PPG INDUSTRIES INC
Form 10-K
February 21, 2008
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2007 | 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.)**
One PPG Place, Pittsburgh, Pennsylvania **(Address of principal executive offices)**	15272 **(Zip code)**
Registrant s telephone number, including area code:	412-434-3131

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock Par Value $1.66 2/3	New York Stock Exchange Philadelphia Stock Exchange
Preferred Share Purchase Rights	New York Stock Exchange Philadelphia Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. YES x NO ¨

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ¨ NO x

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 x NO ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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 x	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 by Rule 12b-2 of the Act). YES ¨ NO x

The aggregate market value of common stock held by non-affiliates as of June 30, 2007, was $12,467 million.

As of January 31, 2008, 163,821,954 shares of the Registrant s common stock, with a par value of $1.66⅔ per share, were outstanding. As of that date, the aggregate market value of common stock held by non-affiliates was $10,692 million.

DOCUMENTS INCORPORATED BY REFERENCE

Document	**Incorporated By Reference In Part No.**

Portions of PPG Industries, Inc. Proxy Statement for its 2008 Annual Meeting of Shareholders	III

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PPG INDUSTRIES, INC.

AND CONSOLIDATED SUBSIDIARIES

As used in this report, the terms PPG, Company, Registrant, we, us and our refer to PPG Industries, Inc. and its subsidiaries, taken as a w
unless the context indicates otherwise.

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Note on Incorporation by Reference

Throughout this report, various information and data are incorporated by reference to the Company s 2007 Annual Report (hereinafter referred to as the Annual Report). Any reference in this report to disclosures in the Annual Report shall constitute incorporation by reference only of that specific information and data into this Form 10-K.

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Part I

Item 1. Business

PPG Industries, Inc., incorporated in Pennsylvania in 1883, is comprised of five reportable business segments: Performance Coatings, Industrial Coatings, Optical and Specialty Materials, Commodity Chemicals and Glass. Each of the business segments in which PPG is engaged is highly competitive. However, the diversification of product lines and worldwide markets served tend to minimize the impact on PPG s total sales and earnings from changes in demand for a particular product line or in a particular geographic area. Refer to Note 24, Reportable Business Segment Information under Item 8 of this Form 10-K for financial information relating to our reportable business segments and Note 2, Acquisitions under Item 8 for information regarding acquisition activity.

Performance Coatings and Industrial Coatings

PPG is a major global supplier of protective and decorative coatings. The Performance Coatings and Industrial Coatings reportable segments supply protective and decorative finishes for customers in a wide array of end use markets including industrial equipment, appliances and packaging; factory-finished aluminum extrusions and steel and aluminum coils; marine and aircraft equipment; automotive original equipment; and other industrial and consumer products. In addition to supplying finishes to the automotive original equipment market, PPG supplies automotive refinishes to the aftermarket. The coatings industry is highly competitive and consists of a few large firms with global presence and many smaller firms serving local or regional markets. PPG competes in its primary markets with the world s largest coatings companies, most of which have global operations, and many smaller regional coatings companies. The major global competitors of our Performance Coatings reportable segment are Akzo Nobel NV, BASF Corporation, the DuPont Company and the Sherwin-Williams Company. The major global competitors of our Industrial Coatings reportable segment are Akzo Nobel NV, BASF Corporation, the DuPont Company and Valspar Corp. Product development, innovation, quality and technical and customer service have been stressed by PPG and have been significant factors in developing an important supplier position by PPG s coatings businesses comprising the Performance Coatings and Industrial Coatings reportable segments.

The Performance Coatings reportable segment is comprised of the refinish, aerospace and architectural coatings businesses. The refinish coatings business produces coatings products for automotive/fleet repair and refurbishing, light industrial coatings for a wide array of markets and specialty coatings for signs. These products are sold primarily through distributors. The aerospace coatings business supplies sealants, coatings, paint strippers, technical cleaners, transparent armor and transparencies for commercial, military, regional jet and general aviation aircraft. We supply products to aircraft manufacturers, maintenance and aftermarket customers around the world both on a direct basis and through a company-owned distribution network. Product performance, technology, quality, distribution and technical and customer service are major competitive factors in these coatings businesses. The architectural coatings business primarily produces coatings used by painting and maintenance contractors and by consumers for decoration and maintenance. We also supply coatings and finishes for the protection of metals and structures to metal fabricators, heavy duty maintenance contractors and manufacturers of ships, bridges, rail cars and shipping containers. Beginning in 2008, after the completion of the SigmaKalon acquisition, these products will be reported in a new protective and marine coatings operating segment that will be a part of the Performance Coatings reportable business segment. Performance Coatings products are sold through a combination of company-owned stores, home centers, paint dealers, independent distributors, and directly to customers. Price, product performance, quality, distribution and brand recognition are key competitive factors for the architectural coatings business. The architectural coatings business operates approximately 440 company-owned stores in North America and approximately 80 company-owned stores in Australia resulting from the acquisition in 2007 of Barloworld Coatings Australia.

