

PPG INDUSTRIES INC
Form 10-Q
April 28, 2008
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 2008

Commission File Number 1-1687

PPG INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of
incorporation or organization)

25-0730780
(I.R.S. Employer
Identification No.)

Edgar Filing: PPG INDUSTRIES INC - Form 10-Q

One PPG Place, Pittsburgh, Pennsylvania
(Address of principal executive offices)

15272
(Zip Code)

(412) 434-3131

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of March 31, 2008, 164,096,440 shares of the Registrant's common stock, par value \$1.66-2/3 per share, were outstanding.

Table of Contents

PPG INDUSTRIES, INC. AND SUBSIDIARIES

INDEX

	PAGE(S)
<u>Part I. Financial Information</u>	
<u>Item 1. Financial Statements (Unaudited):</u>	
<u>Condensed Consolidated Statement of Income</u>	2
<u>Condensed Consolidated Balance Sheet</u>	3
<u>Condensed Consolidated Statement of Cash Flows</u>	4
<u>Notes to Condensed Consolidated Financial Statements</u>	5-32
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	33-40
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	40
<u>Item 4. Controls and Procedures</u>	40-41
<u>Part II. Other Information</u>	
<u>Item 1. Legal Proceedings</u>	42
<u>Item 1a. Risk Factors</u>	42
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	43
<u>Item 4. Submission of Matters to a Vote of Security Holders</u>	44
<u>Item 6. Exhibits</u>	44
<u>Signature</u>	45

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****PPG INDUSTRIES, INC. AND SUBSIDIARIES****Condensed Consolidated Statement of Income (Unaudited)**

(Millions, except per share amounts)

	Three Months Ended March 31,	
	2008	2007
Net sales	\$ 3,720	\$ 2,632
Cost of sales, exclusive of depreciation and amortization (Note 4)	2,424	1,677
Selling, general and administrative	822	502
Depreciation	107	78
Research and development	111	81
Interest	66	22
Amortization (Note 7)	34	14
Asbestos settlement net (Note 16)		9
In-process research and development (Note 4)	23	
Other charges	4	23
Other earnings	(33)	(25)
Income before income taxes and minority interest	162	251
Income tax expense	49	57
Minority interest	26	18
Income from continuing operations, net of tax	87	176
Income from discontinued operations, net of tax (Note 5)	13	18
Net income	\$ 100	\$ 194
Earnings per common share (Note 9)		
Income from continuing operations	\$ 0.53	\$ 1.07
Income from discontinued operations (Note 5)	\$ 0.08	\$ 0.11
Net income	\$ 0.61	\$ 1.18
Earnings per common share assuming dilution (Note 9)		
Income from continuing operations	\$ 0.53	\$ 1.06
Income from discontinued operations (Note 5)	\$ 0.08	\$ 0.11
Net income	\$ 0.61	\$ 1.17
Dividends per common share	\$ 0.52	\$ 0.50

The accompanying notes to the condensed consolidated financial statements are an integral part of this consolidated statement.

Table of Contents**PPG INDUSTRIES, INC. AND SUBSIDIARIES****Condensed Consolidated Balance Sheet (Unaudited)**

	March 31, 2008	Dec. 31, 2007
	(Millions)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 298	\$ 526
Cash held in escrow (Note 4)	12	1,706
Receivables (less allowance for doubtful accounts of \$97 million and \$47 million)	3,433	2,398
Inventories (Note 6)	1,977	1,368
Other	722	650
Assets held for sale (Note 5)	507	488
Total current assets	6,949	7,136
Property (less accumulated depreciation of \$5,563 million and \$5,407 million)	3,253	2,426
Investments	382	360
Goodwill (Note 7)	2,824	1,476
Identifiable intangible assets (Note 7)	1,749	612
Other assets	742	619
Total	\$ 15,899	\$ 12,629
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term debt and current portion of long-term debt (Note 8)	\$ 805	\$ 1,819
Asbestos settlement (Note 16)	579	593
Accounts payable and accrued liabilities	3,003	2,150
Liabilities of businesses held for sale (Note 5)	105	99
Total current liabilities	4,492	4,661
Long-term debt (Note 8)	3,639	1,201
Asbestos settlement (Note 16)	329	324
Deferred income taxes	616	164
Accrued pensions	517	396
Other postretirement benefits	1,006	997
Other liabilities	747	602
Total liabilities	11,346	8,345
Commitments and contingent liabilities (Note 16)		
Minority interest	179	133
Shareholders' equity:		
Common stock	484	484
Additional paid-in capital	554	553
Retained earnings (Note 2)	7,976	7,963
Treasury stock	(4,262)	(4,267)
Accumulated other comprehensive loss	(378)	(582)
Total shareholders' equity	4,374	4,151

Total	\$ 15,899	\$ 12,629
--------------	-----------	-----------

The accompanying notes to the condensed consolidated financial statements are an integral part of this consolidated statement.

Table of Contents**PPG INDUSTRIES, INC. AND SUBSIDIARIES****Condensed Consolidated Statement of Cash Flows (Unaudited)**

	Three Months Ended March 31	
	2008	2007
	(Millions)	
Cash from (used for) operating activities – continuing operations	\$ 46	\$ (108)
Cash from operating activities – discontinued operations	3	8
Cash from (used for) operating activities	49	(100)
Investing activities:		
Capital spending		
Additions to property and long-term investments	(61)	(89)
Business acquisitions, net of cash balances acquired (2008 \$136; 2007 \$4) (Note 4)	(1,571)	(148)
Reductions of other property and investments	16	6
Deposits of cash into escrow	(3)	(25)
Release of cash held in escrow (Note 4)	1,700	
Cash from (used for) investing activities – continuing operations	81	(256)
Cash used for investing activities – discontinued operations	(3)	(4)
Cash from (used for) investing activities	78	(260)
Financing activities:		
Proceeds from bridge loan and revolving credit facility (Note 8)	1,338	
Repayment of debt assumed in acquisitions (Notes 4 and 8)	(1,259)	
Proceeds from Notes (net of discount and issuance costs) (Note 8)	1,538	
Repayment of bridge loan and revolving credit facility (Note 8)	(1,595)	
Net change in borrowings with maturities of three months or less	(372)	183
Proceeds from other short-term debt	61	31
Repayment of other short-term debt	(41)	(41)
Proceeds from termination of interest rate swaps (Note 14)	40	
Other long-term debt activity	2	(10)
Repayment of loans by employee stock ownership plan		9
Purchase of treasury stock	(7)	(56)
Issuance of treasury stock	7	50
Dividends paid	(85)	(82)
Cash (used for) from financing activities – continuing operations	(373)	84
Cash used for financing activities – discontinued operations		
Cash (used for) from financing activities	(373)	84
Effect of currency exchange rate changes on cash and cash equivalents	18	1
Net decrease in cash and cash equivalents	(228)	(275)
Cash and cash equivalents, beginning of period	526	443
Cash and cash equivalents, end of period	\$ 298	\$ 168

The accompanying notes to the condensed consolidated financial statements are an integral part of this consolidated statement.

Table of Contents

PPG INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Financial Statements

The condensed consolidated financial statements included herein are unaudited. In the opinion of management, these statements include all adjustments, consisting only of normal, recurring adjustments, necessary for a fair presentation of the financial position of PPG Industries, Inc. and subsidiaries (the Company or PPG) as of March 31, 2008, and the results of their operations and their cash flows for the three months ended March 31, 2008 and 2007. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in PPG's Annual Report on Form 10-K for the year ended December 31, 2007.

In the third quarter of 2007, the Company entered into separate agreements to sell both its automotive OEM glass and automotive replacement glass and services businesses, (automotive glass businesses) and its fine chemicals business. As a result, the Company concluded that the accounting requirements of Statement of Financial Accounting Standards, (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets for classifying these businesses as assets held for sale and reporting their results of operations and cash flows as discontinued operations were met. The sale of the fine chemicals business was completed in November 2007. The amounts in these notes to the condensed consolidated financial statements related to 2007 have been adjusted to reflect the presentation of discontinued operations. See Note 5, Discontinued Operations and Assets Held for Sale for additional information.

On January 2, 2008 the Company completed the acquisition of the SigmaKalon Group (SigmaKalon) which resulted in the release of \$1,673 million cash held in escrow and paid to the seller. The assets acquired included cash of \$136 million. See Note 4, Acquisitions for additional information.

The results of operations for the three months ended March 31, 2008 are not necessarily indicative of the results to be expected for the full year.

2. Newly Adopted Accounting Standards

In March 2007, the Emerging Issues Task Force (EITF) issued EITF No. 06-10, Accounting for Collateral Assignment Split-Dollar Life Insurance Arrangements. Under the provisions of EITF 06-10, an employer is required to recognize a liability for the postretirement benefit related to a collateral assignment split-dollar life insurance arrangement in accordance with either SFAS No. 106, Employers Accounting for Postretirement Benefits Other Than Pensions, or Accounting Principles Board Opinion No. 12, Omnibus Opinion 1967, if the employer has agreed to maintain a life insurance policy during the employee's retirement or provide the employee with a death benefit based on the substantive arrangement with the employee. The provisions of EITF 06-10 also require an employer to recognize and measure the asset in a collateral assignment split-dollar life insurance arrangement based on the nature and substance of the arrangement. EITF 06-10 is effective as of January 1, 2008. PPG has collateral assignment split-dollar life insurance arrangements within the scope of EITF 06-10. The Company adopted the provisions of EITF 06-10 as of January 1, 2008. As a result of the adoption, the Company recognized a liability of \$2 million, representing the present value of the future premium payments to be made under the existing policies. In accordance with the transition provisions of EITF 06-10, this amount was recorded as a direct decrease to retained earnings. No adjustment to the recorded asset value was required upon adoption.

Table of Contents

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, Fair Value Measurements, which defines fair value, establishes a framework in generally accepted accounting principles for measuring fair value and expands disclosures about fair value measurements. This standard only applies when other standards require or permit the fair value measurement of assets and liabilities. It does not increase the use of fair value measurement. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, except as it relates to nonrecurring fair value measurements of nonfinancial assets and liabilities for which the standard is effective for fiscal years beginning after November 15, 2008. The adoption of SFAS No. 157 with respect to financial assets and liabilities in the first quarter of 2008 did not have a significant effect on PPG's consolidated results of operations or financial position. In addition, the Company is evaluating the impact of SFAS No. 157 for measuring nonfinancial assets and liabilities on future results of operations and financial position.

SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, as of the measurement date. The standard establishes a hierarchy of inputs employed to determine fair value measurements, with three levels. Level 1 inputs are quoted prices in active markets for identical assets and liabilities, are considered to be the most reliable evidence of fair value, and should be used whenever available. Level 2 inputs are observable prices that are not quoted on active exchanges. Level 3 inputs are unobservable inputs employed for measuring the fair value of assets or liabilities.

The Company's financial assets and liabilities that are reported at fair value in the accompanying condensed consolidated balance sheet, as of March 31, 2008, were as follows:

(Millions)	Level 1	Level 2	Level 3	Total
Other current assets:				
Foreign currency contracts	\$	\$ 13	\$	\$ 13
Equity forward arrangement		9		9
Natural gas swap contracts		27		27
Investments:				
Marketable equity securities	78	3		81
Other assets:				
Foreign currency contracts		1		1
Natural gas swap contracts		14		14
Interest rate swaps		2		2
Accounts payable and accrued liabilities:				
Foreign currency contracts		3		3
Other liabilities:				
Foreign currency contracts		2		2
Cross currency swaps		29		29

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115. SFAS No. 159 permits entities to choose to measure eligible items at fair value at specified election dates and report unrealized gains and losses on items, for which the fair value option has been elected, in earnings at each subsequent reporting date. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The adoption of SFAS No. 159 in the first quarter of 2008 did not have an impact on PPG's consolidated results of operations or financial position.

Table of Contents**3. Other New Accounting Standards**

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations (SFAS No. 141(R)), which replaces SFAS No. 141, Business Combinations. SFAS No. 141(R) retains the underlying concepts of SFAS No. 141 in that all business combinations are still required to be accounted for at fair value under the acquisition method of accounting, but SFAS No. 141(R) changes the method of applying the acquisition method in a number of significant aspects. Acquisition costs will generally be expensed as incurred; noncontrolling interests will be valued at fair value at the acquisition date; in-process research and development will be recorded at fair value as an indefinite-lived intangible asset at the acquisition date; restructuring costs associated with a business combination will generally be expensed subsequent to the acquisition date; and changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense. SFAS No. 141(R) is effective on a prospective basis for all business combinations for which the acquisition date is on or after the beginning of the first annual period subsequent to December 15, 2008, with an exception related to the accounting for valuation allowances on deferred taxes and acquired contingencies related to acquisitions completed before the effective date. SFAS No. 141(R) amends SFAS No. 109 to require adjustments, made after the effective date of this statement, to valuation allowances for acquired deferred tax assets and income tax positions to be recognized as income tax expense. Beginning January 1, 2009, PPG will apply the provisions of SFAS No. 141(R) to its accounting for applicable business combinations.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51. This statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. SFAS No. 160 requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financial statements and separate from the parent's equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement. SFAS No. 160 amends certain of ARB No. 51's consolidation procedures for consistency with the requirements of SFAS No. 141(R). This statement requires changes in the parent's ownership interest of consolidated subsidiaries to be accounted for as equity transactions. This statement also includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interest. We are currently evaluating the effects that SFAS No. 160 may have on our consolidated financial statements.

