

## PPG's First Quarter Reflects Losses in Glass Segment Sales

In the first quarter of the year Pittsburgh-based PPG reported that its glass segment net sales were \$196 million compared to \$536 million in its first quarter of last year. Segment income for the quarter was at a loss of \$27 million, compared to a profit of \$30 million last year. However, the company's financial report also notes that the first three months of 2008 includes both glass segment net sales and income of the since-divested automotive glass and services business. First quarter 2008 results for the divested automotive glass and services business were earnings of \$11 million pretax, \$7 million after-tax, or 4 cents per share.

Overall, PPG reported that sales for the first quarter dropped 30 percent to \$2.8 billion compared to the same period in 2008. The company reported a loss of \$111 million, or 68 cents per share, which also included a significant restructuring charge (see April 2009 USGlass, page 18). First quarter 2008 sales were \$4 billion and reported net income was \$100 mil-

lion, while adjusted net income for the quarter was \$189 million.

The first quarter 2009 net loss includes after-tax charges of \$141 million for business restructuring and \$2 million to reflect the net increase in the current value of the company's obligation under its asbestos settlement currently pending court proceedings.

"Our first quarter results reflect continued deterioration in the global economy, resulting in lower demand in many of the end-use markets we serve," says Charles E. Bunch, chairperson and chief executive officer. He notes, "The most significant drop-offs occurred in global automotive OEM and in many industrial markets. We quickly implemented broad actions, including business restructurings and general spending controls which were successful in offsetting some of the earnings impact from the lower demand levels."

Bunch adds that the company anticipates "some seasonal demand growth in the second quarter, but expects ac-

tivity levels to remain low in comparison with recent years ... Also, we remain focused on prudently managing our cash and we ended the quarter with about \$530 million of cash on hand, which is up several hundred million dollars from our 2007 and 2008 first quarter levels."

Sales in the quarter were down \$1.2 billion, including a \$242 million impact from the divestiture of the automotive glass and services business. The remaining sales decline occurred in all regions of the world, led by declines exceeding 30 percent in Europe, the Middle East and Africa, and 20 percent in the United States; Asia Pacific sales were down high-teen percentages.

► [www.ppg.com](http://www.ppg.com)

### Apogee's Fourth Quarter Shows 38-Percent Drop in Backlog Since 2008

During the fourth quarter of fiscal year 2009, Minneapolis-based Apogee Enterprises Inc.'s architectural glass and installation segment's backlog declined to \$316.2 million from \$373.2 million at the end of the third quarter. The company's backlog has decreased 38 percent since the fourth quarter 2008 backlog of \$510.9 million. Approximately \$237 million, or 75 percent, of the current backlog is to be delivered in fiscal 2010, and the remaining 25 percent in fiscal 2011.

According to the company's recent financial statement, project cancellations and slow bid-to-award timing are impacting backlog levels as work on existing backlog is completed, despite steady bidding activity and the green building trend which company officials believe is increasing demand for energy-efficient glass products. In addi-

#### PPG Regulation G Reconciliation - Results from Operation

(\$ in millions, except per-share amounts)

##### First Quarter 2009

Net Income	\$	EPS
Net Loss (attributable to PPG) as Reported	\$(111)	\$(0.68)
Business Restructuring Charge	141	0.86
Net Charge for Asbestos Settlement	2	0.01
Adjusted Net Income	\$32	\$0.19

##### First Quarter 2008

Net Income	\$	EPS
Net Loss (attributable to PPG) as Reported	\$100	\$0.61
Acquisition-Related Costs	89	0.54
Adjusted Net Income	\$189	\$1.15

## Apogee Architectural Glass Business Segments Information

(Unaudited; Dollar amounts in thousands)

	Sales	Operating Income (loss)
13 Weeks Ended February 28, 2009	\$185,623	\$14,975
13 Weeks Ended March 1, 2008	\$223,374	\$19,853
<b>% Change</b>	<b>-17%</b>	<b>-25%</b>
52 Weeks Ended February 28, 2009	\$854,034	\$64,693
52 Weeks Ended March 1, 2008	\$798,819	\$53,549
<b>% Change</b>	<b>7%</b>	<b>21%</b>

tion, the mix shifted in the quarter, with institutional projects now comprising a larger portion of the backlog and office projects a smaller part than previously. The shift reflects both market conditions and a change in focus earlier in the year in anticipation of a slowdown.

“We are entering fiscal 2010 with an unprecedented level of uncertainty, and, as a result, will not be providing earnings per share and detailed annual guidance,” says Russell Huffer, chairman and chief executive officer. “We expect continued profitability on revenues that will likely be down at least 15 percent. At this time, we are estimating operating margins in the mid-single digits as lower capacity utilization and competitive pricing are slightly offset by productivity improvements, and lower energy and some material costs.”

Huffer adds that he expects that the first half of fiscal 2010 will be stronger than the second half, as the company begins work on projects in its architectural backlog that were bid in stronger market conditions. “The second half

could benefit from the addition of stimulus projects to upgrade government and school buildings that would incorporate our energy-efficient, green products and services; at this time, we have not secured any of these projects.

“To manage through the downturn, we have already implemented and continue to evaluate further cost cutting initiatives, ranging from reduction of headcount and discretionary spending to ongoing productivity improvements,” he says. “In addition, we are seeing early success in pursuing work in underserved architectural glass markets, including smaller and international projects. We also remain focused on delivering new energy-efficient glass products for the green building market.

### Vitro Shuts Facilities, Reduces Workforce with Drop in Fourth Quarter Flat Glass Sales

Vitro S.A.B. de C.V. in Monterrey, Mexico, faced a difficult fourth quarter as Mexico has begun to feel the effects of the global slowdown since the preceding quarter, according to chief executive officer Hugo Lara. These tough times have led to several company reduction initiatives—including the temporary shutdown of facilities and a reduction in workforce.