The Industrial Coatings reportable segment is comprised of the automotive, industrial and packaging coatings businesses. The industrial and automotive coatings businesses sell directly to a variety of manufacturing companies. Industrial, automotive and packaging coatings are formulated specifically for the customers needs and application methods. PPG also supplies adhesives and sealants for the automotive industry and metal pretreatments and related chemicals for industrial and automotive applications. The packaging coatings business supplies coatings and inks for aerosol, food and beverage containers for consumer products to the manufacturers of those containers. Product performance, technology, quality, and technical and customer service are major competitive factors in these coatings businesses.

The Performance Coatings and Industrial Coatings reportable segments operate production facilities around the world. These facilities are usually shared and produce products sold by several businesses of the Industrial Coatings and Performance Coatings reportable segments. North American production facilities consist of 28 plants in the United States, two in Canada and one in Mexico. The three largest facilities in the United States are the Delaware, Ohio, plant, which primarily produces automotive refinishes; the Oak Creek, Wis., plant, which primarily produces industrial coatings; and the Cleveland, Ohio, plant, which primarily produces automotive original coatings. Outside North America, PPG operates five plants in Italy, three plants each in Australia, Brazil, China, Germany and Spain, two plants each in England, France, South Korea and the Netherlands, and one plant each in Argentina, Chile, Malaysia, New Zealand, Singapore, Taiwan, Thailand, Turkey and Uruguay. We also have an alliance with Kansai Paint. The venture, known as PPG Kansai Automotive Finishes, is owned 60% by PPG and 40% by Kansai Paint. The focus of the venture is Japanese-based automotive original equipment manufacturers in North America and Europe. In addition, PPG and Kansai Paint are developing technology jointly, potentially benefiting customers worldwide. PPG owns equity interests in coatings operations in Canada, India and Japan. Additionally, the automotive coatings business operates five service centers in the United States, two in Poland, and one each in Italy, Mexico, and Portugal to provide just-in-time delivery and service to selected automotive assembly plants. Fifteen training centers each in Europe and the United States, 11 in Asia, three in South America, two in Canada, and one in Mexico are in operation. These centers provide training for automotive aftermarket refinish customers. The aerospace business operates a global network of application support centers strategically located close to our customers around the world that provide technical support and just-in-time delivery of customized solutions to improve customer efficiency and productivity. Also, several automotive original coatings application centers are in operation throughout the world that provide testing facilities for customer paint processes and new products. The average number of persons employed by the Industrial Coatings reportable business segment during 2007 was 8,400. The average number of persons employed by the Performance Coatings reportable business segment during 2007 was 10,800.

SigmaKalon

On January 2, 2008, PPG completed the acquisition of SigmaKalon Group (SigmaKalon), a worldwide coatings producer based in Uithoorn, Netherlands. The results of operations of SigmaKalon will be included in PPG s consolidated financial statements from the acquisition date onward. SigmaKalon produces architectural, protective, marine and industrial coatings. The protective, marine and industrial coatings businesses of SigmaKalon will be managed as part of PPG s existing coatings businesses. The SigmaKalon architectural coatings business in Europe, the Middle East and Africa will be reported in 2008 as a new separate reportable business segment known as Architectural Coatings EMEA. This business represents about 75% of SigmaKalon s historical sales.

SigmaKalon s architectural production facilities consist of four plants in the Netherlands, three plants in France, two plants each in China and the United Kingdom, and one plant each in Cameroon, Czech Republic, Egypt, French Guadeloupe, French Guyana, French Martinique, French New Caledonia, French Reunion Island, Gabon, Hungary, Ivory Coast, Poland, Senegal, Slovakia, South Africa, Spain, Suriname and the Ukraine. The industrial coatings business of SigmaKalon operates one facility each in Germany, the Netherlands, Poland, and Switzerland. The protective and marine coatings business of SigmaKalon operates one facility each in Belgium, China, Indonesia, Korea, and Malaysia. SigmaKalon sells coatings through a combination of approximately 500 company-owned stores, home centers, paint dealers, independent distributors, and directly to customers. The average number of persons employed by SigmaKalon in 2007 was 11,000.