In November 2007, EITF Issue No. 07-1, Accounting for Collaborative Arrangements, which defines collaborative arrangements and establishes reporting and disclosure requirements for such arrangements, was issued. EITF 07-1 is effective for fiscal years beginning after December 15, 2008. The Company is continuing to evaluate the impact of adopting the provisions of EITF 07-1; however, it does not anticipate that adoption will have a material effect on PPG's consolidated results of operations or financial position.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities, which changes the disclosure requirements for derivative instruments and hedging activities. SFAS No. 161 requires enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. This

Table of Contents

statement s disclosure requirements are effective for fiscal years and interim periods beginning after November 15, 2008. We are currently evaluating the effects that SFAS No. 161 may have on our consolidated financial statement disclosures.

4. Acquisitions

During the first quarter of 2008, PPG spent \$1,571 million on acquisitions (net of cash acquired of \$136 million), including purchase price adjustments related to 2007 acquisitions. Most of this spending was related to the January 2, 2008 acquisition of SigmaKalon a worldwide coatings producer based in Uithoorn, Netherlands, from global private investment firm Bain Capital (the seller). SigmaKalon produces architectural, protective and marine and industrial coatings and is a leading coatings supplier in Europe and other key markets across the globe, with an increasing presence in Africa and Asia. SigmaKalon sells coatings through a combination of approximately 500 company-owned stores, home centers, paint dealers, independent distributors, and directly to customers. The results of SigmaKalon have been included in PPG s consolidated results of operations from January 2, 2008 onward.

The total transaction value was approximately \$3.2 billion, consisting of cash paid to the seller of \$1,673 million and debt assumed of \$1,517 million. The cash paid to the seller consisted of 717 million (\$1,056 million) and \$617 million. In 2007, PPG issued \$617 million of commercial paper and borrowed \$1,056 million (717 million) under the 1 billion bridge loan agreement established in December 2007 in anticipation of completing the SigmaKalon acquisition. The proceeds from these borrowings were deposited into escrow in December 2007. Upon closing of the transaction on January 2, 2008, these amounts were released from escrow and paid to the seller. The funds held in escrow were reported as Cash held in escrow in the accompanying condensed consolidated balance sheet as of December 31, 2007.

The preliminary purchase price allocation for the SigmaKalon acquisition was recorded in the first quarter of 2008. Further adjustments to the purchase price allocation are expected as the Company finalizes estimates related to acquired assets and liabilities. Specifically, the Company expects to obtain final valuations of identifiable intangible assets and fixed assets in the third quarter of 2008. Additionally, the Company expects to finalize plans for achieving cost synergies associated with the acquisition later in 2008.

Table of Contents

The purchase price allocation is expected to be finalized by December 31, 2008. The following table summarizes the preliminary estimated fair value of assets acquired and liabilities assumed as a result of the acquisition:

(Millions)	
Current assets (including cash of \$136)	\$ 1,442
Property, plant, and equipment	783
Customer-related intangibles	678
Trade names	278
Acquired technology	122
Goodwill (non deductible)	1,219
Other	99
Total assets	4,621
Short-term debt	(1,507)
Current liabilities	(757)
Long-term debt	(10)
Deferred taxes	(449)
Other long-term liabilities	(248)
Net assets	1,650
In-process research and development	23
Total purchase price	\$ 1,673

Identifiable intangible assets with finite lives are subject to amortization over their estimated useful lives. The identifiable intangible assets acquired in the SigmaKalon transaction will be amortized over an estimated weighted-average amortization period of 11 years. Customer-related intangibles will be amortized over an estimated weighted-average amortization period of 12 years, acquired technology will be amortized over an estimated weighted-average amortization period of 7 years and trade names will be amortized over an estimated weighted-average amortization period of 15 years. Estimated future amortization expense related to these identifiable intangible assets is approximately \$80 million in each of the next five years.

Goodwill has preliminarily been allocated to PPG's reportable segments as follows: \$1,066 million to Architectural Coatings EMEA, \$91 million to Performance Coatings (protective and marine operating segment) and \$62 million to Industrial Coatings (industrial operating segment).

The step up to fair value of acquired inventory as part of the preliminary purchase price allocation totaled \$94 million. This amount was included in cost of sales, exclusive of depreciation and amortization, in the accompanying condensed consolidated statement of income for the three months ended March 31, 2008 as the related inventory was sold to customers. The amount allocated to in-process research and development was charged to expense in the first quarter of 2008.

The following information reflects the results of PPG's operations for the first quarter of 2007 on a pro forma basis as if the acquisition of SigmaKalon had been completed on January 1, 2007. The unaudited pro forma financial information was prepared to give pro forma effect to events that are 1) directly attributable to the acquisition, 2) factually supportable and 3) expected to have a continuing impact on the combined results. Pro forma adjustments have been made to illustrate the incremental impact on earnings of interest costs on the borrowings to acquire SigmaKalon, amortization expense related to acquired intangible assets of SigmaKalon, and the tax benefit associated with the incremental interest costs and amortization expense. The following unaudited pro forma information does not include certain cost savings or operating synergies (or costs associated with realizing such savings or synergies) that may result from

Table of Contents

the acquisition. Amounts preliminarily allocated to goodwill may change and amounts allocated to intangible assets with finite lives may change, which could result in a change to amortization expense related to acquired intangible assets from that which is estimated in the following unaudited pro forma information.

	Three Months Ended March 31, 2007
Condensed Consolidated Pro Forma Information (unaudited)	
(Millions, except per share amounts)	
Net sales	\$ 3,276
Income from continuing operations	\$ 151
Income from discontinued operations	18
Net income	\$ 169
Earnings per common share:	
Income from continuing operations	\$ 0.92
Income from discontinued operations	0.11
Net income	\$ 1.03
Earnings per common share assuming dilution:	
Income from continuing operations	\$ 0.91
Income from discontinued operations	0.11
Net income	\$ 1.02

The unaudited pro forma information is provided for illustrative purposes only and does not purport to represent what PPG's consolidated results of operations would have been had the transaction actually occurred as of January 1, 2007, and does not purport to project PPG's future consolidated results of operations.

During the first quarter of 2007, the Company spent \$148 million on acquisitions (net of cash acquired of \$4 million), including purchase price adjustments related to 2006 acquisitions. In January 2007, the Company acquired the architectural and industrial coatings businesses of Renner Sayerlack, S.A., Gravatai, Brazil, to expand its coatings businesses in Latin America. The acquired business operates manufacturing plants in Brazil, Chile, and Uruguay and each plant also serves as a distribution center. The purchase price allocation resulted in an excess of purchase price over the fair value of net assets acquired, which has been reflected as an addition to goodwill.

5. Discontinued Operations and Assets Held for Sale

During the third quarter of 2007, the Company entered into an agreement to sell its automotive glass businesses to Platinum Equity, (Platinum) for approximately \$500 million. Accordingly, the assets and liabilities of these businesses were classified as held for sale. In the fourth quarter of 2007, PPG was notified that affiliates of Platinum had filed suit in the Supreme Court of the State of New York, County of New York, alleging that Platinum is not obligated to consummate the agreement. Platinum also terminated the agreement. PPG has sued Platinum and certain of its affiliates for damages, including the \$25 million breakup fee stipulated by the terms of the agreement, based on various alleged actions of the Platinum parties.

Table of Contents

While the transaction with Platinum was terminated, PPG management remains committed to a sale of the automotive glass businesses and expects such sale to occur in 2008. Accordingly, the assets and liabilities of these businesses continue to be classified as held for sale and are stated at depreciated cost, which is lower than fair value less cost to sell, in the accompanying condensed consolidated balance sheet as of March 31, 2008 and December 31, 2007. Further, the results of operations and cash flows of these businesses, which had previously been included in the Glass reportable segment, have been classified as discontinued operations in the accompanying condensed consolidated statements of income and cash flows for the three months ended March 31, 2008 and 2007.

The decision to sell these businesses triggered curtailments related to certain of PPG's defined benefit pension and other postretirement benefit plans. In the third quarter of 2007, PPG recorded a pretax charge of \$17 million (\$11 million aftertax), primarily representing curtailment losses on certain defined benefit pension plans. The sale of these businesses may result in additional curtailments and possibly settlements of other PPG employee benefit plans to be recorded upon or after the closing of a sale.

Sales and earnings related to the automotive glass businesses for the three months ended March 31, 2008 and 2007 were as follows:

	Three Months Ended March 31	
	2008	2007
	(Millions)	
Net sales	\$ 242	\$ 256
Income from discontinued operations:		
Earnings from operations	\$ 21	\$ 25
Income tax expense	(8)	(9)
Income from discontinued operations, net of tax	\$ 13	\$ 16

Table of Contents

The major classes of assets and liabilities of the automotive glass businesses classified as held for sale in the consolidated balance sheet at March 31, 2008 and December 31, 2007 were as follows:

	March 31, 2008	Dec. 31, 2007
	(Millions)	
Assets:		
Receivables net	\$ 136	\$ 123
Inventories	166	164
Other current assets	6	5
Long-term assets	199	196
Total assets held for sale	\$ 507	\$ 488
Liabilities:		
Accounts payable and accrued expenses	77	70
Minority interest	28	28
Other long term liabilities		1
Total liabilities of businesses held for sale	\$ 105	\$ 99

In the third quarter of 2007, PPG entered into an agreement to sell its fine chemicals business to ZaCh System S.p.A., a subsidiary of Zambon Company S.p.A., for approximately \$65 million. The sale of this business was completed in November 2007. The results of operations and cash flows of this business, which had previously been included in the Optical and Specialty Materials reportable segment, have been classified as discontinued operations in the accompanying condensed consolidated statements of income and cash flows for the three months ended March 31, 2007. Sales of the fine chemicals business were \$29 million for the three months ended March 31, 2007. Included in income from discontinued operations, net of tax, for the three months ended March 31, 2007 was income of \$2 million (net of tax expense of \$1 million) related to the fine chemicals business.

6. Inventories

Inventories as of March 31, 2008 and December 31, 2007 are detailed below.

	March 31, 2008	Dec. 31, 2007
	(Millions)	
Finished products	\$ 1,222	\$ 824
Work in process	159	121
Raw materials	479	312
Supplies	117	111
Total	\$ 1,977	\$ 1,368

Most domestic and certain foreign inventories are valued using the last-in, first-out method. If the first-in, first-out method of inventory valuation had been used, inventories would have been \$217 million and \$206 million higher as of March 31, 2008 and December 31, 2007, respectively.

Table of Contents**7. Goodwill and Other Identifiable Intangible Assets**

The change in the carrying amount of goodwill attributable to each reportable segment for the three months ended March 31, 2008 was as follows:

	Performance Coatings	Industrial Coatings	Architectural Coatings EMEA (Millions)	Optical and Specialty Materials	Glass	Total
Balance, December 31, 2007	\$ 1,051	\$ 310	\$	\$ 57	\$ 58	\$ 1,476
Goodwill from acquisitions	88	61	1,066	2		1,217
Currency translation	32	13	79	3	4	131
Balance, March 31, 2008	\$ 1,171	\$ 384	\$ 1,145	\$ 62	\$ 62	\$ 2,824

The carrying amount of acquired trademarks with indefinite lives as of March 31, 2008 and December 31, 2007 totaled \$365 million and \$144 million, respectively. The amount at March 31, 2008 includes \$221 million related to the SigmaKalon acquisition.

The Company's identifiable intangible assets with finite lives are being amortized over their estimated useful lives and are detailed below.

	March 31, 2008		December 31, 2007			
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Acquired technology	\$ 532	\$ (175)	\$ 357	\$ 392	\$ (164)	\$ 228
Customer-related intangibles	1,068	(156)	912	332	(131)	201
Trade names	132	(26)	106	56	(24)	32
Other	27	(18)	9	23	(16)	7
Balance	\$ 1,759	\$ (375)	\$ 1,384	\$ 803	\$ (335)	\$ 468

Most of the increase in the gross carrying amount of identifiable intangible assets from December 31, 2007 to March 31, 2008 is the result of the SigmaKalon acquisition and the impact of foreign currency changes.

Aggregate amortization expense for the three months ended March 31, 2008 and 2007 related to these identifiable intangible assets was \$34 million and \$14 million, respectively. As of March 31, 2008, estimated future amortization expense of identifiable intangible assets, which is subject to change pending the final purchase price allocation for the acquisition of SigmaKalon, is as follows: \$102 million for the remaining three quarters of 2008 and \$135 million, \$134 million, \$125 million, \$121 million and \$120 million in 2009, 2010, 2011, 2012 and 2013, respectively.

Table of Contents

8. Debt

In order to provide financing for the SigmaKalon acquisition, in December 2007, PPG and certain of its subsidiaries entered into a three year 650 million revolving credit facility with several banks and financial institutions and Societe Generale, as facility agent for the lenders. The facility has an annual fee of 7 basis points. In addition, PPG and a subsidiary entered into two bridge loan agreements, one in the amount of 1 billion with multiple lenders and Credit Suisse as administrative agent for those lenders and the other in the amount of \$500 million with Credit Suisse as the lender.

In December 2007, PPG issued \$617 million of commercial paper and borrowed \$1,056 million (717 million) under the 1 billion bridge loan agreement. The proceeds from these borrowings were deposited into escrow in December 2007. Upon closing of the acquisition on January 2, 2008, these amounts were released from escrow and paid to the seller. Also, in January 2008, PPG borrowed \$1,143 million, representing the remaining \$417 million (283 million) available under the 1 billion bridge loan agreement and \$726 million (493 million) under the 650 million revolving credit facility. The proceeds from these borrowings and cash on hand of \$116 million were used to refinance \$1,259 million of the \$1,517 million of SigmaKalon debt outstanding on the date of acquisition. No amounts were borrowed under the \$500 million bridge loan agreement, and, due to the passage of time and the specific purpose of this agreement, PPG can no longer make borrowings under this agreement.

