PPG INDUSTRIES INC
Form 10-K
February 19, 2009
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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, 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.)**
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

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. x

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, 2008, was $9,400 million.

As of January 31, 2009, 164,233,391 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 $6,160 million.

DOCUMENTS INCORPORATED BY REFERENCE

Document	Incorporated By Reference In Part No.
Portions of PPG Industries, Inc. Proxy Statement for its 2009 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 2008 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 six reportable business segments: Performance Coatings, Industrial Coatings, Architectural Coatings EMEA (Europe, Middle East and Africa), 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, Industrial Coatings and Architectural Coatings - EMEA

PPG is a major global supplier of protective and decorative coatings. The Performance Coatings, Industrial Coatings and Architectural Coatings EMEA 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 refinishes to the automotive aftermarket. PPG also supplies coatings to painting and maintenance contractors and directly to consumers for decoration and maintenance. 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. 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, Industrial Coatings and Architectural Coatings EMEA reportable segments.

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 are included in PPG s consolidated financial statements from the acquisition date onward. The businesses acquired from SigmaKalon produce architectural, protective and marine and industrial coatings. The protective and marine and industrial coatings businesses of SigmaKalon are managed as part of PPG s previously existing coatings businesses. The SigmaKalon architectural coatings business in Europe, the Middle East and Africa is reported in 2008 as a new separate reportable business segment known as Architectural Coatings EMEA. This business represents about 70% of SigmaKalon s sales.

The Performance Coatings reportable segment is comprised of the refinish, aerospace, protective and marine and architectural Americas and Asia Pacific coatings businesses.

The refinish coatings business supplies coatings products for automotive and commercial transport/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, technical cleaners and transparencies for commercial, military, regional jet and general aviation aircraft and transparent armor for military land vehicles. PPG supplies products to aircraft manufacturers, maintenance and aftermarket customers around the world both on a direct basis and through a company-owned distribution network.

The protective and marine coatings business supplies 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. These products are sold through the architectural coatings company-owned stores, independent distributors and directly to customers.

Product performance, technology, quality, distribution and technical and customer service are major competitive factors in these three coatings businesses.

The architectural coatings-Americas and Asia Pacific business primarily produces coatings used by painting and maintenance contractors and by consumers for decoration and maintenance. These coatings are sold under a number of brands. Architectural coatings Americas and Asia Pacific 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-Americas and Asia Pacific business operates approximately 410 company-owned stores in North America and approximately 50 company-owned stores in Australia.

The major global competitors of the Performance Coatings reportable segment are Akzo Nobel NV, BASF Corporation, the DuPont Company, the Sherwin-Williams Company and Valspar Corporation. The average number of persons employed by the Performance Coatings reportable segment during 2008 was 13,400.

The Industrial Coatings reportable segment is comprised of the automotive, industrial and packaging

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coatings businesses. Industrial, automotive and packaging coatings are formulated specifically for the customers needs and application methods.

The industrial and automotive coatings businesses sell directly to a variety of manufacturing companies. PPG also supplies adhesives and sealants for the automotive industry and metal pretreatments and related chemicals for industrial and automotive applications. PPG maintains 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.

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 the industrial coatings businesses. The major global competitors of the Industrial Coatings reportable segment are Akzo Nobel NV, BASF Corporation, the DuPont Company and Valspar Corporation. The average number of persons employed by the Industrial Coatings reportable segment during 2008 was 9,700.

The Architectural Coatings EMEA business supplies a variety of coatings under a number of brands and purchased sundries to painting contractors and consumers in Europe, the Middle East and Africa. Architectural Coatings EMEA products are sold through a combination of approximately 500 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 this business. The major competitors of the Architectural Coatings EMEA reportable segment are Akzo Nobel NV and Materis Paints. The average number of persons employed by the Architectural Coatings EMEA reportable segment during 2008 was 8,500.

Optical and Specialty Materials

PPG s Optical and Specialty Materials reportable segment is comprised of the optical products and silicas 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 average number of persons employed by the Optical and Specialty Materials reportable business segment during 2008 was 3,200.

Historically, the Optical and Specialty Materials reportable segment 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 have been classified as discontinued operations in the consolidated financial statements under Item 8 of this Form 10-K. Refer to Note 1, Summary of Significant Accounting Policies under Item 8 for further information.

Commodity Chemicals

PPG is a producer and supplier of basic chemicals. The Commodity Chemicals reportable segment produces chlor-alkali and derivative products including chlorine, caustic soda, vinyl chloride monomer, chlorinated solvents, 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 Chemical Corporation. Price, product availability, product quality and customer service are the key competitive factors. The average number of persons employed by the Commodity Chemicals reportable business segment during 2008 was 2,100.