Optical and Specialty Materials

PPG s Optical and Specialty Materials reportable segment is comprised of the optical products and silica businesses. The primary Optical and Specialty Materials products are *Transitions*® lenses, sunlenses, optical materials and polarized film; amorphous precipitated silicas for tire, battery separator, and other end-use markets; and *Teslin*® synthetic printing sheet used in such applications as waterproof labels, e-passports, drivers licenses and identification cards. *Transitions*® lenses are processed and distributed by PPG s 51%-owned joint venture with Essilor International. In the Optical and Specialty Materials businesses, product quality and performance and technical service are the most critical competitive factors. The Optical and Specialty Materials businesses operate four plants in the United States and one in Mexico. Outside North America, these businesses operate three plants in Thailand and one plant each in Brazil, Ireland, Italy, the Netherlands and the Philippines. The average number of persons employed by the Optical and Specialty Materials reportable business segment during 2007 was 3,700.

Historically, the Optical and Specialty Materials reportable segment has included the fine chemicals business. PPG sold the fine chemicals business in the fourth quarter of 2007. As such, the results of operations and cash flows of this business has been classified as discontinued operations in the consolidated financial statements under Item 8 of this Form 10-K. Refer to Note 3, Discontinued Operations and Assets Held for Sale under Item 8 for further information.

Commodity Chemicals

PPG is a major producer and supplier of chemicals. The Commodity Chemicals reportable segment produces chlor-alkali and derivative products including chlorine, caustic soda, vinyl chloride monomer, chlorinated solvents, chlorinated benzenes, calcium hypochlorite, ethylene dichloride and phosgene derivatives. Most of these products are sold directly to manufacturing companies in the chemical processing, rubber and plastics, paper, minerals, metals, and water treatment industries. PPG competes with five other major producers of chlor-alkali products including The Dow Chemical Company; Formosa Plastics Corporation, U.S.A.; Georgia Gulf Corporation; Olin Corporation and Occidental

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Chemical Corporation. Price, product availability, product quality and customer service are the key competitive factors. PPG s chlor-alkali business operates three production facilities in the United States and one each in Canada and Taiwan. The two largest facilities are located in Lake Charles, La., and Natrium, W. Va. PPG also owns equity interests in operations in the United States. The average number of persons employed by the Commodity Chemicals reportable business segment during 2007 was 2,100.

Glass

PPG is a major producer of flat glass in North America and a major global producer of continuous-strand fiber glass. The Glass reportable business segment is comprised of the performance glazings and fiber glass businesses. PPG s major markets are commercial and residential construction and the wind energy, energy infrastructure, transportation and electronics industries. Most glass products are sold directly to manufacturing companies. PPG manufactures flat glass by the float process and fiber glass by the continuous-strand process.

The bases for competition in the Glass businesses are price, quality, technology and customer service. The Company competes with four major producers of flat glass including Asahi Glass Company, Cardinal Glass Industries, Guardian Industries, and NSG Pilkington, and five major producers of fiber glass throughout the world including Owens Corning, Johns Manville Corporation, CPIC Fiberglass, Jushi Group, and AGY. In the fiber glass markets, there is increasing competition from other producers operating in low labor cost countries.

PPG s principal Glass production facilities are in North America and Europe. Seven plants operate in the United States, of which, four produce flat glass and three produce fiber glass products. There is one plant in Canada which produces flat glass. One plant each in England and the Netherlands produces fiber glass. PPG owns equity interests in fiber glass operations in China, Taiwan and the United States. PPG also owns a majority interest in a glass distribution company in Japan. There is one satellite glass coating facility in the United States for flat glass products, two satellite tempering and fabrication facilities in the United States for flat glass products, and four satellite distribution and fabrication branches in Canada. The average number of persons employed by the Glass reportable business segment during 2007 was 3,600.

Historically, the Glass reportable segment has included the automotive OEM glass and automotive replacement glass and services businesses, (automotive glass businesses). Because of management s intent to divest of these businesses in 2008, the assets and liabilities of these businesses have been classified as held for sale and the results of operations and cash flows of these businesses have been classified as discontinued operations in the consolidated financial statements under Item 8 of this Form 10-K. Refer to Note 3, Discontinued Operations and Assets Held for Sale under Item 8 for further information.