On March 18, 2008, PPG completed a public offering of \$600 million in aggregate principal amount of its 5.75% Notes due 2013 (the 2013 Notes), \$700 million in aggregate principal amount of its 6.65% Notes due 2018 (the 2018 Notes) and \$250 million in aggregate principal amount of its 7.70% Notes due 2038 (the 2038 Notes and, together with the 2013 Notes and the 2018 Notes, the Notes). The Notes were offered by the Company pursuant to its existing shelf registration. The proceeds of this offering of \$1,538 million (net of discount and issuance costs) and additional borrowings of \$195 million under the 650 million revolving credit facility were used to repay existing debt, including certain short-term debt and the amounts outstanding under the 1 billion bridge loan. No further amounts can be borrowed under the 1 billion bridge loan. The discount and issuance costs related to the Notes, which totaled \$12 million, will be amortized over the respective lives of the Notes.

Table of Contents**9. Earnings Per Common Share**

The following table presents the earnings per common share calculations for the three months ended March 31, 2008 and 2007.

(Millions, except per share amounts)	Three Months Ended March 31	
	2008	2007
Earnings per common share		
Income from continuing operations	\$ 87	\$ 176
Income from discontinued operations	13	18
Net income	\$ 100	\$ 194
Weighted average common shares outstanding	164.5	164.6
Earnings per common share:		
Income from continuing operations	\$ 0.53	\$ 1.07
Income from discontinued operations	0.08	0.11
Net income	\$ 0.61	\$ 1.18
Earnings per common share assuming dilution		
Income from continuing operations	\$ 87	\$ 176
Income from discontinued operations	13	18
Net income	\$ 100	\$ 194
Weighted average common shares outstanding	164.5	164.6
Effect of dilutive securities:		
Stock options	0.6	0.8
Other stock compensation plans	0.5	0.5
Potentially dilutive common shares	1.1	1.3
Adjusted weighted average common shares outstanding	165.6	165.9
Earnings per common share assuming dilution:		
Income from continuing operations	\$ 0.53	\$ 1.06
Income from discontinued operations	0.08	0.11
Net income	\$ 0.61	\$ 1.17

There were 3.4 million and 4.2 million outstanding stock options for the three months ended March 31, 2008 and 2007, respectively, that were excluded from the computation of diluted earnings per share due to their antidilutive effect.

Table of Contents**10. Income Taxes**

The Company files federal, state and local income tax returns in numerous domestic and foreign jurisdictions. In most tax jurisdictions, returns are subject to examination by the relevant tax authorities for a number of years after the returns have been filed. The Company is no longer subject to examinations by tax authorities in any major tax jurisdiction for years before 2001. Additionally, the Internal Revenue Service (IRS) has completed its examination of the Company's U.S. federal income tax returns filed for years through 2005. During the quarter ended March 31, 2008, the Company recorded a tax benefit of \$6 million related to the settlement with the IRS of our U.S. tax returns for the years 2004 and 2005.

11. Pensions and Other Postretirement Benefits

The net periodic benefit costs for the three months ended March 31, 2008 and 2007 were as follows:

	Pensions		Other Postretirement Benefits	
	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
	(Millions)			
Service cost	\$ 21	\$ 19	\$ 7	\$ 7
Interest cost	65	52	17	16
Expected return on plan assets	(74)	(65)		
Amortization of prior service cost	3	3	(5)	(3)
Amortization of actuarial losses	15	20	7	8
Net periodic benefit cost	\$ 30	\$ 29	\$ 26	\$ 28

The net periodic costs for other postretirement benefits in the table above include the benefit of the subsidy under the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (Medicare Act of 2003) for all periods presented. In August 2007, the Company's U.S. other postretirement benefit plan was amended to consolidate the number of retiree health care options available for certain retirees and their dependents. The plan amendment was effective January 1, 2008 and provides a fully-insured Medicare Part D prescription drug plan for certain retirees and their dependents. As such, beginning in 2008 PPG will no longer be eligible to receive the subsidy provided under the Medicare Act of 2003 for these retirees and their dependents.

On August 17, 2006, the Pension Protection Act of 2006 (PPA) was signed into law, changing the funding requirements for our U.S. defined benefit pension plans beginning in 2008. Under the requirements of PPA, we will not have a mandatory contribution to these plans in 2008 and do not currently expect to have a mandatory contribution to these plans in 2009. However, it is possible that we will make voluntary contributions of \$100 million to \$200 million to our U.S. defined benefit pension plans in 2008.

We expect to make mandatory contributions to our non-U.S. plans in 2008 of approximately \$85 million, of which approximately \$19 million was contributed as of March 31, 2008.

Table of Contents**12. Comprehensive Income**

Total comprehensive income for the three months ended March 31, 2008 and 2007 was as follows:

	Three Months Ended March 31	
	2008	2007
	(Millions)	
Net income	\$ 100	\$ 194
Other comprehensive income, net of tax:		
Pension and other postretirement benefits (Note 11)	18	
Unrealized currency translation adjustment	154	43
Unrealized losses on marketable securities	(1)	
Net change derivatives (Note 13)	33	19
	204	62
Total comprehensive income	\$ 304	\$ 256

13. Derivative Financial Instruments and Hedge Activities

PPG's policies do not permit speculative use of derivative financial instruments. PPG uses derivative instruments to manage its exposure to fluctuating natural gas prices through the use of natural gas swap contracts. PPG also uses forward currency and option contracts as hedges against its exposure to variability in exchange rates on short-term intercompany borrowings and cash flows denominated in foreign currencies and to translation risk. PPG uses foreign denominated debt to hedge investments in foreign operations. Interest rate swaps are used to manage the Company's exposure to changing interest rates. PPG held interest rate swaps that effectively converted \$125 million and \$275 million of fixed rate notes to variable debt at March 31, 2008 and December 31, 2007, respectively. PPG also uses an equity forward arrangement to hedge a portion of our exposure to changes in the fair value of PPG stock that is to be contributed to the asbestos settlement trust as discussed in Note 16, Commitments and Contingent Liabilities.

Concurrent with the public offering of the Company's Notes, on March 18, 2008, PPG entered into ten U.S. dollar to euro cross currency swap contracts with a total notional amount of \$1.3 billion, of which \$600 million will settle on March 15, 2013 and \$700 million will settle on March 15, 2018. PPG paid the counterparties to the contracts a total of \$1.3 billion and received euros, which were used to repay most of the \$1 billion bridge loan, which the Company employed to finance the acquisition of SigmaKalon. On settlement of the contracts, PPG will receive \$1.3 billion U.S. dollars and pay euros to the counterparties to the contracts. The Company has designated these swaps as hedges of its net investment in SigmaKalon and, as a result, mark to fair value adjustments of the swaps have been and will be recorded as a component of other comprehensive income. As of March 31, 2008, the aggregate fair value of these swaps was a liability of \$29 million.

During the first quarter of 2008, other comprehensive income included a net gain of \$33 million, net of tax. This gain was comprised of realized losses of \$4 million and unrealized gains of \$29 million. The realized losses related to the settlement during the period of natural gas contracts, interest rate swaps owned by one of the Company's investees accounted for under the equity method of accounting and foreign currency contracts. The unrealized gains related to the change in fair value of the natural gas contracts, partially offset by unrealized losses on interest rate swaps owned by one of the Company's investees accounted for under the equity method of accounting and foreign currency contracts.

Table of Contents

During the first quarter of 2007, other comprehensive income included a net gain due to derivatives of \$19 million, net of tax. This gain was comprised of realized losses of \$4 million and unrealized gains of \$15 million. The realized losses related to the settlement during the period of natural gas contracts, partially offset by realized gains on foreign currency contracts. The unrealized gains related primarily to the change in fair value of the natural gas contracts. These unrealized gains were partially offset by unrealized losses on foreign currency contracts.

In November 2002, PPG entered into a one-year renewable equity forward arrangement with a bank in order to partially mitigate the impact of changes in the fair value of PPG stock that is to be contributed to the asbestos settlement trust as discussed in Note 16. This instrument, which has been renewed, is recorded at fair value as an asset or liability and changes in the fair value of this instrument are reflected in Asbestos settlement net in the condensed consolidated statement of income. The fair value of this instrument as of March 31, 2008 and December 31, 2007 was a current asset of \$9 million and \$18 million, respectively. For the three months ended March 31, 2008 and 2007, PPG recorded a loss of \$9 million and income of \$5 million, respectively, for the change in fair value of this instrument.

14. Cash Flow Information

Cash payments for interest were \$51 million and \$16 million for the three months ended March 31, 2008 and 2007, respectively. Net cash payments for income taxes for the three months ended March 31, 2008 and 2007 were \$41 million and \$51 million, respectively.

In the first quarter of 2008, PPG terminated two interest rate swaps, including one that was acquired in the SigmaKalon transaction. PPG received proceeds of \$40 million in terminating these swaps, which amount is included as cash from financing activities in the accompanying condensed consolidated statement of cash flows for the three months ended March 31, 2008.

15. Stock-Based Compensation

The Company's stock-based compensation includes stock options, restricted stock units (RSUs) and annual grants of contingent shares that are earned based on achieving targeted levels of total shareholder return. All current grants of stock options, RSUs and contingent shares are made under the PPG Industries, Inc. Omnibus Incentive Plan (PPG Omnibus Plan). Shares available for future grants under the PPG Omnibus Plan were 7.5 million as of March 31, 2008.

Total stock-based compensation cost was \$9 million for the three months ended March 31, 2008 and 2007. The total income tax benefit recognized in the income statement related to the stock-based compensation was \$3 million for the three months ended March 31, 2008 and 2007.

Stock Options

PPG has outstanding stock option awards that have been granted under three stock option plans: the PPG Industries, Inc. Stock Plan (PPG Stock Plan), the PPG Industries, Inc. Challenge 2000 Stock Plan (PPG Challenge 2000 Stock Plan) and the PPG Omnibus Plan. Under the PPG Omnibus Plan and the PPG Stock Plan, certain employees of the Company have been granted options to purchase shares of common stock at prices equal to the fair market value of the shares on the date the options were granted. The options are generally

Table of Contents

exercisable beginning from six to 48 months after being granted and have a maximum term of 10 years. Upon exercise of a stock option, shares of Company stock are issued from treasury stock. The PPG Stock Plan includes a restored option provision for options originally granted prior to January 1, 2003 that allows an optionee to exercise options and satisfy the option price by certifying ownership of mature shares of PPG common stock with equivalent market value.

On July 1, 1998, under the PPG Challenge 2000 Stock Plan, the Company granted to substantially all active employees of the Company and its majority owned subsidiaries the option to purchase 100 shares of common stock at its then fair market value of \$70 per share. The options became exercisable on July 1, 2003 and expire on June 30, 2008.

On February 20, 2008, PPG granted 714,220 stock options under the PPG Omnibus Plan, at a weighted average exercise price of \$63.64 per share. The weighted average fair value of options granted was \$13.29 per share.

The fair value of stock options issued to employees is measured on the date of grant and is recognized as expense over the requisite service period. PPG estimates the fair value of stock options using the Black-Scholes option pricing model. The risk-free interest rate is determined by using the U.S. Treasury yield curve at the date of the grant and using a maturity equal to the expected life of the option. The expected life of options is calculated using the average of the vesting term and the maximum term, as prescribed by SEC Staff Accounting Bulletin (SAB) No. 107, Share-Based Payment, as amended by SAB No. 110. This method is used as the vesting terms of stock options were changed in 2004 to a three year vesting term, and as a result, the historical exercise data does not provide a reasonable basis upon which to estimate the expected life of options. The expected dividend yield and volatility are based on historical stock prices and dividend amounts over past time periods equal in length to the expected life of the options. The fair value of the February 20, 2008 grant was calculated with the following assumptions:

Risk free interest rate	3.5%
Expected life of option in years	6.5
Expected dividend yield	3.1%
Expected volatility	24.3%

Restricted Stock Units

Long-term incentive value is delivered to selected key management employees by granting RSUs, which have either time or performance-based vesting features. The fair value of an RSU is equal to the market value of a share of stock on the date of grant. Time-based RSUs vest over the three-year period following the date of grant, unless forfeited, and will be paid out in the form of stock, cash or a combination of both at the Company's discretion at the end of the three-year vesting period. Performance-based RSUs vest based on achieving specific annual performance targets for earnings per share growth and cash flow return on capital over the three-year period following the date of grant. Unless forfeited, the performance-based RSUs will be paid out in the form of stock, cash or a combination of both at the Company's discretion at the end of the three-year vesting period if PPG meets the performance targets. For awards granted in 2006 and 2007, the actual amount paid for performance-based awards may range from 0% to 150% of the original grant, as 50% of the grant vests in each year that one of the two targets is met during the three-year period. If the designated performance targets are not met in any of the three years in an award period, no payout will be made on the performance-based RSUs. For awards granted in 2008, the amount paid for performance-based awards may range from 0% to 180% of the original grant, based upon the frequency with which the earnings per share growth and cash flow return on capital performance targets are met over the

Table of Contents

three-year period. The performance-based RSUs granted in 2005 vested at the 150% level. For the purposes of expense recognition we have assumed that performance-based RSUs granted in 2006, 2007 and 2008 will vest at the 100% level. The performance targets for 2006 and 2007 were achieved.

On February 20, 2008, PPG granted 241,632 RSUs at a weighted average fair value of \$57.73 per share.

