PPG INDUSTRIES INC
Form 10-Q
October 31, 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 September 30, 2011

Commission File Number 1-1687

PPG INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania	**25-0730780**
(State or other jurisdiction of	**(I.R.S. Employer**

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 x 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 x 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 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 in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of September 30, 2011, 154,422,346 shares of the Registrant s common stock, par value $1.66-2/3 per share, were outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

PPG INDUSTRIES, INC. AND SUBSIDIARIES

Condensed Consolidated Statement of Income (Unaudited)

(Millions, except per share amounts)

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Net sales	$ 3,849	$ 3,460	$ 11,368	$ 10,044
Cost of sales, exclusive of depreciation and amortization	2,353	2,108	6,897	6,128
Selling, general and administrative	806	739	2,432	2,211
Depreciation	86	86	260	260
Amortization (Note 6)	30	30	92	92
Research and development	108	97	321	290
Interest expense	51	46	159	137
Interest income	(11)	(9)	(32)	(25)
Asbestos settlement net (Note 18)	3	3	9	9
Other charges	14	28	60	65
Other earnings	(53)	(54)	(143)	(127)
Income before income taxes	462	386	1,313	1,004
Income tax expense (Note 10)	120	94	340	352
Net income attributable to the controlling and noncontrolling interests	342	292	973	652
Less: net income attributable to noncontrolling interests	(31)	(30)	(94)	(88)
Net income (attributable to PPG)	$ 311	$ 262	$ 879	$ 564
Earnings per common share (Note 9)	$ 1.98	$ 1.59	$ 5.55	$ 3.41
Earnings per common share assuming dilution (Note 9)	$ 1.96	$ 1.58	$ 5.48	$ 3.39
Dividends per common share	$ 0.57	$ 0.55	$ 1.69	$ 1.63

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

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PPG INDUSTRIES, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheet (Unaudited)

(Millions)

	Sept. 30, 2011	Dec. 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 1,301	$ 1,341
Short-term investments	37	637
Receivables (less allowance for doubtful accounts of $88 and $91)	3,088	2,778
Inventories (Note 5)	1,737	1,573
Other	777	729
Total current assets	6,940	7,058
Property (net of accumulated depreciation of $5,868 and $5,729)	2,669	2,686
Investments	400	550
Goodwill (Note 6)	2,698	2,719
Identifiable intangible assets - net (Note 6)	1,174	1,268
Other assets	662	694
Total	$ 14,543	$ 14,975
Liabilities and Shareholders Equity		
Current liabilities:		
Short-term debt and current portion of long-term debt (Note 7)	$ 102	$ 28
Asbestos settlement (Note 18)	575	578
Accounts payable and accrued liabilities	3,105	3,002
Business restructuring (Note 16)	6	17
Total current liabilities	3,788	3,625
Long-term debt (Note 7)	3,590	4,043
Asbestos settlement (Note 18)	237	243
Deferred income taxes	286	293
Accrued pensions	672	819
Other postretirement benefits	1,156	1,151
Other liabilities	908	968
Total liabilities	10,637	11,142
Commitments and contingent liabilities (Note 18)		
Shareholders equity (Note 13):		
Common stock	484	484
Additional paid-in capital	771	725
Retained earnings	9,159	8,548
Treasury stock, at cost	(5,288)	(4,708)
Accumulated other comprehensive loss	(1,464)	(1,411)
Total PPG shareholders equity	3,662	3,638

Noncontrolling interests	244	195
Total shareholders equity	3,906	3,833
Total	$ 14,543	$ 14,975

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

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PPG INDUSTRIES, INC. AND SUBSIDIARIES

Condensed Consolidated Statement of Cash Flows (Unaudited)

(Millions)