Glass

PPG is a producer of flat glass in North America and a 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-Vetrotex, Jushi Group, Johns Manville Corporation, CPIC Fiberglass and AGY. The average number of persons employed by the Glass reportable business segment during 2008 was 3,700, excluding the automotive glass and services business.

Historically, the Glass reportable segment has included the automotive glass and services business. In

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September 2008, PPG completed a transaction by which it divested a majority interest in the automotive glass and services business. The results of this business through September 30, 2008 are reported as part of the Glass reportable segment in the consolidated financial statements under Item 8 of this Form 10-K. See Note 3, Divestiture of Automotive Glass and Services Business under Item 8 for additional 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 Commodity Chemicals and Glass businesses. In 2008, our natural gas costs were volatile and on average increased almost 25 percent in the U.S. compared to 2007 levels. The increase can be linked to year-over-year strong pricing for energy commodities, including the run up in the price of crude oil by mid-year.

During 2008, our average coatings raw material costs increased about 5 percent, with differing results by region. Coatings raw material costs rose 1 percent and 3 percent in 2007 and 2006, respectively. Many of our coatings raw materials are petroleum based, and changes in pricing for these raw materials traditionally lags oil price fluctuations by about six months. Our costs are also dependent on global supply and demand for these materials. Escalating crude oil prices and global economic growth rates, especially in emerging regions, in the first two quarters of 2008 resulted in higher inflation impacts to PPG s coatings raw materials in the third and most of the fourth quarter of 2008. This inflation was more acute and volatile in North America, Asia and other emerging regions. However, rapid second half 2008 oil price declines, along with the sudden drop in global industrial demand late in the year, resulted in a decline in the price of certain raw materials in these same regions as we were exiting the year.

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 management legislation known as REACH (Registration, Evaluation, and Authorization of Chemicals). REACH applies 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 period for such chemicals ended on December 1, 2008. Additionally, REACH requires the registration of these materials, entailing the filing of extensive data on their potential risks to human health and the environment. Registration activities will be phased over an 11-year period, based on tonnage and level of concern, with the first registration deadline set for December 1, 2010. In the case of chemicals with a high level of concern, the regulation calls for progressive substitution unless no alternative can be found; in these cases, authorization of the chemicals will be required.

PPG has established a dedicated organization to manage REACH implementation. We have reviewed our product portfolio, worked closely with our suppliers to assure their commitment to pre-register our key raw materials and completed pre-registrations of PPG manufactured or imported raw materials. We will continue to work with our suppliers to understand the future availability and viability of the raw materials we use in our production processes.

PPG anticipates that some current raw materials and products will 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. Compliance with the REACH legislation will result in increased costs due to registration costs, product testing and reformulation, risk characterization, participation in Substance Information Exchange Forums and Consortia and dossier preparation. The REACH legislation has prompted a growing number of initiatives in other regions, the most notable of which is the ChAMP (Chemical Assessment and Management Program) that has been initiated in the U.S. Under ChAMP, chemicals imported or manufactured in the U.S. above 25,000 pounds annually will undergo hazard and risk characterization by the U.S. Environmental Protection Agency (USEPA). Chemicals identified by

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the USEPA as high risk or of special concern will be subject to further data development and/or regulatory control. At this time it is not possible to quantify the financial impact of these regulatory initiatives on PPG s businesses.

Research and Development

Technology innovation has been a hallmark of PPG s success throughout its history. Research and development costs, including depreciation of research facilities, were $468 million, $363 million and $330 million during 2008, 2007 and 2006, respectively. These costs totaled approximately 3% of sales in each of these years, representing a level of expenditure that is expected to continue in 2009. PPG owns and operates several facilities to conduct research and development relating to 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 operate a laboratory in China, have outsourcing arrangements with several laboratories 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 $52 million in 2008, $48 million in 2007 and $44 million in 2006 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 75% 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 2008 was 44,900. 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 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 $15 million, $16 million and $14 million in 2008, 2007 and 2006, respectively. It is expected that expenditures for such projects in 2009 will be in the range of $15-$25 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 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 in 2007, 4% of PPG s chlor-alkali production uses mercury cell technology.