Raw Materials and Energy

The effective management of raw materials and energy is important to PPG s continued success. Our primary energy cost is natural gas used in our Glass and Commodity Chemicals businesses. In 2007, natural gas costs declined slightly in the U.S. compared to 2006 levels. The decline can be linked to a second consecutive year of relatively low hurricane activity impacting upon natural gas production in the Gulf of Mexico and record high natural gas inventory levels in the fourth quarters of 2007 and 2006. In 2007, our coatings raw material costs increased by approximately 1%, following an approximate 3% rise in 2006. The combination of continued strong global demand, particularly in Asia, and the rising cost of crude oil resulted in upward pressure on material prices as well as transportation costs. In addition, the growth of global industrial production, particularly in China, and a slowing in the rate at which our suppliers have added production capacity in North America have resulted not only in upward pressure on price but also have increased the importance of managing our supply chain.

The Company s most significant raw materials are titanium dioxide and epoxy and other resins in the Coatings businesses; lenses, photochromic dye, sand and soda ash in the Optical and Specialty Materials businesses; brine and ethylene in the Commodity Chemicals business; and sand and soda ash in the Glass businesses. Energy is a significant production cost in the Commodity Chemicals and Glass businesses. Most of the raw materials and energy used in production are purchased from outside sources, and the Company has made, and plans to continue to make, supply arrangements to meet the planned operating requirements for the future. Supply of critical raw materials and energy is managed by establishing contracts, multiple sources, and identifying alternative materials or technology, whenever possible. The Company has aggressive sourcing initiatives underway to support its continuous efforts to find the lowest total material costs. These initiatives include reformulation of certain of our products using both petroleum derived and bio-based materials as part of a product renewal strategy. Another initiative is to qualify multiple sources of supply, including supplies from Asia and other lower cost regions of the world.

We are subject to existing and evolving standards relating to the registration of chemicals that impact or could potentially impact the availability and viability of some of the raw materials we use in our production processes. Our ongoing, global product stewardship efforts are directed at maintaining our compliance with these standards. In December 2006, the environment ministers of the European Union (EU) member states gave final approval to comprehensive chemical

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management legislation, known as REACH (Registration, Evaluation, and Authorization of Chemicals). REACH will apply to all chemical substances manufactured or imported into the EU in quantities of one metric ton or more annually and will require the registration of approximately 30,000 chemical substances with the European Chemicals Agency. The pre-registration deadline for such chemicals is December 1, 2008. Subsequently, REACH will require the registration and, in some cases, authorization of these chemicals over an 11-year period, with the first registration deadline set for December 1, 2010.

PPG is currently reviewing the implementation guidance being developed by the European Chemicals Agency. Activities underway include establishing a dedicated organization within PPG to manage our implementation of REACH, reviewing our raw materials to identify substances potentially affected by REACH, working with our suppliers to understand the future availability and viability of the raw materials we use in our production process and creating a REACH steering committee consisting of high-level stakeholders to guide, review and approve overall Company activities.

PPG anticipates that some current raw materials and products may be subject to the REACH authorization process and believes that PPG will be able to demonstrate adequate risk management for the use and application of the majority of such substances. PPG anticipates that compliance with the REACH legislation will increase costs due to registration costs, product testing and reformulation, risk characterization and report preparation; however, at this time it is not possible to quantify the financial impact on PPG s businesses.

Research and Development

Technologic innovation has been a hallmark of PPG s success throughout its history. Research and development costs, including depreciation of research facilities, were $354 million, $321 million and $310 million during 2007, 2006 and 2005, respectively. These costs totaled over 3% of sales in each of these years, representing a level of expenditure that is expected to continue in 2008. PPG owns and operates several facilities to conduct research and development involving new and improved products and processes. Additional process and product research and development work is also undertaken at many of the Company s manufacturing plants. As part of our ongoing efforts to manage our costs effectively, we have a laboratory in China and an outsourcing arrangement with a laboratory in the Ukraine and have been actively pursuing government funding of a small, but growing portion of the Company s research efforts. Because of the Company s broad array of products and customers, PPG is not materially dependent upon any single technology platform.

Patents

PPG considers patent protection to be important. The Company s reportable business segments are not materially dependent upon any single patent or group of related patents. PPG received $48 million in 2007, $43 million in 2006 and $35 million in 2005 from royalties and the sale of technical know-how.

Backlog

In general, PPG does not manufacture its products against a backlog of orders. Production and inventory levels are geared primarily to projections of future demand and the level of incoming orders.