“Declining markets and tight credits have affected Vitro,” Lara in a conference call discussing fourth-quarter results. “While there are challenges, the important thing is how we deal with [them],” he

added, explaining that the company has set out certain strategies to try and bring it ahead, including a continued focus on quality and service as well as on relationships with customers and suppliers.

Earlier this year Vitro announced it did not intend to make several scheduled payments that were due on February 2, leading to a default of several loans. Vitro also had initiated discussions with investors, bondholders and creditors “to achieve an organized financial restructuring to improve its balance sheet.”

During the conference call Lara explained that the company had issued a detailed statement on December 31, which showed Vitro with a potential total due amount of \$358 million. This includes a loss of approximately \$33 million related to the only open derivative financial instruments covering natural gas contracts from 2009-2011 with Pemex.

“We have taken steps internally to revitalize the company. These cost reduction initiatives are most important; this includes the temporary shutdown of facilities to align production with demand. This also involves a reduction in our workforce,” said Lara. (*Editor’s note: During the question and answer portion of the call USGlass attempted to find out how these initiatives would affect U.S. operations, however our requests for comments were not addressed. At press time subsequent requests for comment had not been returned.*) Lara added that at the corporate level, further cost-cutting initiatives include canceling of airplane leasing contracts, limiting employee business travel and eliminating out-sourcing of non-strategic services.

“On the administrative side we are also implementing headcount reductions, close to 820 employees, representing 24 percent of the total employee labor costs,” said Lara. “By the end of February 740 employees had already left the company. The remainders are slated to leave at the end of the first quarter.”

Lara continued, “Once implemented,

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### Apogee’s Backlog Comparison

Quarter	Amount in Backlog
4th Quarter 2009	\$316.2 million
3rd Quarter 2009	\$373.2 million
2nd Quarter 2009	\$446.7 million
1st Quarter 2009	\$491.0 million
4th Quarter 2008	\$510.9 million

all of these initiatives will represent total analyzed savings ranging from \$80 to \$120 million. We expect to have this finalized by mid 2009. So far, \$40 million of cost savings were implemented in 2008 so we will see the full benefit in 2009.”

▶▶ [www.vitro.com](http://www.vitro.com)

### Glassrobots Files for Reorganization; Several North American Creditors Listed

Glassrobots Oy of Finland applied for reorganization proceedings on October 8, 2008, at the District Court of Tampere. Petri Lamm, president of Glassrobots, told USGlass that the reorganization is similar to filing Chapter 11 in the United States and the company continues to operate.

The company reports that the current situation has come about partly as a result of the global financial difficulties. Glassrobots suffered a loss of \$1.6 million USD (1.3 million EUR), from which approximately \$1.1 million USD resulted from the bankruptcy of an unnamed U.S. client.

The report notes that the company's restructuring plan is based on measures taken to make the company's business financially more sound and lightening expenses and costs. With these actions the position of creditors shall be secured in a restructuring plan in a manner that gives the creditors a better standing than they would have in a possible bankruptcy situation.

The report further states, "There is a risk that the company cannot continue its business, if the financial recession continues or possibly gets worse or if the company cannot get the export guarantees required by the projects."

Glass industry companies listed as creditors include: Vesuvius USA for approximately \$169,160; Vitrododi International Co. SpA for approximately \$50,222; and Wickham Glass in Bel Aire, Kan., for approximately

### Vitro's Financial Highlights\*

	Fourth Quarter 2008	Fourth Quarter 2007	% Change
Consolidated Net Sales	542	659	-17.7%
Glass Containers	275	337	-18.5%
Flat Glass	259	312	-17.0%
Cost of Sales	395	436	-9.3%
Gross Income	146	223	-34.3%
Gross Margins	27.0%	33.8%	-6.8 pp
SG&A	131	143	-8.8%
SG&A % of sales	24.1%	21.8%	2.3 pp
EBIT	16	79	-80.2%
EBIT Margins	2.9%	12.1%	-9.2 pp
EBITDA	59	101	-41.6%
Glass Containers	50	76	-34.1%
Flat Glass	7	30	-75.9%
EBITDA Margins	10.9%	15.3%	-4.4 pp

\* Million USD Nominal

### Glaston Publishes Financial Statement Bulletin

In Finland-based Glaston Corp.'s January-December 2008 financial statement, president and chief executive officer Mika Seitovirta noted that the global financial crisis considerably weakened the glass processing machine market in the second half of 2008.

"The development is particularly evident in orders of new machines. During the final quarter of the year, orders fell sharply compared with the corresponding period of the previous year and the order book clearly weakened," Seitovirta said.

Orders received in 2008 totaled \$212.7 million USD (EUR 184.7 million); orders received in the fourth quarter alone made up \$42.1 million USD.

▶▶ [www.glaston.net](http://www.glaston.net)

### Glaston's Financial Statement

Operating result, excluding non-recurring items EUR million	Jan.-Dec. 2008	Jan.-Dec. 2007
Pre-processing	-3.0	1.6
Heat Treatment	13.0	19.6
Software Solutions	3.7	2.6
Parent company, elim.	-7.5	-7.0
Total	6.2	16.8
Non-recurring items	-12.3	-4.6
Operating result after non-recurring items	-6.1	12.2

\$13,600. Additionally the company has disputes with Ianua S.p.A. in Italy (a patent dispute); Thiele Glas Werk GmbH in Germany (a sales contract

dispute); and Changzhou Industrial Technique Glass Co. in China (a sales contract dispute).

▶▶ [www.glassrobots.fi](http://www.glassrobots.fi)