PPG is negotiating with various government agencies concerning 105 current and former manufacturing sites and offsite waste disposal locations, including 23 sites on the National Priority List. The number of sites has increased when compared to the prior year, primarily as a result of sites that were assumed as a result of the SigmaKalon acquisition. 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 onsite and offsite remediation of those sites where it is probable that a liability has been incurred and the amount can be reasonably estimated. As of December 31, 2008 and 2007, PPG had reserves for environmental contingencies totaling $299 million and $276 million, respectively, of which $44 million and $57 million, respectively, were classified as current liabilities. Pretax charges against income for environmental remediation costs in 2008, 2007 and 2006 totaled $15 million, $12 million and $207 million, respectively. Cash outlays related to such environmental remediation aggregated $24 million, $19 million and $22 million in 2008, 2007 and 2006, respectively. As part of the allocation of the SigmaKalon purchase price to the assets acquired and liabilities assumed, the reserve for environmental contingencies was increased by $37 million in 2008. The impact of foreign currency translation decreased the liability by $5 million in 2008. Environmental remediation of a former chromium manufacturing plant site and associated sites in Jersey City, N.J., 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 $193 million and $195 million in reserves at December 31, 2008 and 2007, 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, N.J., 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 2009 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 greenhouse gas (GHG) emissions. 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 EU and Canada, though not in the U.S. The EU 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 future GHG reduction achievements in preparation for potential imposition in the U.S. of GHG reduction goals.

Energy prices and availability 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 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

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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.

The current U.S. and worldwide recession and credit crisis could have a continuing negative impact on our results of operations and cash flows.

During the fourth quarter of 2008, the demand for many of our products in Europe, Asia and Latin America declined significantly as the impact of the recession in the U.S. economy, which had impacted demand throughout 2008, spread globally. The impact of the recession was felt most noticeably by our businesses serving the automotive original equipment, construction and general industrial markets. Entering 2009, the global economic outlook in terms of GDP and industrial production is for weak conditions to prevail. Many economists are forecasting that the recession will persist through at least the first half of 2009. Continued weakness in the global economy would be expected to result in lower demand for many of our products and increase our exposure to credit risk from customers in the industries most impacted by the weak economy. How deep and how long the recession will last is not known.

We sell products to global and regional automotive original equipment manufacturers and their suppliers.

Global production of automobiles and light trucks declined by 2% in 2008 reflecting declines of 19% in the U.S. and Canada and 7% in Western Europe that were substantially offset by growth in production in Eastern Europe, Asia and Latin America. The industry forecast for 2009 projects a global decline of nearly 10%, with declines in production in all regions of the world led by the U.S. and Canada, where vehicle production is forecast to be down approximately 25%. Declines in the global production of automobiles and light trucks of this magnitude would adversely impact our sales volume.

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 experience liquidity problems, potentially resulting in the write-off of amounts due from these customers and cost impacts of changing suppliers. Our worldwide sales to General Motors, Ford and Chrysler are made under normal credit terms and we expect to collect substantially all of the approximately $45 million due from these customers at December 31, 2008 in the first quarter of 2009; however, we remain focused on the continual management of this credit risk.

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 2008, our natural gas costs were volatile and, on average increased almost 25% in the U.S. compared to 2007 levels. Year-over-year coatings raw material costs rose by $150 million in 2008 following a rise of $40 million in 2007. This inflation, which was partially linked to increased oil prices, occurred in all regions of the world, with the most significant impact in the U.S. The impact was most significant in the automotive, industrial, architectural coatings Americas and Asia Pacific and automotive refinish businesses.

We also import raw materials, particularly for use at our manufacturing facilities in the emerging regions of the world. In most cases, those imports are priced in the currency of the supplier and, therefore, our margins are at risk of being lowered if those foreign currencies strengthen against the local currencies of our manufacturing facilities.

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.

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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 $299 million for estimated remediation costs that are probable at December 31, 2008. 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.

Our products are subject to existing and evolving regulations.

Regulations concerning the composition and use of chemical products continue to evolve. Developments concerning these regulations could potentially impact the availability or viability of some of the raw materials we use in our product formulations and/or our ability to supply certain products to some customers or markets.

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 75% of sales and operating income in 2008 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.

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.

Item 1b. Unresolved Staff Comments

None.

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Item 2. Properties

The Company s corporate headquarters is located in Pittsburgh, Pa. The Company s manufacturing facilities, sales offices, research and development centers and distribution centers are located throughout the world. The Company operates 133 manufacturing facilities in 44 countries. The Company s principal manufacturing and distribution facilities are as follows:

Performance Coatings:	Clayton, Australia; Delaware, Ohio; Dover, Del.; Huntsville, Ala.; Kunshan, China; Stowmarket, United Kingdom; Sylmar, Calif.; approximately 410 company-owned stores in the United States and 50 company-owned stores in Australia
Industrial Coatings:	Cieszyn, Poland; Cleveland, Ohio; Oak Creek, Wis.; Tianjin, China; Quattordio, Italy; San Juan del Rio, Mexico and Busan, South Korea
Architectural Coatings EMEA:	Ruitz, France; Budapest, Hungary; Amsterdam, Netherlands; Wroclaw, Poland; Birstall, United Kingdom and approximately 500 company-owned stores, including 175 stores each in France and the United Kingdom
Optical and Specialty Materials:	Barberton, Ohio; Bangkok, Thailand; Lake Charles, La.; and Manila, Philippines
Commodity Chemicals:	Lake Charles, La. and Natrium, W. Va.
Glass:	Carlisle, Pa.; Hoogezand, Netherlands; Shelby, N.C. and Wichita Falls, Texas