Contingent Share Grants

The Company also provides grants of contingent shares to selected key executives that may be earned based on PPG total shareholder return over the three-year period following the date of grant. Contingent share grants (TSR) are made annually and are paid out at the end of each three-year period based on the Company's performance. For awards granted in 2006 and 2007, performance is measured by determining the percentile rank of the total shareholder return of PPG Common Stock (stock price plus accumulated dividends) in relation to the total shareholder return of the S&P 500 and, the S&P 500 Materials sector for the three-year period following the date of grant. For awards granted in 2008, performance is measured by determining the percentile rank of the total shareholder return of PPG Common Stock in relation to the total shareholder return of the S&P 500 for the three-year period following the date of grant. The payment of awards following the three-year award period will be based on performance achieved in accordance with the scale set forth in the plan agreement and may range from 0% to 220% of the initial grant. A payout of 100% is earned if the target performance is achieved. Contingent share awards earn dividend equivalents during the three-year award period, which are credited to participants in the form of common stock equivalents. Any payments made at the end of the award period may be in the form of stock, cash or a combination of both. The TSR awards qualify as liability awards, and compensation expense is recognized over the three-year award period based on the fair value of the awards (giving consideration to the Company's percentile rank of total shareholder return) remeasured in each reporting period until settlement of the awards.

16. Commitments and Contingent Liabilities

PPG is involved in a number of lawsuits and claims, both actual and potential, including some that it has asserted against others, in which substantial monetary damages are sought. These lawsuits and claims, the most significant of which are described below, relate to contract, patent, environmental, product liability, antitrust and other matters arising out of the conduct of PPG's current and past business activities. To the extent that these lawsuits and claims involve personal injury and property damage, PPG believes it has adequate insurance; however, certain of PPG's insurers are contesting coverage with respect to some of these claims, and other insurers, as they had prior to the asbestos settlement described below, may contest coverage with respect to some of the asbestos claims if the settlement is not implemented. PPG's lawsuits and claims against others include claims against insurers and other third parties with respect to actual and contingent losses related to environmental, asbestos and other matters.

The result of any future litigation of such lawsuits and claims is inherently unpredictable. However, management believes that, in the aggregate, the outcome of all lawsuits and claims involving PPG, including asbestos-related claims in the event the settlement described below does not become effective, will not have a material effect on PPG's consolidated financial position or liquidity; however, such outcome may be material to the results of operations of any particular period in which costs, if any, are recognized.

Table of Contents

Legacy Antitrust Matters

The Company has been named as a defendant, along with various other co-defendants, in a number of antitrust lawsuits filed in federal and state courts. These suits allege that PPG acted with competitors to fix prices and allocate markets in the flat glass and automotive refinish industries. The plaintiffs in these cases are seeking economic and, in certain cases, treble damages and injunctive relief. As described below, we have either settled or agreed to settle the most significant of these cases.

Twenty-nine glass antitrust cases were filed in federal courts, all of which were consolidated as a class action in the U.S. District Court for the Western District of Pennsylvania located in Pittsburgh, Pa. By 2003, all of the other defendants in the glass class action antitrust case settled with the plaintiffs and were dismissed from the case. On May 29, 2003, the Court granted PPG's motion for summary judgment dismissing the claims against PPG in the glass class action antitrust case. The plaintiffs in that case appealed that order to the U.S. Third Circuit Court of Appeals. On September 30, 2004, the U.S. Third Circuit Court of Appeals affirmed in part and reversed in part the dismissal of PPG and remanded the case for further proceedings. PPG petitioned the U.S. Supreme Court for permission to appeal the decision of the U.S. Third Circuit Court of Appeals, however, the U.S. Supreme Court rejected PPG's petition for review.

On October 19, 2005, PPG entered into a settlement agreement to settle the federal glass class action antitrust case in order to avoid the ongoing expense of this protracted case, as well as the risks and uncertainties associated with complex litigation involving jury trials. Pursuant to the settlement agreement, PPG agreed to pay \$60 million and to bear up to \$500,000 in settlement administration costs. These amounts were held in escrow until the U.S. District Court entered an order on February 7, 2006, approving the settlement. This order is no longer appealable. As a result of the settlement, PPG also paid \$900,000 pursuant to a pre-existing contractual obligation to a plaintiff that did not participate in the federal glass class action antitrust case. Separately, on November 8, 2006, PPG entered into a class-wide settlement agreement to resolve all claims of indirect purchasers of flat glass in California. PPG agreed to make a payment of \$2.5 million, inclusive of attorneys' fees and costs. On January 30, 2007, the Court granted preliminary approval of the settlement. The Court has also approved the form of notice to the settlement class. A hearing on final approval of the settlement was cancelled and has not been rescheduled. Independent state court cases remain pending in Tennessee involving claims that are not included in the settlement of the federal and California glass class action antitrust cases. Notwithstanding that PPG has agreed to settle the federal and California glass class action antitrust cases, and is considering settlement of the Tennessee cases, PPG continues to believe that there was no wrongdoing on the part of the Company and also believes that PPG has meritorious defenses to the independent state court cases.

Approximately 60 cases alleging antitrust violations in the automotive refinish industry were filed in various state and federal jurisdictions. The approximately 55 federal cases were consolidated as a class action in the U.S. District Court for the Eastern District of Pennsylvania located in Philadelphia, Pa. Certain of the defendants in the federal automotive refinish case settled prior to PPG. Neither PPG's investigation conducted through its counsel of the allegations in these cases nor the discovery conducted in the case has identified a basis for the plaintiffs' allegations that PPG participated in a price-fixing conspiracy in the U.S. automotive refinish industry. PPG's management continues to believe that there was no wrongdoing on the part of the Company and that it has meritorious defenses in the federal automotive refinish case. Nonetheless, it remained uncertain whether the federal court ultimately would dismiss PPG, or whether the case would go to trial. On September 14, 2006, PPG agreed to settle the federal class action for \$23 million to avoid the ongoing expense of this protracted case, as well as the

Table of Contents

risks and uncertainties associated with complex litigation involving jury trials. PPG recorded a charge for \$23 million in the third quarter of 2006. This amount was held in escrow and, on December 28, 2007, the federal court approved the class action settlement agreement. In January 2008, the \$23 million was released from escrow.

Class action lawsuits that mimic the federal class action have been filed in five states (California, Maine, Massachusetts, Tennessee and Vermont) pursuant to state statutes on behalf of indirect purchasers of automotive refinish products. A similar suit brought in a federal court in New York City was dismissed on May 8, 2007. In the fourth quarter of 2007, the case in Tennessee was dismissed. PPG believes that there was no wrongdoing on its part, and believes it has meritorious defenses to the independent state court cases. Notwithstanding the foregoing, to avoid the ongoing expense of protracted litigation, as well as the risks and uncertainties associated with complex litigation, PPG has agreed to settle the cases in California, Maine and Massachusetts and is considering potential settlement of the case in Vermont.

New Antitrust Matters

Sixteen complaints have been filed in four different Federal Courts naming PPG and other flat glass producers as defendants in purported antitrust class actions. Five complaints where PPG is not named have been filed in two additional Federal Courts. The complaints allege that the defendants conspired to fix, raise, maintain and stabilize the price and the terms and conditions of sale of flat glass in the United States in violation of federal antitrust laws. These cases and additional similar cases that may follow will most likely be consolidated into one Federal Court class action. Many allegations in the complaints are similar to those raised in recently concluded proceedings in Europe in which fines were levied against other flat glass producers arising out of alleged antitrust violations. PPG was not involved in any of the proceedings in Europe. PPG divested its European flat glass business in 1998. PPG is aware of no wrongdoing or conduct on its part that violated any antitrust laws and it intends to vigorously defend its position.

Asbestos Matters

For over 30 years, PPG has been a defendant in lawsuits involving claims alleging personal injury from exposure to asbestos. As of March 31, 2008, PPG was one of many defendants in numerous asbestos-related lawsuits involving approximately 114,000 open claims served on PPG. Most of PPG's potential exposure relates to allegations by plaintiffs that PPG should be liable for injuries involving asbestos-containing thermal insulation products manufactured and distributed by Pittsburgh Corning Corporation (PC). PPG and Corning Incorporated are each 50% shareholders of PC. PPG has denied responsibility for, and has defended, all claims for any injuries caused by PC products.

On April 16, 2000, PC filed for Chapter 11 Bankruptcy in the U.S. Bankruptcy Court for the Western District of Pennsylvania located in Pittsburgh, Pa. Accordingly, in the first quarter of 2000, PPG recorded an after-tax charge of \$35 million for the write-off of all of its investment in PC. As a consequence of the bankruptcy filing and various motions and orders in that proceeding, the asbestos litigation against PPG (as well as against PC) has been stayed and the filing of additional asbestos suits against them has been enjoined, until 30 days after the effective date of a confirmed plan of reorganization for PC substantially in accordance with the settlement arrangement among PPG and several other parties discussed below. The stay may be terminated if the Bankruptcy Court determines that such a plan will not be confirmed, or the settlement arrangement set forth below is not likely to be consummated.

Table of Contents

On May 14, 2002, PPG announced that it had agreed with several other parties, including certain of its insurance carriers, the official committee representing asbestos claimants in the PC bankruptcy, and the legal representatives of future asbestos claimants appointed in the PC bankruptcy, on the terms of a settlement arrangement relating to asbestos claims against PPG and PC (the PPG Settlement Arrangement).

On March 28, 2003, Corning Incorporated announced that it had separately reached its own arrangement with the representatives of asbestos claimants for the settlement of certain asbestos claims that might arise from PC products or operations (the Corning Settlement Arrangement).

The terms of the PPG Settlement Arrangement and the Corning Settlement Arrangement have been incorporated into a bankruptcy reorganization plan for PC along with a disclosure statement describing the plan, which PC filed with the Bankruptcy Court on April 30, 2003. Amendments to the plan and disclosure statement were filed on August 18 and November 20, 2003. Creditors and other parties with an interest in the bankruptcy proceeding were entitled to file objections to the disclosure statement and the plan of reorganization, and a few parties filed objections. On November 26, 2003, after considering objections to the second amended disclosure statement and plan of reorganization, the Bankruptcy Court entered an order approving such disclosure statement and directing that it be sent to creditors, including asbestos claimants, for voting. The Bankruptcy Court established March 2, 2004 as the deadline for receipt of votes. In order to approve the plan, at least two thirds in amount and more than one-half in number of the allowed creditors in a given class must vote in favor of the plan, and for a plan to contain a channeling injunction for present and future asbestos claims under §524(g) of the Bankruptcy Code, as described below, 75 percent of the asbestos claimants voting must vote in favor of the plan. On March 16, 2004, notice was received that the plan of reorganization received the required votes to approve the plan with a channeling injunction. From May 3-7, 2004, the Bankruptcy Court judge conducted a hearing regarding the fairness of the settlement, including whether the plan would be fair with respect to present and future claimants, whether such claimants would be treated in substantially the same manner, and whether the protection provided to PPG and its participating insurers would be fair in view of the assets they would convey to the asbestos settlement trust (the Trust) to be established as part of the plan. At that hearing, creditors and other parties in interest raised objections to the PC plan of reorganization. Following that hearing, the Bankruptcy Court set deadlines for the parties to develop agreed-upon and contested Findings of Fact and Conclusions of Law and scheduled oral argument for contested items.

The Bankruptcy Court heard oral arguments on the contested items on November 17-18, 2004. At the conclusion of the hearing, the Bankruptcy Court agreed to consider certain post-hearing written submissions. In a further development, on February 2, 2005, the Bankruptcy Court established a briefing schedule to address whether certain aspects of a decision of the U.S. Third Circuit Court of Appeals in an unrelated case have any applicability to the PC plan of reorganization. Oral arguments on the briefs were held on March 16, 2005. During an omnibus hearing on February 28, 2006, the Bankruptcy Judge stated that she was prepared to rule on the PC plan of reorganization in the near future, provided certain amendments were made to the plan. Those amendments were filed, as directed, on March 17, 2006. After further conferences and supplemental briefings, the Court held final oral arguments on July 21, 2006 during an omnibus hearing.

On December 21, 2006, the Bankruptcy Court issued a ruling denying confirmation of the second amended PC plan of reorganization. Several parties in interest, including PPG, filed motions for reconsideration and/or to alter or amend the December 21, 2006 ruling. Final written submissions were filed on January 26, 2007. Oral argument on the motions was held on

Table of Contents

March 5, 2007. Upon reconsideration, the Bankruptcy Court may adhere to its December 21, 2006 decision, may alter that decision and confirm the plan or may amend the decision in a manner that may provide further guidance on how the plan could be modified and become confirmable in the Bankruptcy Court's view. During a January 10, 2008 hearing before the Bankruptcy Court, certain parties in interest, including PPG, reported progress toward a third amended plan of reorganization. It was reported that those parties in interest anticipate that a third amended plan of reorganization, if finally approved by the parties, would address issues raised in the Court's December 21, 2006 ruling. During a hearing on February 15, 2008, the parties reported continued progress toward a third amended plan, and the Bankruptcy Court ordered that a further update be provided at an omnibus hearing later in the first quarter of 2008.

At that hearing, which was held on March 27, 2008, the parties reported further progress toward a third amended plan, and the Bankruptcy Court ordered the parties to file any third amended plan by May 9, 2008. The parties continue to work toward a third amended plan of reorganization. An omnibus hearing is scheduled for May 22, 2008. Additionally, certain motions to lift the stay with respect to certain premises claims were continued to the May 22, 2008 omnibus hearing.

However, if the Bankruptcy Court reconsiders its decision and determines that the second amended plan is confirmable, or if the Bankruptcy Court's ruling is reversed on appeal and the case remanded, the Bankruptcy Court may enter a confirmation order. That order may be appealed to or otherwise reviewed by the U.S. District Court for the Western District of Pennsylvania, located in Pittsburgh, Pa. Assuming that the District Court approves a confirmation order following any such appeal, interested parties could further appeal the District Court's order to the U.S. Third Circuit Court of Appeals and subsequently seek review of any decision of the Third Circuit Court of Appeals by the U. S. Supreme Court. The PPG Settlement Arrangement will not become effective until 30 days after the PC plan of reorganization is finally approved by an appropriate court order that is no longer subject to appellate review (the Effective Date).

