

PPG INDUSTRIES INC
Form 10-Q
August 01, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For Quarter Ended June 30, 2011

Commission File Number 1-1687

PPG INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of

25-0730780
(I.R.S. Employer

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incorporation or organization)

Identification No.)

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

15272
(Zip Code)

(412) 434-3131

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of June 30, 2011, 157,518,402 shares of the Registrant's common stock, par value \$1.66-2/3 per share, were outstanding.

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PPG INDUSTRIES, INC. AND SUBSIDIARIES

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

(Millions, except per share amounts)

	Three Months		Six Months	
	Ended June 30		Ended June 30	
	2011	2010	2011	2010
Net sales	\$ 3,986	\$ 3,458	\$ 7,519	\$ 6,584
Cost of sales, exclusive of depreciation and amortization	2,417	2,076	4,544	4,020
Selling, general and administrative	829	745	1,626	1,472
Depreciation	88	85	174	174
Amortization (Note 6)	31	30	62	62
Research and development net	110	97	213	193
Interest expense	55	46	108	91
Asbestos settlement net (Note 18)	3	3	6	6
Other charges	14	17	46	37
Other earnings	(61)	(53)	(111)	(89)
Income before income taxes	500	412	851	618
Income tax expense (Note 10)	128	111	220	258
Net income attributable to the controlling and noncontrolling interests	372	301	631	360
Less: net income attributable to noncontrolling interests	(32)	(29)	(63)	(58)
Net income (attributable to PPG)	\$ 340	\$ 272	\$ 568	\$ 302
Earnings per common share (Note 9)	\$ 2.15	\$ 1.64	\$ 3.57	\$ 1.82
Earnings per common share assuming dilution (Note 9)	\$ 2.12	\$ 1.63	\$ 3.52	\$ 1.81
Dividends per common share	\$ 0.57	\$ 0.54	\$ 1.12	\$ 1.08

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

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

(Millions)

	June 30, 2011	Dec. 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 982	\$ 1,341
Short-term investments	263	637
Receivables (less allowance for doubtful accounts of \$92 and \$91)	3,345	2,778
Inventories (Note 5)	1,821	1,573
Other	828	729
Total current assets	7,239	7,058
Property (net of accumulated depreciation of \$5,947 and \$5,729)	2,759	2,686
Investments	405	550
Goodwill (Note 6)	2,871	2,719
Identifiable intangible assets - net (Note 6)	1,280	1,268
Other assets	713	694
Total	\$ 15,267	\$ 14,975
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term debt and current portion of long-term debt (Note 7)	\$ 111	\$ 28
Asbestos settlement (Note 18)	603	578
Accounts payable and accrued liabilities	3,199	3,002
Business restructuring (Note 16)	9	17
Total current liabilities	3,922	3,625
Long-term debt (Note 7)	3,613	4,043
Asbestos settlement (Note 18)	234	243
Deferred income taxes	305	293
Accrued pensions	707	819
Other postretirement benefits	1,162	1,151
Other liabilities	1,036	968
Total liabilities	10,979	11,142
Commitments and contingent liabilities (Note 18)		
Shareholders' equity (Note 13):		
Common stock	484	484
Additional paid-in capital	759	725
Retained earnings	8,938	8,548
Treasury stock, at cost	(5,044)	(4,708)
Accumulated other comprehensive loss	(1,083)	(1,411)
Total PPG shareholders' equity	4,054	3,638

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Noncontrolling interests	234	195
Total shareholders equity	4,288	3,833
Total	\$ 15,267	\$ 14,975

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

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

(Millions)

	Six Months Ended June 30	
	2011	2010
Operating activities:		
Net income attributable to controlling and noncontrolling interests	\$ 631	\$ 360
Adjustments to reconcile net income to cash from operations:		
Depreciation and amortization	236	236
Pension expense (Note 11)	68	84
Charge related to change in U.S. tax law (Note 10)		85
Equity affiliate earnings, net of dividends	(19)	(17)
Asbestos settlement, net of tax	4	4
Cash contributions to pension plans	(106)	(51)
Restructuring cash spending (Note 16)	(13)	(61)
Change in certain asset and liability accounts:		
Increase in receivables	(508)	(406)
Increase in inventories	(176)	(98)
Increase in other current assets	(62)	(21)
Increase in accounts payable and accrued liabilities	159	191
(Increase) decrease in noncurrent assets	(7)	23
Decrease in noncurrent liabilities	(7)	(12)
Change in accrued tax and interest	12	120
Other	40	(70)
Cash from operating activities	252	367
Investing activities:		
Capital spending:		
Additions to property and long-term investments	(134)	(93)
Business acquisitions, net of cash balances acquired (Note 4)	(52)	(18)
Deposits held in escrow	(3)	(5)
Proceeds from maturity of short-term investments	474	
Purchase of short-term investments	(100)	
Proceeds from termination of cross currency swap contracts		5
Payments on cross currency swap contracts	(46)	(45)
Collection of notes receivable (Note 16)	90	
Return of capital, equity affiliate (Note 16)	78	
Reductions of other property and investments	18	9
Cash from (used for) investing activities	325	(147)
Financing activities:		