Including the principal manufacturing facilities noted above, the Company has manufacturing facilities in the following geographic areas:

United States:	40 manufacturing facilities in 23 states.
Other Americas:	13 manufacturing facilities in 6 countries.
EMEA:	55 manufacturing facilities in 27 countries.
Asia:	25 manufacturing facilities in 10 countries.

The Company s principal research and development centers are located in Allison Park, Pa.; Harmarville, Pa.; and Monroeville, Pa.

The Company s headquarters and company-owned paint stores are located in facilities that are leased while, the Company s other facilities are generally owned. Our facilities are considered to be 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 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 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 of the proposed asbestos settlement, 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.

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

None.

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Executive Officers of the Company

Set forth below is information related to the Company s executive officers as of February 19, 2009.

Name	*Age*	*Title*
Charles E. Bunch (a)	59	Chairman of the Board and Chief Executive Officer since July 2005
James C. Diggs	60	Senior Vice President and General Counsel since July 1997 and Secretary since September 2004
William H. Hernandez (b)	60	Senior Vice President, Finance and Chief Financial Officer since January 1995
J. Rich Alexander (c)	53	Senior Vice President, Performance Coatings since May 2005
Pierre-Marie De Leener (d)	51	Senior Vice President, Architectural Coatings, Europe, Middle East and Africa since January 2008 and President, PPG Europe since July 2008
Richard C. Elias (e)	55	Senior Vice President, Optical and Specialty Materials since July 2008
Victoria M. Holt (f)	51	Senior Vice President, Glass and Fiber Glass since May 2005
Michael H. McGarry (g)	50	Senior Vice President, Commodity Chemicals since July 2008
William A. Wulfsohn (h)	46	Senior Vice President, Industrial 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 Senior Vice President, Architectural Coatings, Europe, Middle East and Africa 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) Mr. Elias held the position of Vice President, Optical Products from April 2000 until June 2008.

(f) Ms. Holt held the position of Vice President, Fiber Glass from February 2003 until April 2005.

(g) Mr. McGarry held the positions of Vice President, Coatings, Europe and Managing Director, PPG Europe from July 2006 through June 2008; Vice President, Chlor-Alkali and Derivatives from March 2004 through June 2006; and General Manager, Fine Chemicals from October 2000 through February 2004.

(h) 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). 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 this plan 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 plan.

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 9,751; 9,742; and 2,886 common stock equivalents in 2008, 2007 and 2006, respectively, under this plan. The values of the common stock equivalents, when credited, ranged from $43.89 to $67.77 in 2008, $68.71 to $75.50 in 2007 and $61.32 to $65.84 in 2006.

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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, 2008:

Month	*Total Number of Shares Purchased*	*Average Price Paid per Share*	*Total Number of Shares Purchased as Part of Publicly Announced Program*[(1)]	*Maximum Number of Shares that May Yet Be Purchased Under the Program*
October 2008				
Repurchase program		$		3,868,609
Other transactions[(2)]				
November 2008				
Repurchase program	18,600	37.77		3,850,009
Other transactions[(2)]				
December 2008				
Repurchase program				3,850,009
Other transactions[(2)]				
Total quarter ended December 31, 2008				

2. Daniel W. Dienst

6. Gerald E. Morris

3. John T. DiLacqua, Jr.

4. C. Lourenco Goncalves

7. Charles P.Sanida

8. Scott M. Tepper

9. James E. Bolin

to hold office until the 2006 Annual Meeting and until their successors are elected and qualified

FOR	**WITHHELD**
FOR ALL NOMINEES	WITHHELD FROM ALL NOMINEES

INSTRUCTION: to withhold authority to vote for any individual nominee, write the nominee's name in the space provided here.

Please check the following box if you plan to attend the Annual Meeting of Stockholders in person.

YOU MAY REVOKE THIS PROXY AT ANY TIME PRIOR TO A VOTE THEREON.

Please sign exactly as name appears on this card. Joint owners should each sign. Executors, administrators, trustees, etc., should give their full titles.

Please complete, sign and promptly mail this proxy in the enclosed envelope.

Signature:	______	Date:	______	Signature:	______	Date:	______

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