If the PC plan of reorganization incorporating the terms of the PPG Settlement Arrangement and the Corning Settlement Arrangement is approved by the Bankruptcy Court, the Court would enter a channeling injunction under §524(g) and other provisions of the Bankruptcy Code, prohibiting present and future claimants from asserting bodily injury claims after the Effective Date against PPG or its subsidiaries or PC relating to the manufacture, distribution or sale of asbestos-containing products by PC or PPG or its subsidiaries. The injunction would also prohibit codefendants in those cases from asserting claims against PPG for contribution, indemnification or other recovery. All such claims would be filed with the Trust and only paid from the assets of the Trust.

The channeling injunction would not extend to claims against PPG alleging injury caused by asbestos on premises owned, leased or occupied by PPG (so called premises claims), or claims alleging property damage resulting from asbestos. There are no property damage claims pending against PPG or its subsidiaries. Historically, a small proportion of the claims against PPG and its subsidiaries have been premises claims. As a result of the settlements described below, and based upon recent review and analysis, PPG believes that the number of premises claims currently comprises less than 2% of the total asbestos-related claims against PPG. PPG believes that it has adequate insurance for the asbestos claims that would not be covered by any channeling injunction and that any financial exposure resulting from such claims will not have a material effect on PPG's consolidated financial position, liquidity or results of operations.

Table of Contents

Beginning in late 2006, the Bankruptcy Court lifted the stay with respect to certain premises claims against PPG. As a result, PPG and its primary insurers have settled approximately 450 premises claims and are evaluating the voluminous factual, medical, and other relevant information pertaining to approximately 550 additional claims that are being considered for potential settlement. PPG's insurers agreed to provide insurance coverage for a major portion of the payments made in connection with the settled claims. PPG accrued the portion of the settlement amounts not covered by insurance. Other asbestos-related claims remain subject to the stay, as outlined above, although certain claimants have requested the Court to lift the stay with respect to these claims.

PPG has no obligation to pay any amounts under the PPG Settlement Arrangement entered into in 2002 until the Effective Date. PPG and certain of its insurers (along with PC) would then make payments to the Trust, which would provide the sole source of payment for all present and future asbestos bodily injury claims against PPG, its subsidiaries or PC alleged to be caused by the manufacture, distribution or sale of asbestos products by these companies. PPG would convey the following assets to the Trust. First, PPG would convey the stock it owns in PC and Pittsburgh Corning Europe. Second, PPG would transfer 1,388,889 shares of PPG's common stock. Third, PPG would make aggregate cash payments to the Trust of approximately \$998 million, payable according to a fixed payment schedule over 21 years, beginning on June 30, 2003, or, if later, the Effective Date. PPG would have the right, in its sole discretion, to prepay these cash payments to the Trust at any time at a discount rate of 5.5% per annum as of the prepayment date. Under the payment schedule, the amount due June 30, 2003 was \$75 million. In addition to the conveyance of these assets, PPG would pay \$30 million in legal fees and expenses on behalf of the Trust to recover proceeds from certain historical insurance assets, including policies issued by certain insurance carriers that are not participating in the settlement, the rights to which would be assigned to the Trust by PPG.

PPG's participating historical insurance carriers would make cash payments to the Trust of approximately \$1.7 billion between the Effective Date and 2023. These payments could also be prepaid to the Trust at any time at a discount rate of 5.5% per annum as of the prepayment date. In addition, as referenced above, PPG would assign to the Trust its rights, insofar as they relate to the asbestos claims to be resolved by the Trust, to the proceeds of policies issued by certain insurance carriers that are not participating in the PPG Settlement Arrangement and from the estates of insolvent insurers and state insurance guaranty funds.

PPG would grant asbestos releases to all participating insurers, subject to a coverage-in-place agreement with certain insurers for the continuing coverage of premises claims (discussed above). PPG would grant certain participating insurers full policy releases on primary policies and full product liability releases on excess coverage policies. PPG would also grant certain other participating excess insurers credit against their product liability coverage limits.

In the second quarter of 2002, an initial charge of \$772 million was recorded for the estimated cost of the PPG Settlement Arrangement which included the net present value as of December 31, 2002, using a discount rate of 5.5% of the aggregate cash payments of approximately \$998 million to be made by PPG to the Trust. That amount also included the carrying value of PPG's stock in Pittsburgh Corning Europe, the fair value as of June 30, 2002 of 1,388,889 shares of PPG common stock and \$30 million in legal fees of the Trust to be paid by PPG, which together with the first payment originally scheduled to be made to the Trust on June 30, 2003, were reflected in the current liability for PPG's asbestos settlement in the condensed consolidated balance sheet as of June 30, 2002. The net present value at that date of the remaining payments of \$566 million was recorded in the noncurrent liability for asbestos settlement. Since that date, the liability has been adjusted to reflect the accretion of interest on the portion initially recorded based on net present value and the changes in the fair value of the portion related to PPG common stock. The liability recorded at March 31, 2008 was \$579 million current and \$329 million non-current.

Table of Contents

The following table summarizes the impact on our financial statements for the three months ended March 31, 2008 and 2007 resulting from the PPG Settlement Arrangement including the change in fair value of the stock to be transferred to the asbestos settlement trust and the equity forward instrument (see Note 13, Derivative Financial Instruments and Hedge Activities) and the increase in the net present value of the future payments to be made to the Trust.

	Three Months Ended March 31	
	2008	2007
	(Millions)	
Increase (decrease) in expense:		
Change in fair value:		
PPG stock	\$ (14)	\$ 8
Equity forward instrument	9	(5)
Accretion of asbestos liability	5	6
Asbestos settlement net expense	\$	\$ 9

The fair value of the equity forward instrument is included as an other current asset as of March 31, 2008 and December 31, 2007 in the accompanying condensed consolidated balance sheet. Payments under the fixed payment schedule require annual payments that are due each June. The current portion of the asbestos settlement liability included in the accompanying condensed consolidated balance sheet as of March 31, 2008, consists of all such payments required through June 2008, the fair value of PPG's common stock and legal fees and expenses. The amount due June 30, 2009, of \$38 million and the net present value of the remaining payments is included in the long-term asbestos settlement liability in the accompanying condensed consolidated balance sheet. For 2008, accretion expense associated with the asbestos liability will be approximately \$5 million per quarter.

Because the filing of asbestos claims against the Company has been enjoined since April 2000, a significant number of additional claims may be filed against the Company if the Bankruptcy Court stay were to expire. If the PPG Settlement Arrangement (or any potential modification of that arrangement) is not implemented, for any reason, and the Bankruptcy Court stay expires, the Company intends to vigorously defend the pending and any future asbestos claims against it and its subsidiaries. The Company believes that it is not responsible for any injuries caused by PC products, which represent the preponderance of the pending bodily injury claims against it. Prior to 2000, PPG had never been found liable for any such claims, in numerous cases PPG had been dismissed on motions prior to trial, and aggregate settlements by PPG to date have been immaterial. In January 2000, in a trial in a state court in Texas involving six plaintiffs, the jury found PPG not liable. However, a week later in a separate trial also in a state court in Texas, another jury found PPG, for the first time, partly responsible for injuries to five plaintiffs alleged to be caused by PC products. PPG intends to appeal the adverse verdict in the event the settlement does not become effective, or the stay is lifted as to these claims, which are the subject of a motion to lift the stay as described above. Although PPG has successfully defended asbestos claims brought against it in the past, in view of the number of claims, and the questionable verdicts and awards that other companies have experienced in asbestos litigation, the result of any future litigation of such claims is inherently unpredictable.

Table of Contents

Environmental Matters

It is PPG's policy to accrue expenses for environmental contingencies when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Reserves for environmental contingencies are exclusive of claims against third parties and are generally not discounted. In management's opinion, the Company operates in an environmentally sound manner and the outcome of the Company's environmental contingencies will not have a material effect on PPG's financial position or liquidity; however, any such outcome may be material to the results of operation of any particular period in which costs, if any, are recognized. Management anticipates that the resolution of the Company's environmental contingencies will occur over an extended period of time.

As of March 31, 2008 and December 31, 2007, PPG had reserves for environmental contingencies totaling \$285 million and \$276 million, respectively, of which \$56 million and \$57 million, respectively, were classified as current liabilities. Pretax charges against income for environmental remediation costs totaled \$2 million and \$3 million for the three months ended March 31, 2008 and 2007, respectively, and are included in "Other charges" in the accompanying condensed consolidated statement of income. Cash outlays related to such environmental remediation aggregated \$2 million and \$5 million for the three months ended March 31, 2008 and 2007, respectively. As part of the preliminary allocation of the SigmaKalon purchase price to the assets acquired and liabilities assumed, the liability for environmental contingencies was increased by \$9 million.

Charges for estimated environmental remediation costs in 2006 were significantly higher than our historical range. Our continuing efforts to analyze and assess the environmental issues associated with a former chromium manufacturing plant site located in Jersey City, NJ and at the Calcasieu River Estuary located near our Lake Charles, LA chlor-alkali plant resulted in a pre-tax charge of \$173 million in the third quarter of 2006 for the estimated costs of remediating these sites. Excluding 2006, pretax charges against income have ranged between \$10 million and \$49 million per year for the past 15 years. We anticipate that charges against income in 2008 for environmental remediation costs will be within this historical range.

We expect cash outlays for environmental remediation costs to be approximately \$40 million in 2008 and to range from \$35 million to \$60 million annually through 2012. It is possible that technological, regulatory and enforcement developments, the results of environmental studies and other factors could alter our expectations with respect to charges against income and future cash outlays. Specifically, the level of expected cash outlays is highly dependent upon activity related to the former chromium manufacturing plant site in New Jersey, as PPG awaits approval of workplans that have been submitted to the applicable regulatory agencies.

In New Jersey, PPG continues to perform its obligations under an Administrative Consent Order (ACO) with the New Jersey Department of Environmental Protection (NJDEP). Since 1990, PPG has remediated 47 of 61 residential and nonresidential sites under the ACO. The most significant of the 14 remaining sites is the former chromium manufacturing location in Jersey City. The principal contaminant of concern is hexavalent chromium. Based on current estimates, at least 500,000 tons of soil may be potentially impacted for all remaining sites. As of March 31, 2008 and December 31, 2007 PPG had reserves of \$194 million and \$195 million, respectively, for environmental contingencies associated with all New Jersey sites. The Company submitted a feasibility study work plan to the NJDEP in October 2006 that includes review of the available remediation technology alternatives for the former chromium manufacturing location. Under the feasibility study work plan, remedial alternatives which will be assessed include, but are not limited to, soil excavation and offsite disposal in a licensed

Table of Contents

disposal facility, in situ chemical stabilization of soil and groundwater, and in situ solidification of soils. A feasibility study is expected to be completed in 2009. In addition, PPG is planning to conduct Interim Remedial Measures (IRMs) at the site during 2008. Implementation of these IRMs will assist in the evaluation of remedial technologies required in the feasibility study. PPG has submitted a Remedial Action Work Plan for one other of the remaining sites under the ACO. This proposal has been submitted to the NJDEP for approval. In addition, investigation activities are ongoing for an additional six sites covered by the ACO adjacent to the former manufacturing site with completion expected in 2008. Investigation activities have not yet begun for the remaining six sites covered by the ACO, but we believe the results of the study at the former chromium manufacturing location will also provide us with relevant information concerning remediation alternatives at these sites.

As a result of the extensive analysis undertaken in connection with the preparation and submission of the feasibility study work plan for the former chromium manufacturing location described above, the Company recorded a pretax charge of \$165 million in the third quarter of 2006. The charge included estimated costs for remediation at the 14 remaining ACO sites, including the former manufacturing site, and for the resolution of litigation filed by NJDEP in May 2005 as discussed below. The principal estimated cost elements of the third quarter 2006 charge and of the remaining reserve at March 31, 2008 were based on competitively derived or readily available remediation industry cost data for representative remedial options e.g., excavation and in situ stabilization/solidification. The major cost components are (i) in place soil treatment and transportation and disposal of excavated soil and (ii) construction services (related to soil excavation, groundwater management and site security), which account for approximately 50% and 30% of the reserve, respectively, as of March 31, 2008. The reserve also includes estimated costs for remedial investigation, interim remedial measures, engineering and project management. The most significant assumptions underlying the reserve are those related to the extent and concentration of chromium impacts in the soil, as these will determine the quantity of soil that must be treated in place, the quantity that will have to be excavated and transported for offsite disposal, and the nature of disposal required. The charges are exclusive of any third party indemnification, as management believes the likelihood of receiving any such amounts to be remote.

Multiple future events, including completion of feasibility studies, remedy selection, remedy design and remedy implementation involving governmental agency action or approvals will be required, and considerable uncertainty exists regarding the timing of these future events for the remaining 14 sites covered by the ACO. Final resolution of these events is expected to occur over an extended period of time. However, based on current information, it is expected that feasibility study approval and remedy selection could occur during 2009 for the former chromium plant and six adjacent sites, while remedy design and approval could occur during 2009 to 2010, and remedy implementation could occur during 2010 to 2014, with some period of long-term monitoring for remedy effectiveness to follow related to these seven sites. One other site is expected to be remediated during 2008 to 2009. Activities at the six other sites have not yet begun and the timing of future events related to these sites cannot be predicted at this time. As these events occur and to the extent that the cost estimates of the environmental remediation remedies change, the existing reserve for this environmental remediation will be adjusted. Based on current information, we expect cash outlays related to remediation efforts in New Jersey to range from \$15 million to \$20 million in 2008 and \$30 million to \$45 million annually from 2009 through 2012.