Non-U.S. Operations

PPG has a significant investment in non-U.S. operations, and as a result we are subject to certain inherent risks, including economic and political conditions in international markets and fluctuations in foreign currency exchange rates. While approximately 80% of sales and operating income is generated by products sold in the United States, Canada and Western Europe, our remaining sales and operating income are generated in developing regions, such as Asia, Eastern Europe and Latin America. With the acquisition of SigmaKalon in January 2008, we have increased our international operations as substantially all of its sales are outside the United States.

Employee Relations

The average number of persons employed worldwide by PPG during 2007 was 34,900. The Company has numerous collective bargaining agreements throughout the world. While we have experienced occasional work stoppages as a result of the collective bargaining process and may experience some work stoppages in the future, we believe we will be able to negotiate all labor agreements on satisfactory terms. To date, these work stoppages have not had a significant impact on the PPG s operating results. Overall, the Company believes it has good relationships with its employees.

Environmental Matters

PPG is subject to existing and evolving standards relating to protection of the environment. Capital expenditures for environmental control projects were $16 million, $14 million and $18 million in 2007, 2006 and 2005, respectively. It is expected that expenditures for such projects in 2008 will approximate $31 million. Although future capital expenditures are difficult to estimate accurately because of constantly changing regulatory standards and policies, it can be anticipated that environmental control standards will become increasingly stringent and the cost of compliance will increase.

Prior to 2007, about 20% of our chlor-alkali production capacity used mercury cell technology. PPG strives to operate these cells in accordance with applicable laws and regulations, and these cells are reviewed at least annually by state authorities. The U.S. Environmental Protection Agency (USEPA) has issued new regulations imposing significantly more stringent requirements on mercury emissions. These new rules took effect in December 2006. In order to meet the USEPA s new air quality standards, a decision was made in July 2005 to replace the existing mercury cell production unit at the Lake Charles, LA chlor-alkali plant with newer membrane cell technology. The Louisiana Department of Environmental Quality granted the Company a one year extension to meet the new requirements on mercury emissions. This capital project began in 2005 and was completed in 2007. With the completion of this project, 4% of PPG s chlor-alkali production uses mercury cell technology.

PPG is negotiating with various government agencies concerning 94 current and former manufacturing sites and offsite waste disposal locations, including 22 sites on the National Priority List. The number of sites is comparable with the prior year. While PPG is not generally a major contributor of wastes to these offsite waste disposal locations, each potentially responsible party may face governmental agency assertions of joint and several liability. Generally, however, a final allocation of costs is made based on relative contributions of wastes to the site. There is a wide range of cost estimates for cleanup of these sites, due largely to uncertainties as to the nature and extent of their condition and the methods that may have to be employed for their remediation. The Company has established reserves for those sites where it is probable that a liability has been incurred and the amount can be reasonably estimated. As of December 31, 2007 and 2006, PPG had reserves for environmental contingencies totaling $276 million and $282 million, respectively, of which $57 million and $65 million, respectively, were classified as current liabilities. Pretax charges against income for environmental remediation costs in 2007, 2006 and 2005 totaled $12 million, $207 million and $27 million, respectively. Cash outlays related to such environmental remediation aggregated $19 million, $22 million and $14 million in 2007, 2006 and 2005, respectively. Environmental remediation of a former chromium manufacturing plant site and associated sites in Jersey City, NJ represented the major part of our 2006 environmental charges and our existing reserves. Included in the amounts mentioned above were $185 million of 2006 charges against income and $195 million and $198 million in reserves at December 31, 2007 and 2006, respectively associated with all New Jersey chromium sites.

The Company s experience to date regarding environmental matters leads PPG to believe that it will have continuing expenditures for compliance with provisions regulating the protection of the environment and for present and future remediation efforts at waste and plant sites. Management anticipates that such expenditures will occur over an extended period of time.

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 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, pre-tax 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.

In management s opinion, the Company operates in an environmentally sound manner, is well positioned, relative to environmental matters, within the industries in which it operates, and the outcome of these environmental contingencies will not have a material adverse effect on PPG s 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. See Note 15, Commitments and Contingent Liabilities, under Item 8 of this Form 10-K for additional information related to environmental matters.

