass Processing acquired a 12-

percent shareholding in Lejo Network Oy.

The deal included assets of the balcony glazing business, including balcony system product rights. The business operations sold account for approximately 5 percent of Glass Processing's turnover. The deal had no impact on personnel.

► www.glaston.net

Vitro Reports Continued Sales Growth in Third Quarter

During the third quarter of 2007 Monterrey, Mexico-based Vitro's net income dropped \$5 million, to \$3 million, compared to the same period last year. According to the company, the drop was primarily the result of an increase in financing costs and high expenses associated with the acquisition of the additional 50-percent stake in Vitro AFG (see October 2007 USGlass, page 21). The aforementioned factors were partially compensated by lower income tax of \$8 million during the third quarter 2007, compared to \$17 million in the third quarter of 2006.

Consolidated net sales for the quarter increased 7.1 percent to \$665 million from \$621 million last year. Consolidated EBITDA for the quarter decreased 10.5 percent to \$94 million from \$105 million in the third quarter 2006.

Flat glass sales for the quarter increased 11.1 percent to \$318 million. Domestic sales increased 6 percent, mainly as a result of higher sales to the automotive segment that occurred after an increase in volumes. Float glass sales remained relatively stable; the segment experienced a 1-percent increase due to a better price mix, although the increase was offset by a 12-percent decline in volumes. Export sales increased 26.1 percent for this quarter, primarily due to higher volumes in the construction-related and automotive business lines. During the quarter, EBITDA of flat glass increased 6.1 percent to \$31 million from \$29 million last year.

► www.vitro.com

Glaston Business Segment Sales and Profits

	Net Sales				Operating Profit			
	7-9/ 2007	7-9/ 2006	1-9/ 2007	1-9/ 2006	7-9/ 2007	7-9/ 2006	1-9/ 2007	1-9/ 2006
Pre-Processing	20.6	20.9	65.6	62.5	0.3	0.4	1.2	-0.1
Heat Treatment	30.2	35.5	109.5	92.7	3.2	4.0	11.9	8.5
Software Solutions	6.8	-	6.8	-	1.6	-	1.6	-
Parent company + elim.	-0.3	-0.1	-0.9	-0.3	-1.1	-0.9	-5.2	-3.0
Total	57.3	56.3	181.0	154.9	4.0	3.5	9.5	5.4