In May 2005, the NJDEP filed a complaint against PPG and two other former chromium producers seeking to hold the parties responsible for a further 53 sites where the source of chromium contamination is not known and to recover costs incurred by the agency in connection with its response activities at certain of those sites. This case is in discovery with ongoing mediation to resolve the allocation of these additional sites among the three companies.

Table of Contents

In Lake Charles, the U.S. Environmental Protection Agency (USEPA) has completed investigation of contamination levels in the Calcasieu River Estuary and issued a Final Remedial Investigation Report in September 2003, which incorporates the Human Health and Ecological Risk Assessments, indicating that elevated levels of risk exist in the estuary. PPG and other potentially responsible parties are performing a feasibility study under the authority of the Louisiana Department of Environmental Quality (LDEQ). PPG's exposure with respect to the Calcasieu Estuary is focused on the lower few miles of Bayou d'Inde, a small tributary to the Calcasieu Estuary near PPG's Lake Charles facility, and about 150 to 200 acres of adjacent marshes. The Company and three other potentially responsible parties submitted a draft remediation feasibility study report to the LDEQ in October 2006. The proposed remedial alternatives include sediment dredging, sediment capping, and biomonitoring of fish and shellfish. Principal contaminants of concern which may require remediation include various metals, dioxins and furans, and polychlorinated biphenyls. In response to agency comments on the draft study, the companies are undertaking additional investigation and will update the study. As a result of the analysis undertaken in connection with the preparation and submission of the draft feasibility study, PPG recorded a pretax charge of \$8 million in the third quarter of 2006 for its estimated share of the remediation costs at this site.

Multiple future events, such as feasibility studies, remedy selection, remedy design and remedy implementation involving agency action or approvals will be required and considerable uncertainty exists regarding the timing of these future events. Final resolution of these events is expected to occur over an extended period of time. However, based on currently available information it is expected that feasibility study approval and remedy selection could occur in 2008, remedy design and approval could occur during 2008 or 2009, and remedy implementation could occur during 2009 to 2012 with some period of long-term monitoring for remedy effectiveness to follow.

In addition to the amounts currently reserved for environmental remediation, the Company may be subject to loss contingencies related to environmental matters estimated to be as much as \$200 million to \$300 million, which range is unchanged since December 31, 2007. Such unreserved losses are reasonably possible but are not currently considered to be probable of occurrence. This range of reasonably possible unreserved loss relates to environmental matters at a number of sites; however, about 40% of this range relates to additional costs at the former chromium manufacturing plant site and related sites in Jersey City, NJ, and about 30% relates to three operating PPG plant sites in our chemicals businesses. The loss contingencies related to these sites include significant unresolved issues such as the nature and extent of contamination at these sites and the methods that may have to be employed to remediate them.

The status of the remediation activity at the sites in New Jersey and at the Calcasieu River Estuary in Louisiana and the factors that could result in the need for additional environmental remediation reserves at those sites are described above. Initial remedial actions are occurring at the three operating plant sites in our chemicals businesses. These three operating plant sites include our Barberton, OH, Lake Charles, LA and Natrium, WV locations. At Barberton, we have completed a Facility Investigation and Corrective Measure Study (CMS) under USEPA's Resource Conservation and Recycling Act (RCRA) Corrective Action Program. Currently, we are implementing the remediation alternatives recommended in the CMS using a performance-based approach with USEPA Region V oversight. Similarly, we have completed a Facility Investigation and CMS for our Lake Charles facility under the oversight of the LDEQ. The LDEQ has accepted our proposed remedial alternatives which are expected to be incorporated

Table of Contents

into the facility's RCRA operating permit during 2008. Planning for or implementation of these proposed alternatives is in progress. At our Natrium facility, a Facility Investigation has been completed, initial interim remedial measures have been implemented to mitigate soil impacts but additional investigation is required to more fully define the nature and extent of groundwater contamination and to identify appropriate, additional remedial actions.

With respect to certain waste sites, the financial condition of any other potentially responsible parties also contributes to the uncertainty of estimating PPG's final costs. Although contributors of waste to sites involving other potentially responsible parties may face governmental agency assertions of joint and several liability, in general, final allocations of costs are made based on the relative contributions of wastes to such sites. PPG is generally not a major contributor to such sites.

The impact of evolving programs, such as natural resource damage claims, industrial site reuse initiatives and state remediation programs, also adds to the present uncertainties with regard to the ultimate resolution of this unreserved exposure to future loss. The Company's assessment of the potential impact of these environmental contingencies is subject to considerable uncertainty due to the complex, ongoing and evolving process of investigation and remediation, if necessary, of such environmental contingencies, and the potential for technological and regulatory developments.

Other Matters

The Company, with the assistance of outside counsel, is conducting an investigation into potential violations of the U.S. export control laws, related to the export of small quantities (approximately 1,000 gallons) of protective coatings for potential use in Pakistan in 2006. The Company has made a preliminary voluntary self disclosure of potential U.S. export control law violations to the U.S. Department of Commerce and has committed to submit a final voluntary self disclosure once its ongoing investigation is completed. The Company is cooperating fully with the U.S. Department of Commerce's Bureau of Industry and Security and with the U.S. Department of Justice in connection with their ongoing investigation relating to this issue, and has responded to administrative subpoenas from the Commerce Department and a federal grand jury subpoena. Violations of the export control laws may result in civil, administrative or criminal fines or penalties, loss of export privileges, debarment or a combination of these penalties. At this time the Company is unable to determine the outcome of the government's investigation or its possible effect on the Company.

In June 2003, our partners in a fiber glass joint venture in Venezuela filed for bankruptcy. These proceedings have been in progress since 2003 and remain unresolved, which has created uncertainty concerning the future of the joint venture. After an extensive evaluation of a variety of options concerning the path forward, we concluded that we will not be able to recover the carrying amount of our investment in and receivables from this joint venture and wrote those assets off in the first quarter of 2007 by recording a pre-tax charge against earnings of \$10 million which is included in "Other charges" in the accompanying condensed consolidated statement of income for the three months ended March 31, 2007.

The Company accrues for product warranties at the time the products are sold based on historical claims experience. As of March 31, 2008 and December 31, 2007, the reserve for product warranties was \$11 million and \$9 million, respectively. Pretax charges against income for product warranties and the related cash outlays were not material for the three months ended March 31, 2008 and 2007.

Table of Contents

The Company had outstanding letters of credit of \$80 million and guarantees of \$70 million as of March 31, 2008. The Company does not believe any loss related to such guarantees is likely.

17. Reportable Segment Information

PPG is a multinational manufacturer with 13 operating segments that are organized based on our major products lines. These operating segments are also our reporting units for purposes of testing goodwill for impairment. The operating segments have been expanded during the three months ended March 31, 2008 to include the protective and marine coatings operating segment, which is included in the Performance Coatings reportable segment, and the Architectural Coatings - EMEA (Europe, Middle East and Africa) operating segment, which will also be a reportable business segment. These changes were a result of the SigmaKalon acquisition. The operating segments have been aggregated based on economic similarities, the nature of their products, production processes, end-use markets and methods of distribution into six reportable business segments.

The Performance Coatings reportable segment is comprised of the refinish, aerospace, architectural coatings Americas and Asia and protective and marine coatings operating segments. This reportable segment primarily supplies a variety of protective and decorative coatings, sealants and finishes along with paint strippers, transparent armor, transparencies, stains and related chemicals that are used by customers in addition to our coatings, sealants and finishes.

The Industrial Coatings reportable segment is comprised of the automotive, industrial and packaging coatings operating segments. This reportable segment primarily supplies a variety of protective and decorative coatings and finishes along with adhesives, sealants, inks and metal pretreatment products.

The Architectural Coatings - EMEA reportable segment is comprised of the architectural coatings EMEA operating segment. This reportable segment primarily supplies a variety of decorative coatings under a number of brands to painting contractors and consumers in Europe, the Middle East and Africa.

The Optical and Specialty Materials reportable segment is comprised of the optical products and silica operating segments. The primary Optical and Specialty Materials products are Transitions® lenses, sunlenses, optical materials, polarized film and amorphous precipitated silica products. Transitions® lenses are processed and distributed by PPG's 51%-owned joint venture with Essilor International.

The Commodity Chemicals reportable segment is comprised of the chlor-alkali and derivatives operating segment. The primary chlor-alkali and derivative products are chlorine, caustic soda, vinyl chloride monomer, chlorinated solvents, chlorinated benzenes, calcium hypochlorite, ethylene dichloride and phosgene derivatives.

The Glass reportable segment is comprised of the performance glazings and fiber glass operating segments. This reportable segment primarily supplies flat glass and continuous-strand fiber glass products.

Table of Contents

Reportable segment net sales and segment income for the three months ended March 31, 2008 and 2007 were as follows:

	Three Months Ended March 31	
	2008	2007
	(Millions)	
Net sales:		
Performance Coatings	\$ 1,114	\$ 855
Industrial Coatings	1,058	869
Architectural Coatings EMEA	536	
Optical and Specialty Materials	295	251
Commodity Chemicals	423	371
Glass	294	286
Total (a)	\$ 3,720	\$ 2,632
Segment income:		
Performance Coatings	\$ 120	\$ 121
Industrial Coatings	95	95
Architectural Coatings EMEA	9	
Optical and Specialty Materials	74	63
Commodity Chemicals	68	44
Glass	19	6
Total	385	329
Legacy costs (b)	(10)	(11)
Acquisition related costs (c)	(117)	
Asbestos settlement net		(9)
Interest net	(59)	(19)
Unallocated stock based compensation (Note 15)	(9)	(9)
Other unallocated corporate expense net	(28)	(30)
Income before income taxes and minority interest	\$ 162	\$ 251

- (a) Intersegment net sales for the three months ended March 31, 2008 and 2007 were not material.
- (b) Legacy costs include current costs related to former operations of the Company, including certain environmental remediation, pension and other postretirement benefit costs, and certain charges which are considered to be unusual or non-recurring, and, therefore, not a part of the earnings used to evaluate the performance of the operating segments.
- (c) Represents costs related to the SigmaKalon acquisition, including \$94 million for the flow-through cost of sales of the step up to fair value of acquired inventory and \$23 million for the write-off of in-process research and development. These costs are considered to be unusual and non-recurring and will not reduce the segment earnings used to evaluate the performance of the operating segments.

Table of Contents**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**
Presentation of Discontinued Operations

During the third quarter of 2007, the Company entered into an agreement to sell its automotive glass businesses to Platinum Equity (Platinum) for approximately \$500 million. Accordingly, the assets and liabilities of these businesses were classified as held for sale. In the fourth quarter of 2007, PPG was notified that affiliates of Platinum had filed suit in the Supreme Court of the State of New York, County of New York, alleging that Platinum was not obligated to consummate the agreement. Platinum also terminated the agreement. PPG has sued Platinum and certain of its affiliates for damages, including the \$25 million breakup fee stipulated by the terms of the agreement, based on various alleged actions of the Platinum parties.

While the transaction with Platinum was terminated, PPG management remains committed to a sale of the automotive glass businesses and expects such sale to occur in 2008. Accordingly, the assets and liabilities of these businesses continue to be classified as held for sale and are stated at depreciated cost, which is lower than fair value less cost to sell, in the condensed consolidated balance sheet under Item 1 of this Form 10-Q as of March 31, 2008 and December 31, 2007, respectively. Further, the results of operations and cash flows of these businesses, which had previously been included in the Glass reportable segment, have been classified as discontinued operations in the condensed consolidated statements of income and cash flows under Item 1 of this Form 10-Q for the three months ended March 31, 2008 and 2007, respectively.

The decision to sell these businesses triggered curtailments related to certain of PPG's defined benefit pension and other postretirement benefit plans. In the third quarter of 2007, PPG recorded a pretax charge of \$17 million (\$11 million aftertax), primarily representing curtailment losses on certain defined benefit pension plans. The sale of these businesses may result in additional curtailments and possibly settlements of other PPG employee benefit plans to be recorded upon or after the closing of a sale.

In the third quarter of 2007, PPG entered into an agreement to sell its fine chemicals business to ZaCh System S.p.A., a subsidiary of Zambon Company S.p.A., for approximately \$65 million. The sale of this business was completed in November 2007. Accordingly, the results of operations and cash flows of this business, which had previously been included in the Optical and Specialty Materials reportable segment, have been classified as discontinued operations in the condensed consolidated statements of income and cash flows under Item 1 of this Form 10-Q for the three months ended March 31, 2007. PPG recorded a pretax loss related to the divestiture of the fine chemicals business of \$25 million (\$19 million aftertax) in the third quarter of 2007.

Performance in First Quarter of 2008 Compared to First Quarter of 2007***Performance Overview***

Sales increased 41% for the first quarter of 2008 to \$3,720 million compared to \$2,632 million for the first quarter of 2007. Sales related to acquisitions accounted for an increase of 30% and the positive effects of foreign currency translation accounted for an increase of 6%. Higher selling prices, primarily in our Commodity Chemicals segment, increased sales by 3%, while higher volumes, primarily in our Optical and Specialty Materials and Industrial Coatings business segments, increased sales by 2%.

Table of Contents

Cost of sales, exclusive of depreciation and amortization, increased by \$747 million for the first quarter of 2008 to \$2,424 million compared to \$1,677 million for the first quarter of 2007. This increase corresponds with the increase in sales, including that which is associated with the acquisition of SigmaKalon. Cost of sales as a percentage of sales was 65.2% for the first quarter of 2008 compared to 63.7% for the first quarter of 2007. Cost of sales in the first quarter of 2008 includes \$94 million for the flow through cost of sales of the step up to fair value of acquired inventory, which more than accounts for the noted increase in cost of sales as a percentage of sales.