There are growing public and governmental concerns related to climate change, which have led to efforts to limit the greenhouse gas (GHG) emissions believed to be responsible. These concerns were reflected in the 2005 framework for GHG reduction under the Kyoto Protocol to the United Nations Framework Convention on Climate Change. The Kyoto Protocol has been adopted by many countries where PPG operates, including the European Union and Canada, but not in the U.S. The European Union has implemented a cap and trade approach with a mandatory emissions trading scheme for GHGs. In December 2007, delegates to the United Nations Framework Convention on Climate Change reached agreement on development of a plan for the second phase of Kyoto, scheduled to start in 2013. This could potentially lead to further reduction requirements. A substantial portion of PPG s GHG emissions are generated by locations in the U.S.; however, at this time it is uncertain whether the U.S. will set GHG reduction goals under the Kyoto Protocol or by some other mechanism. PPG has joined the U.S.-based Climate Registry to assist in verification of current and future GHG reduction achievements in preparation for potential imposition in the U.S. of GHG reduction goals.

Energy prices and scarcity of supply continue to be a concern for major energy users. Since PPG s GHG emissions arise principally from combustion of fossil fuels, PPG has for some time recognized the desirability of reducing energy consumption and GHG generation. We committed under the Business Roundtable s Climate

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RESOLVE program to reduce our GHG intensity (GHGs produced per million dollars of revenue) by 18% between 2002 and 2012. PPG achieved this target in 2006, six years ahead of schedule. Recognizing the continuing importance of this matter, PPG has appointed an Energy Security and Climate Change Steering Group to guide the Company s progress in this area. Additionally, in 2007 PPG announced new corporate targets, namely (i) a reduction in energy intensity by 25% from 2006 to 2016 and (ii) a 10% absolute reduction in GHG emissions from 2006 to 2011. PPG s public disclosure on energy security and climate change can be viewed at the Carbon Disclosure Project *www.cdproject.net.*

Available Information

The Company s website address is *www.ppg.com*. The Company posts, and shareholders may access without charge, the Company s recent filings and any amendments thereto of its annual reports on Form 10-K, quarterly reports on Form 10-Q and its proxy statements as soon as reasonably practicable after such reports are filed with the Securities and Exchange Commission (SEC). The Company also posts all financial press releases and earnings releases to its website. All other reports filed or furnished to the SEC, including reports on Form 8-K, are available via direct link on PPG s website to the SEC s website, *www.sec.gov*. Reference to the Company s and SEC s websites herein does not incorporate by reference any information contained on those websites and such information should not be considered part of this Form 10-K.

Item 1a. Risk Factors

As a global manufacturer of coatings, glass and chemicals products, we operate in a business environment that includes risks. These risks are not unlike the risks we have faced in the recent past. Each of the risks described in this section could adversely affect our operating results, financial position and liquidity. While the factors listed here are considered to be the more significant factors, no such list should be considered to be a complete statement of all potential risks and uncertainties. Unlisted factors may present significant additional obstacles which may adversely affect our business.

Increases in prices and declines in the availability of raw materials could negatively impact our financial results

Our operating results are significantly affected by the cost of raw materials and energy, including natural gas. Changes in natural gas prices have a significant impact on the operating performance of our Commodity Chemicals and Glass businesses. Each one-dollar change in our unit price of natural gas per million British Thermal Units (mmbtu) has a direct impact of approximately $60 million to $70 million on our annual operating costs. In 2007, natural gas costs declined slightly in the U.S. compared to 2006 levels. Year-over-year coatings raw material costs rose by $40 million in 2007 following a rise of $75 million in 2006. Additionally, certain raw materials are critical to our production processes. These include titanium dioxide and epoxy and other resins in the Coatings businesses; lenses, photochromic dye, sand and soda ash in the Optical and Specialty Materials businesses; brine and ethylene in the Commodity Chemicals business; and sand and soda ash in the Glass businesses. We have made, and plan to continue to make, supply arrangements to meet the planned operating requirements for the future. However, an inability to obtain these critical raw materials would adversely impact our ability to produce products.

We experience substantial competition from certain low-cost regions

Growing competition from companies in certain regions of the world, including Asia, Eastern Europe and Latin America, where energy and labor costs are lower than those in the U.S., could result in lower selling prices or reduced demand for some of our glass and fiber glass products.

We are subject to existing and evolving standards relating to the protection of the environment

Excluding 2006, pretax charges against income for environmental remediation ranged between $10 million and $49 million per year over the past 15 years. In 2006 those charges totaled $207 million. We have accrued $276 million for estimated remediation costs that are probable at December 31, 2007. Our 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. As such, in addition to the amounts currently reserved, we may be subject to loss contingencies related to environmental matters estimated to be as much as $200 million to $300 million. Such unreserved losses are reasonably possible but are not currently considered to be probable of occurrence.

We are involved in a number of lawsuits and claims, both actual and potential, in which substantial monetary damages are sought

The results of any future litigation or settlement of such lawsuits and claims are inherently unpredictable, but such outcomes could be adverse and material in amount.

For over 30 years, we have been a defendant in lawsuits involving claims alleging personal injury from exposure to asbestos

Most of our potential exposure relates to allegations by plaintiffs that PPG should be liable for injuries involving asbestos containing thermal insulation products manufactured by Pittsburgh Corning Corporation (PC). PPG is a 50% shareholder of PC. Although we have entered into a settlement arrangement with several parties concerning these asbestos claims as discussed in Note 15, Commitments and Contingent Liabilities, under Item 8 of this Form 10-K, the arrangement remains subject to court proceedings and, if not approved, the outcome could be material to the results of operations of any particular period.

We sell products to U.S.-based automotive original equipment manufacturers and their suppliers

The North American automotive industry continues to experience structural change, including the loss of U.S. market share by General Motors, Ford and Chrysler. Further deterioration of market conditions could cause certain of our customers and suppliers to have liquidity problems, potentially resulting in the write-off of amounts due from these customers and cost impacts of changing suppliers.

Our international operations expose us to additional risks and uncertainties that could affect our financial results

Because we are a global company, our results are subject to certain inherent risks, including economic and political conditions in international markets and fluctuations in foreign currency exchange rates. While approximately 80% of sales and operating income in 2007 was generated by products sold in the United States, Canada and Western Europe, our remaining sales and operating income are generated in developing regions, such as Asia, Eastern Europe and Latin America. With the acquisition of SigmaKalon in January 2008, we have increased our international operations as substantially all of its sales are outside the United States.

As a producer of chemicals, we manufacture and transport certain materials that are inherently hazardous due to their toxic nature

We have significant experience in handling these materials and take precautions to handle and transport them in a safe manner. However, these materials, if mishandled or released into the environment, could cause substantial property damage or personal injuries resulting in significant legal claims against us. In addition, evolving regulations concerning the security of chemical production facilities and the transportation of hazardous chemicals could result in increased future capital or operating costs.

Business disruptions could have a negative impact on our results of operations and financial condition

Unexpected events, including supply disruptions, temporary plant and/or power outages, natural disasters and severe weather events, fires, or war or terrorist activities, could increase the cost of doing business or otherwise harm the operations of PPG, our customers and our suppliers. It is not possible for us to predict the occurrence or consequence of any such events. However, such events could reduce demand for our products or make it difficult or impossible for us to receive raw materials from suppliers and to deliver products to customers.

The failure to successfully integrate the acquisition of SigmaKalon could adversely affect our financial results

On January 2, 2008, we completed the acquisition of SigmaKalon, a worldwide coatings producer based in Uithoorn, Netherlands. The total cost of the transaction, including assumed debt, was approximately $3.2 billion. In the event that we do not successfully integrate SigmaKalon into our operations, our consolidated operating results, financial condition and cash flows could be adversely affected.

Our performance is affected by the economic conditions in the U.S. and in other nations where we do business

Declining economic conditions may have a negative impact on our consolidated results of operations, financial condition and cash flows. Overall demand for our products could be reduced as a direct result of an economic recession.

Item 1b. Unresolved Staff Comments

None.

Item 2. Properties

See Item 1. Business for information on PPG s production and fabrication facilities.

Generally, the Company s plants are suitable and adequate for the purposes for which they are intended, and overall have sufficient capacity to conduct business in the upcoming year.

Item 3. 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 business. 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, any such outcome may be material to the results of operations of any particular period in which costs, if any, are recognized.

For over 30 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

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of the proposed PPG Settlement Arrangement announced May 14, 2002, see Note 15, Commitments and Contingent Liabilities, under Item 8 of this Form 10-K.

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.

PPG received a Notice of Violation in July 2007 from the North Carolina Department of Environment and Natural Resources, Division of Air Quality regarding alleged exceedances of air opacity limits at its Shelby, North Carolina fiber glass facility. PPG settled this matter in the fourth quarter for stipulated civil penalty of $75,000.

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

None.

Executive Officers of the Company

Set forth below is information related to the Company s executive officers as of February 21, 2008.