Selling, general and administrative expenses increased by \$320 million in the first quarter of 2008 compared to the first quarter of 2007 due to increased sales volumes, the impact of the acquisition of SigmaKalon and higher levels of cost to support growth in our coatings and optical businesses. Selling, general and administrative expenses as a percentage of sales were 22.1% for the first quarter of 2008 compared to 19.1% for the first quarter of 2007. The increase in selling, general and administrative expenses as a percentage of sales was due almost entirely to the addition of SigmaKalon and reflects the distribution nature of these businesses, which requires higher selling, distribution, advertising and regional management costs to serve their broad customer profile. Selling, general and administrative expenses in the Architectural Coatings EMEA reportable segment are in line with PPG's other architectural coatings businesses.

In the first quarter of 2008, depreciation expense increased by \$29 million, research and development costs increased by \$30 million, and amortization increased by \$20 million compared to the first quarter of 2007. These increases were primarily due to the acquisition of SigmaKalon. Interest expense increased by \$44 million in the quarter due to debt incurred to finance the acquisition of SigmaKalon.

The effective tax rate on pre-tax earnings from continuing operations was 30.2% for the first quarter of 2008 compared to 22.7% for the first quarter of 2007. See "Other Factors" on page 36 for additional information concerning the effective tax rate for 2008 and 2007.

Net income and earnings per share assuming dilution are summarized below:

(Millions, except per share amounts)

Three Months ended March 31, 2008	Continuing Operations		Discontinued Operations		Total	
	\$	EPS	\$	EPS	\$	EPS
Net income	\$ 87	\$ 0.53	\$ 13	\$ 0.08	\$ 100	\$ 0.61
Net income includes:						
Acquisition related costs ⁽¹⁾	89	0.54			89	0.54

Three Months ended March 31, 2007	Continuing Operations		Discontinued Operations		Total	
	\$	EPS	\$	EPS	\$	EPS
Net income	\$ 176	\$ 1.06	\$ 18	\$ 0.11	\$ 194	\$ 1.17
Net income includes:						
Charge related to asbestos settlement ⁽²⁾	5	0.03			5	0.03

(1) Costs related to SigmaKalon acquisition, including \$66 million aftertax for the flow-through cost of sales of the step up to fair value of acquired inventory and \$23 million aftertax for the write-off of in-process research and development.

(2) Net increase in the current value of the Company's obligation relating to asbestos claims under the PPG Settlement Arrangement.

Table of Contents***Performance of Reportable Business Segments***

Performance Coatings sales increased 30% to \$1,114 million for the first quarter of 2008 compared to \$855 million for the first quarter of 2007. Sales increased 21% due to sales of the acquired SigmaKalon protective and marine coatings business and the Barloworld business, 6% due to the positive impact of foreign currency translation, and 2% due to higher selling prices. Sales also increased 1% due to improved sales volumes in our aerospace coatings and protective and marine coatings businesses and the refinish business in emerging markets, which more than offset lower volumes in architectural coatings and automotive refinish coatings in the U.S. and Europe. Volume growth in the aerospace businesses occurred throughout the world, while the majority of volume growth in protective and marine coatings occurred in Asia and North America. In the architectural coatings business, lower volumes in the stores and dealer channels were partially offset by slightly higher volumes in the national accounts channel. Segment income was \$120 million for the first quarter of 2008 compared to \$121 million for the same quarter in 2007. The negative impact of inflation, including higher raw material and freight costs, more than offset the benefit of higher selling prices. Segment income also decreased due to higher overhead costs to support growth in our protective and marine and automotive refinish businesses and unfavorable margin mix in automotive refinish. Factors increasing segment income were the positive impact of foreign currency translation and lower manufacturing costs.

Industrial Coatings sales increased 22% to \$1,058 million for the first quarter of 2008 compared to \$869 million for the first quarter of 2007. Sales increased 10% due to the acquisition of the SigmaKalon industrial coatings business, 9% due to the positive impact of foreign currency translation, and 3% from improved sales volumes. In the automotive and industrial coatings businesses, volume declines in the U.S. and Canada were more than offset by volume gains in the other regions of the world. In the packaging coatings business, volume gains in Asia more than offset volume declines in Europe. Segment income was \$95 million in both the first quarter of 2008 and the first quarter of 2007. The higher sales volumes, stronger foreign currencies and the positive impact of acquisitions increased segment income. Factors reducing segment income were inflation, including higher raw material and freight costs, and higher overhead costs to support growth.

Architectural Coatings - EMEA (Europe, Middle East and Africa) is a newly formed segment comprised of about 70% of the acquired SigmaKalon sales. The segment sales for the quarter were \$536 million. Historically, first quarter sales have represented about 20 percent of the annual sales of this business, and the level in 2008 reflects low-to-mid single-digit growth, year-over-year, excluding the favorable impact of currency. Segment earnings were \$9 million, which included amortization expense of \$16 million related to acquired intangible assets.

Optical and Specialty Materials sales increased 18% to \$295 million for the first quarter of 2008 compared to \$251 million for the first quarter of 2007. Sales increased 10% primarily due to higher volumes in our optical products business resulting from the launch of Transitions Optical's next generation lens product, 6% due to the positive impact of foreign currency translation and 1% each due to increased selling prices and acquisitions. Segment income was \$74 million for the first quarter of 2008 compared to \$63 million for the same quarter in 2007. The increase in segment income was primarily the result of increased sales volumes partially offset by increased costs in optical products related to the Transitions Optical product launch described above and higher raw material costs in our silicas business.

Table of Contents

Commodity Chemicals sales increased 14% to \$423 million for the first quarter of 2008 compared to \$371 million for the first quarter of 2007. Sales increased 12% due to higher selling prices and 1% each for improved sales volumes and stronger foreign currencies. Segment income was \$68 million for the first quarter of 2008 compared to \$44 million for the same quarter in 2007. Segment income increased in large part due to higher selling prices and lower manufacturing costs. The negative impact of inflation, primarily higher raw material and energy costs and higher other expenses, reduced segment income.

Glass sales increased 3% to \$294 million for the first quarter of 2008 compared to \$286 million for the first quarter of 2007. Sales increased 4% due to the positive impact of foreign currency translation and 1% due to higher selling prices. Lower sales volumes, particularly in our fiber glass business, reduced sales 2%. Segment income was \$19 million for the first quarter of 2008 compared to \$6 million for the same quarter in 2007. Segment income increased due to lower manufacturing costs and the absence of the \$10 million charge incurred in 2007 to write off PPG's investment in a Venezuelan fiber glass joint venture. Segment income was reduced by lower volume and the negative impact of inflation, which more than offset higher selling prices.

Other Factors

Income from continuing operations for the three months ended March 31, 2008 includes aftertax costs of \$89 million or 54 cents a share related to the acquisition of SigmaKalon, including \$66 million for the flow through cost of sales of the step up to fair value of acquired inventory and \$23 million for the write-off of in-process research and development.

The effective tax rate on pre-tax earnings from continuing operations for the three months ended March 31, 2008 was 30.2%. This rate includes a tax benefit of \$6 million related to the settlement with the Internal Revenue Service of our U.S. tax returns for the years 2004 and 2005. This rate also includes a tax benefit of 24% on costs related to the acquisition of SigmaKalon. The effective tax rate was 30% on the remaining pretax earnings from continuing operations.

The effective tax rate on pre-tax earnings from continuing operations for the three months ended March 31, 2007 was 22.7%. This rate included a benefit of \$19 million related to the reversal of a valuation allowance previously recorded against the benefit of tax net operating loss carryforwards and a tax benefit of 39% on the adjustment to increase the current value of the Company's obligation relating to asbestos claims under the PPG Settlement Arrangement as discussed in Note 16, Commitments and Contingent Liabilities under Item 1 of this Form 10-Q. The effective tax rate was 31% on the remaining pretax earnings from continuing operations.

Liquidity and Capital Resources

Cash from operating activities for the three months ended March 31, 2008 was \$49 million compared with cash used for operating activities of \$100 million for the comparable period of 2007. This net increase in cash from operations of \$149 million was due in part to the absence in 2008 of the \$100 million voluntary contribution that was made to the U.S. defined benefit pension plan in the first quarter of 2007. The other factor contributing to improved cash from operating activities in 2008 is a smaller growth in working capital compared with last year. Cash from operations and the Company's debt capacity are expected to continue to be sufficient to fund operating activities, capital spending, including acquisitions, dividend payments, debt service, amounts due under the proposed PPG Settlement Arrangement and share repurchases.

Table of Contents

Total current assets less total current liabilities (net working capital) was \$2,457 million at March 31, 2008 as compared to \$2,475 million at December 31, 2007. Accounts receivable as a percent of annualized net sales for 2008 increased to 23.1 percent from 21.4 percent in 2007. Days sales outstanding decreased to 71 days in 2008 from 72 days in 2007. Inventories as a percent of annual net sales for 2008 increased to 13.3 percent from 12.2 percent in 2007. Inventory turnover increased to 5.9 times in 2008 compared to 5.5 times in 2007.

On January 2, 2008, PPG completed the acquisition of SigmaKalon, a worldwide coatings producer based in Uithoorn, Netherlands, from global private investment firm Bain Capital (the seller). SigmaKalon produces architectural, protective and marine and industrial coatings and is a leading coatings supplier in Europe and other key markets across the globe, with an increasing presence in Africa and Asia. The total transaction value was approximately \$3.2 billion, consisting of cash paid to the seller of \$1,673 million and debt assumed of \$1,517 million.

In order to provide financing for the SigmaKalon acquisition, in December 2007, PPG and certain of its subsidiaries entered into a three year \$650 million revolving credit facility with several banks and financial institutions and Societe Generale, as facility agent for the lenders. The facility has an annual fee of 7 basis points. In addition, PPG and a subsidiary entered into two bridge loan agreements, one in the amount of \$1 billion with multiple lenders and Credit Suisse as administrative agent for those lenders and the other in the amount of \$500 million with Credit Suisse as the lender.

In December 2007, PPG issued \$617 million of commercial paper and borrowed \$1,056 million (\$717 million) under the \$1 billion bridge loan agreement. The proceeds from these borrowings were deposited into escrow in December 2007. Upon closing of the acquisition on January 2, 2008, these amounts were released from escrow and paid to the seller. Also, in January 2008, PPG borrowed \$1,143 million, representing the remaining \$417 million (\$283 million) available under the \$1 billion bridge loan agreement and \$726 million (\$493 million) under the \$650 million revolving credit facility. The proceeds from these borrowings and cash on hand of \$116 million were used to refinance \$1,259 million of the \$1,517 million of SigmaKalon debt outstanding on the date of acquisition. No amounts were borrowed under the \$500 million bridge loan agreement, and, due to the passage of time and the specific purpose of this agreement, PPG can no longer make borrowings under this agreement.

On March 18, 2008, PPG completed a public offering of \$600 million in aggregate principal amount of its 5.75% Notes due 2013 (the 2013 Notes), \$700 million in aggregate principal amount of its 6.65% Notes due 2018 (the 2018 Notes) and \$250 million in aggregate principal amount of its 7.70% Notes due 2038 (the 2038 Notes) and, together with the 2013 Notes and the 2018 Notes, the Notes). The Notes were offered by the Company pursuant to its existing shelf registration. The proceeds of this offering of \$1,538 million (net of discount and issuance costs) and additional borrowings of \$195 million under the \$650 million revolving credit facility were used to repay existing debt, including certain short-term debt and the amounts outstanding under the \$1 billion bridge loan. No further amounts can be borrowed under the \$1 billion bridge loan. The discount and issuance costs related to the Notes, which totaled \$12 million, will be amortized over the respective lives of the Notes.

The ratio of total debt, including capital leases, to total debt and equity was 50% at March 31, 2008 and 42% at December 31, 2007. The increase at March 31, 2008 is primarily due to additional debt related to the acquisition of SigmaKalon on January 2, 2008.

Table of Contents

On August 17, 2006, the Pension Protection Act of 2006 (PPA) was signed into law, changing the funding requirements for our U.S. defined benefit pension plans beginning in 2008. Under the requirements of PPA, we will not have a mandatory contribution to these plans in 2008 and do not currently expect to have a mandatory contribution to these plans in 2009. However, it is possible that we will make voluntary contributions of \$100 million to \$200 million to our U.S. defined benefit pension plans in 2008.

Currency

During the first quarter of 2008, the U.S. dollar weakened against certain of the currencies of the countries in which PPG operates, most notably against the euro and the Polish zloty. The effects of translating the net assets of PPG's operation denominated in non-U.S. currencies to the U.S. dollar increased consolidated net assets at March 31, 2008 by \$154 million compared to December 31, 2007. Additionally, the weaker U.S. dollar as compared to the first quarter of 2007 had a favorable impact on first quarter 2008 pretax earnings of \$23 million.

New Accounting Standards

Note 2, Newly Adopted Accounting Standards, to the accompanying condensed consolidated financial statements describes the Company's adoption of EITF Issue No. 06-10, Accounting for Collateral Assignment Split-Dollar Life Insurance Arrangements, SFAS No. 157, Fair Value Measurements, and SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115 as of January 1, 2008.

Note 3, Other New Accounting Standards, to the accompanying condensed consolidated financial statements describes the potential impact on PPG of accounting standards that are not yet effective, including SFAS No. 141 (revised 2007), Business Combinations, SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51, EITF Issue No. 07-1, Accounting for Collaborative Arrangements, and SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities.