Name	*Age*	*Title*
Charles E. Bunch (a)	58	Chairman of the Board and Chief Executive Officer since July 2005
James C. Diggs	59	Senior Vice President and General Counsel since July 1997 and Secretary since September 2004
William H. Hernandez (b)	59	Senior Vice President, Finance and Chief Financial Officer since January 1995
J. Rich Alexander (c)	52	Senior Vice President, Coatings since May 2005
Pierre-Marie De Leener (d)	50	Senior Vice President, Architectural Coatings, Europe/Middle East and Africa since January 2008
Victoria M. Holt (e)	50	Senior Vice President, Glass and Fiber Glass since May 2005
Kevin F. Sullivan (f)	56	Senior Vice President, Chemicals since May 2005
William A. Wulfsohn (g)	45	Senior Vice President, Coatings, since May 2005

(a) Mr. Bunch held the position of President and Chief Operating Officer from July 2002 until July 2005.
(b) Mr. Hernandez also held the position of Treasurer from April 2007 until January 2008.
(c) Mr. Alexander held the position of Vice President, Industrial Coatings from July 2002 until April 2005.
(d) Mr. De Leener was appointed to his current position upon PPG s acquisition of SigmaKalon Group on January 2, 2008. He previously served as Chief Executive Officer of SigmaKalon Group from 1999 until January 2008.
(e) Ms. Holt held the position of Vice President, Fiber Glass from February 2003 until April 2005.
(f) Mr. Sullivan held the position of Vice President, Chemicals from July 2002 until April 2005.
(g) Mr. Wulfsohn also held the position of Managing Director, PPG Europe from May 2005 until June 2006; and the position of Vice President, Coatings, Europe, and Managing Director, PPG Europe from February 2003 until April 2005.

Part II

Item 5. Market for the Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The information required by Item 5 regarding market information, including stock exchange listings and quarterly stock market prices, dividends and holders of common stock is included in Exhibit 13.1 filed with this Form 10-K and is incorporated herein by reference. This information is also included in the PPG Shareholder Information on page 79 of the Annual Report to shareholders.

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). Retired directors receive dividend equivalents in the form of common stock equivalents pursuant to the PPG Industries, Inc. Directors Common Stock Plan (PPG Directors Common Stock Plan). 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). The directors, as a group, were credited with 9,742; 2,886; and 10,954 common stock equivalents in 2007, 2006, and 2005 respectively, under this plan. The values of the common stock equivalents, when credited, ranged from $68.71 to $75.50 in 2007, $61.32 to $65.84 in 2006 and $57.85 to $72.95 in 2005.

The retired directors who participated in the PPG Directors Common Stock Plan withdrew from this plan in 2007. The directors received 4, 26, and 58 common stock equivalents in 2007, 2006, and 2005. The value of those common stock equivalents, when credited, were $68.71 in 2007, and ranged from $61.32 to $65.84 in 2006 and $57.85 to $72.95 in 2005.

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Issuer Purchases of Equity Securities

The following table summarizes the Company s stock repurchase activity for the three months ended December 31, 2007:

Month	*Total Number of Shares Purchased*	*Average Price Paid per Share*	*Total Number of Shares Purchased as Part of Publicly Announced Program*	*Maximum Number of Shares that May Yet Be Purchased Under the Program*[1]
October 2007				
Repurchase program		$		4,035,009
Other transactions[2]	24,292	76.33		
November 2007				
Repurchase program				4,035,009
Other transactions[2]	69,820	72.30		
December 2007				
Repurchase program	56,400	70.38	56,400	3,978,609
Other transactions[2]	18,486	70.66		
Total quarter ended December 31, 2007				
Repurchase program	56,400	$ 70.38	56,400	3,978,609
Other transactions[2]	112,598	$ 72.90		

(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 granted under the Company s equity compensation plans.

Equity Compensation Plan Information

The equity compensation plan documents described in the footnotes below are included as Exhibits to this Form 10-K, and are incorporated herein by reference in their entirety. The following table provides information as of December 31, 2007 regarding the number of shares of PPG common stock that may be issued under PPG s equity compensation plans. For additional information on the Company s equity compensation program, see Note 20, Stock-Based Compensation, under Item 8 of this Form 10-K.

Plan category	***Number of securities to be issued upon exercise of outstanding options,***	***Weighted-average exercise price of outstanding options, warrants***	***Number of securities remaining available for future issuance under equity***

	warrants and rights (a)	*and rights (b)*	*compensation plans (excluding securities reflected in column (a)) (c)*
Equity compensation plans approved by security holders(1)	**8,014,257**	**$59.96**	**8,996,813**
Equity compensation plans not approved by security holders(2), (3)			