Commitments and Contingent Liabilities, including Environmental Matters

PPG is involved in a number of lawsuits and claims, both actual and potential, including some that it has asserted against others, in which substantial monetary damages are sought. See Part II, Item 1, Legal Proceedings of this Form 10-Q and Note 16, Commitments and Contingent Liabilities, to the accompanying condensed consolidated financial statements for a description of certain of these lawsuits, including a description of the proposed PPG Settlement Arrangement for asbestos claims announced on May 14, 2002. As discussed in Item 1 and Note 16, although the result of any future litigation of such lawsuits and claims is inherently unpredictable, management believes that, in the aggregate, the outcome of all lawsuits and claims involving PPG, including asbestos-related claims in the event the PPG Settlement Arrangement described in Note 16 does not become effective, will not have a material effect on PPG's consolidated financial position or liquidity; however, any such outcome may be material to the results of operations of any particular period in which costs, if any, are recognized.

It is PPG's policy to accrue expenses for environmental contingencies when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Reserves for environmental contingencies are exclusive of claims against third parties and are generally not discounted. In management's opinion, the Company operates in an environmentally sound manner and the outcome of the Company's environmental contingencies will not have a material effect on PPG's financial position or liquidity; however, any such outcome may be material to the results of operation of any particular period in which costs, if any, are recognized. Management anticipates that the resolution of the Company's environmental contingencies will occur over an extended period of time.

Table of Contents

As of March 31, 2008 and December 31, 2007, PPG had reserves for environmental contingencies totaling \$285 million and \$276 million, respectively, of which \$56 million and \$57 million, respectively, were classified as current liabilities. Pretax charges against income for environmental remediation costs totaled \$2 million and \$3 million for the three months ended March 31, 2008 and 2007, respectively, and are included in Other charges in the accompanying condensed consolidated statement of income. Cash outlays related to such environmental remediation aggregated \$2 million and \$5 million for the three months ended March 31, 2008 and 2007, respectively. As part of the preliminary allocation of the SigmaKalon purchase price to the assets acquired and liabilities assumed, the liability for environmental contingencies was increased by \$9 million.

In addition to the amounts currently reserved for environmental remediation, the Company may be subject to loss contingencies related to environmental matters estimated to be as much as \$200 million to \$300 million, which range is unchanged since December 31, 2007. Such unreserved losses are reasonably possible but are not currently considered to be probable of occurrence. This range of reasonably possible unreserved loss relates to environmental matters at a number of sites; however, about 40% of this range relates to additional costs at the former chromium manufacturing plant site and related sites in Jersey City, NJ, and about 30% relates to three operating PPG plant sites in our chemicals businesses. The loss contingencies related to these sites include significant unresolved issues such as the nature and extent of contamination at these sites and the methods that may have to be employed to remediate them.

We expect cash outlays for environmental remediation costs to be approximately \$40 million in 2008 and to range from \$35 million to \$60 million annually through 2012. It is possible that technological, regulatory and enforcement developments, the results of environmental studies and other factors could alter our expectations with respect to charges against income and future cash outlays. Specifically, the level of expected cash outlays is highly dependent upon activity related to the former chromium manufacturing plant site in New Jersey, as PPG awaits approval of workplans that have been submitted to the applicable regulatory agencies.

Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by or on behalf of the Company. Management's Discussion and Analysis and other sections of this Annual Report contain forward-looking statements that reflect the Company's current views with respect to future events and financial performance.

Forward-looking statements are identified by the use of the words aim, believe, expect, anticipate, intend, estimate and other expressions indicate future events and trends. Any forward-looking statement speaks only as of the date on which such statement is made and the Company undertakes no obligation to update any forward looking statement, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our reports to the Securities and Exchange Commission. Also, note the following cautionary statements.

Many factors could cause actual results to differ materially from the Company's forward-looking statements. Such factors include increasing price and product competition by foreign and domestic competitors, fluctuations in cost and availability of raw materials, the ability to maintain favorable supplier relationships and arrangements, difficulties in integrating acquired

Table of Contents

businesses and achieving expected synergies therefrom, economic and political conditions in international markets, the ability to penetrate existing, developing and emerging foreign and domestic markets, which also depends on economic and political conditions, foreign exchange rates and fluctuations in such rates, the impact of environmental regulations, unexpected business disruptions and the unpredictability of existing and possible future litigation, including litigation that could result if PPG's Settlement Agreement for asbestos claims does not become effective. However, it is not possible to predict or identify all such factors. Consequently, while the list of factors presented here and in the Company's Form 10-K for the year ended December 31, 2007 under the caption "Item 1a. Risk Factors" are considered representative, no such list should be considered to be a complete statement of all potential risks and uncertainties. Unlisted factors may present significant additional obstacles to the realization of forward-looking statements.

Consequences of material differences in the results compared with those anticipated in the forward-looking statements could include, among other things, business disruption, operational problems, financial loss, legal liability to third parties, other factors set forth in "Item 1a Risk Factors" of the Company's Form 10-K for the year ended December 31, 2007 and similar risks, any of which could have a material adverse effect on the Company's consolidated financial condition, results of operations or liquidity.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Concurrent with the March 18, 2008 completion of the \$1.55 billion public debt offering, PPG entered into ten U.S. dollar to euro cross currency swap contracts with a total notional amount of \$1.3 billion, of which \$600 million will settle on March 15, 2013 and \$700 million will settle on March 15, 2018. On March 18, 2008, PPG paid the counterparties to the contracts a total of \$1.3 billion and received euros, which were used to repay most of \$1 billion bridge loan, which the Company employed to finance the acquisition of SigmaKalon. On settlement of the contracts, PPG will receive \$1.3 billion U.S. dollars and pay euros to the counterparties to the contracts. The Company has designated these swaps as hedges of its net investment in SigmaKalon and, as a result, mark to fair value adjustments of the swaps have been and will be recorded as a component of other comprehensive income. As of March 31, 2008, the aggregate fair value of these swaps was a liability of \$29 million. A 10% increase in the value of the euro to the U.S. dollar would have the effect of increasing the fair value liability amount to \$154 million.

The \$1.55 billion borrowings have fixed coupon rates, which increase PPG's portfolio of fixed rate borrowings to \$2.8 billion as of March 31, 2008. A 10% reduction in interest rates would have the effect of increasing the present value of the fixed rate debt obligations by \$120 million; however, such changes would not have had an effect on PPG's earnings or cash flows.

Item 4. Controls and Procedures

a. Evaluation of disclosure controls and procedures. Based on their evaluation as of the end of the period covered by this Form 10-Q, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure.

Table of Contents

b. Changes in internal control. Except for the addition of the processes, systems and controls relating to the SigmaKalon Group, which was acquired on January 2, 2008, there were no changes in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

PPG is involved in a number of lawsuits and claims, both actual and potential, including some that it has asserted against others, in which substantial monetary damages are sought. These lawsuits and claims, the most significant of which are described below, relate to contract, patent, environmental, product liability, antitrust and other matters arising out of the conduct of PPG's current and past business activities. To the extent that these lawsuits and claims involve personal injury and property damage, PPG believes it has adequate insurance; however, certain of PPG's insurers are contesting coverage with respect to some of these claims, and other insurers, as they had prior to the asbestos settlement described below, may contest coverage with respect to some of the asbestos claims if the settlement is not implemented. PPG's lawsuits and claims against others include claims against insurers and other third parties with respect to actual and contingent losses related to environmental, asbestos and other matters.

The result of any future litigation of such lawsuits and claims is inherently unpredictable. However, management believes that, in the aggregate, the outcome of all lawsuits and claims involving PPG, including asbestos-related claims in the event the settlement described below does not become effective, will not have a material effect on PPG's consolidated financial position or liquidity; however, such outcome may be material to the results of operations of any particular period in which costs, if any, are recognized.

For over thirty years, PPG has been a defendant in lawsuits involving claims alleging personal injury from exposure to asbestos. For a description of asbestos litigation affecting the Company and the terms and status of the proposed PPG Settlement Arrangement announced May 14, 2002, see Note 16, Commitments and Contingent Liabilities under Part I, Item 1 of this Form 10-Q.

The Company, with the assistance of outside counsel, is conducting an investigation into potential violations of the U.S. export control laws, related to the export of small quantities (approximately 1,000 gallons) of protective coatings for potential use in Pakistan in 2006. The Company has made a preliminary voluntary self disclosure of potential U.S. export control law violations to the U.S. Department of Commerce and has committed to submit a final voluntary self disclosure once its ongoing investigation is completed. The Company is cooperating fully with the U.S. Department of Commerce's Bureau of Industry and Security and with the U.S. Department of Justice in connection with their ongoing investigation relating to this issue, and has responded to administrative subpoenas from the Commerce Department and a federal grand jury subpoena. Violations of the export control laws may result in civil, administrative or criminal fines or penalties, loss of export privileges, debarment or a combination of these penalties. At this time the Company is unable to determine the outcome of the government's investigation or its possible effect on the Company.

Over the past several years, the Company and others have been named as defendants in several cases in various jurisdictions claiming damages related to exposure to lead and remediation of lead-based coatings applications. PPG has been dismissed as a defendant from most of these lawsuits and has never been found liable in any of these cases.

Item 1a. Risk Factors

There were no material changes in the Company's risk factors from the risks disclosed in the Company's Form 10-K for the year ended December 31, 2007.

Table of Contents**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

Directors who are not also Officers of the Company receive common stock equivalents pursuant to the PPG Industries, Inc. Deferred Compensation Plan for Directors (PPG Deferred Compensation Plan for Directors). Common stock equivalents are hypothetical shares of common stock having a value on any given date equal to the value of a share of common stock. Common stock equivalents earn dividend equivalents that are converted into additional common stock equivalents but carry no voting rights or other rights afforded to a holder of common stock. The common stock equivalents credited to directors under both plans are exempt from registration under Section 4(2) of the Securities Act of 1933 as private offerings made only to directors of the Company in accordance with the provisions of the plans.

Under the PPG Deferred Compensation Plan for Directors, each director may elect to defer the receipt of all or any portion of the compensation paid to such director for serving as a PPG director. All deferred payments are held in the form of common stock equivalents. Payments out of the deferred accounts are made in the form of common stock of the Company (and cash as to any fractional common stock equivalent). In the first quarter of 2008, the directors, as a group, were credited with 1,042 common stock equivalents under this plan. The value of each common stock equivalent, when credited, was \$59.82.

The following table summarizes the Company's stock repurchase activity for the three months ended March 31, 2008:

Issuer Purchases of Equity Securities

Month	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Number of Shares That May Yet Be Purchased Under the Programs ⁽¹⁾
January 2008				
Repurchase program	10,000	\$ 59.75	10,000	3,968,609
Other transactions ⁽²⁾	3,105	70.43		
February 2008				
Repurchase program				3,968,609
Other transactions ⁽²⁾	83,835	63.74		
March 2008				
Repurchase program	100,000	58.65	100,000	3,868,609
Other transactions ⁽²⁾	3,014	59.73		
Total quarter ended March 31, 2008				
Repurchase program	110,000	\$ 58.75	110,000	3,868,609
Other transactions ⁽²⁾	89,954	\$ 63.84		

(1) These shares were repurchased under a 10 million share repurchase program approved by PPG's Board of Directors in October 2005. This program does not have an expiration date.

(2) Includes shares withheld or certified to in satisfaction of the exercise price and/or tax withholding obligation by holders of employee stock options who exercised options and by holders of restricted stock units who vested in awards granted under the Company's equity compensation plans.

Table of Contents

Item 4. Submission of Matters to a Vote of Security Holders

At the Company's Annual Meeting of Shareholders held on April 17, 2008 (the Annual Meeting), the shareholders voted on the following matters:

1. On the matter of the election of three directors to serve for the terms indicated in the proxy statement relating to the Annual Meeting, the vote was as follows:

Nominees	Votes For	Votes Withheld
Hugh Grant	132,449,699	2,997,508
Michele J. Hooper	130,493,790	4,953,417
Robert Mehrabian	130,887,334	4,559,873

There were no broker non-votes with respect to this matter. Each of the nominees was elected to serve as a director for the terms indicated in the proxy statement relating to the Annual Meeting.

The following directors did not stand for re-election at the Annual Meeting (the year in which each director's term expires is indicated in parenthesis): Charles E. Bunch (2009), Robert Ripp (2009), Thomas J. Usher (2009), David R. Whitwam (2009), James G. Berges (2010), Victoria F. Haynes (2010) and Martin H. Richenhagen (2010).

2. On the matter of the proposal endorsing the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for 2008, the vote was as follows:

Votes For	Votes Against	Votes Abstain
131,485,811	2,582,801	1,378,595

There were no broker non-votes with respect to this matter.

Item 6. Exhibits

(a) See the Index to Exhibits on Page 46.

Table of Contents

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PPG INDUSTRIES, INC.
(Registrant)

Date: April 28, 2008

By

/s/ W. H. Hernandez
W. H. Hernandez

Senior Vice President, Finance and Chief Financial Officer
(Principal Financial and

Accounting Officer and

Duly Authorized Officer)

Table of Contents

PPG Industries Inc. and Consolidated Subsidiaries

Index to Exhibits

The following exhibits are filed as part of, or incorporated by reference into, this Form 10-Q.

- 4.1 Indenture, dated as of March 18, 2008, between PPG Industries, Inc. and The Bank of New York Trust Company, N.A., filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on March 18, 2008.
- 4.2 Supplemental Indenture, dated as of March 18, 2008, between PPG Industries, Inc. and The Bank of New York Trust Company, N.A., filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed on March 18, 2008.
- 12 Computation of Ratio of Earnings to Fixed Charges for the Three Months Ended March 31, 2008 and for the Five Years Ended December 31, 2007.
- 31.1 Certification of Principal Executive Officer Pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Principal Financial Officer Pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Filed herewith.