	Nine Months Ended September 30	
	2011	2010
Operating activities:		
Net income attributable to controlling and noncontrolling interests	$ 973	$ 652
Adjustments to reconcile net income to cash from operations:		
Depreciation and amortization	352	352
Pension expense (Note 11)	101	121
Charge related to change in U.S. tax law (Note 10)		85
Equity affiliate earnings, net of dividends	(30)	(35)
Asbestos settlement, net of tax	6	6
Cash contributions to pension plans	(114)	(217)
Restructuring cash spending (Note 16)	(15)	(78)
Change in certain asset and liability accounts:		
Increase in receivables	(390)	(395)
Increase in inventories	(190)	(101)
Increase in other current assets	(45)	(2)
Increase in accounts payable and accrued liabilities	115	235
(Increase) decrease in noncurrent assets	(16)	8
Increase in noncurrent liabilities	8	1
Change in accrued tax and interest	40	126
Other	(18)	(60)
Cash from operating activities	777	698
Investing activities:		
Capital spending:		
Additions to property and long-term investments	(235)	(158)
Business acquisitions, net of cash balances acquired (Note 4)	(56)	(18)
Deposit of cash into escrow	(3)	(5)
Release of cash held in escrow		6
Proceeds from maturity of short-term investments	724	
Purchase of short-term investments	(125)	
Proceeds from termination of cross currency swap contracts		5
Payments on cross currency swap contracts	(10)	(9)
Collection of notes receivable (Note 16)	90	
Return of capital, equity affiliate (Note 16)	78	
Reductions of other property and investments	31	27
Cash from (used for) investing activities	494	(152)
Financing activities:		
Debt:		
Net change in borrowings with maturities of three months or less	2	(61)
Repayments of other short-term debt		(137)
Proceeds from other short-term debt	1	
Proceeds from other long-term debt	3	
Repayment of term loan (Note 7)	(400)	

Repayment of other long-term debt	(6)	
Proceeds from termination of interest rate swaps	19	
Other financing activities:		
Issuance of treasury stock (Note 13)	70	69
Purchase of treasury stock (Note 13)	(633)	(275)
Dividends paid (Note 13)	(268)	(270)
Dividends paid on subsidiary common stock to noncontrolling interests (Note 13)	(36)	(31)
Other	(22)	11
Cash used for financing activities	(1,270)	(694)
Effect of currency exchange rate changes on cash and cash equivalents	(41)	21
Net decrease in cash and cash equivalents	(40)	(127)
Cash and cash equivalents, beginning of period	1,341	1,057
Cash and cash equivalents, end of period	$ 1,301	$ 930

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

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PPG INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Basis of Presentation

The condensed consolidated financial statements included herein are unaudited. In the opinion of management, these statements include all adjustments, consisting only of normal, recurring adjustments, necessary for a fair presentation of the financial position of PPG Industries, Inc. and subsidiaries (the Company or PPG) as of September 30, 2011, and the results of their operations for the three and nine months ended September 30, 2011 and 2010 and their cash flows for the nine months then ended. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in PPG s Annual Report on Form 10-K for the year ended December 31, 2010.

The results of operations for the nine months ended September 30, 2011 are not necessarily indicative of the results to be expected for the full year.

2. New Accounting Standards

In April 2011, the Financial Accounting Standards Board (FASB) issued revisions to the accounting guidance related to troubled debt restructuring. This new guidance is effective for the first interim or annual period beginning on or after June 15, 2011 and should be applied retrospectively to the beginning of the annual period of adoption. PPG adopted the new requirements in the third quarter of 2011 retrospectively as of January 1, 2011; however, the adoption of this guidance did not have a material effect on its consolidated financial position as of September 30, 2011 or its consolidated results of operations or cash flows for the nine months ended September 30, 2011.

In May 2011, the FASB issued an amendment to the fair value measurement guidance and disclosure requirements that establish common U.S. Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS) measurement and reporting requirements. The new requirements are effective for the first interim or annual period beginning after December 15, 2011. The requirements are to be applied prospectively. PPG is currently evaluating the new requirements; however, it does not expect that the adoption of this guidance will have a material effect on its consolidated results of operations, cash flows or financial position.

In June 2011, the FASB issued an amendment to the requirements for presenting comprehensive income. The new requirements are effective for the first interim or annual period beginning after December 15, 2011. The requirements are to be applied retrospectively. The standard requires other comprehensive income to be presented in a continuous statement of comprehensive income that would combine the components of net income and other comprehensive income, or in a separate, but consecutive, statement following the statement of income. PPG will apply these new requirements in the first quarter of 2012; however, it does not expect that the adoption of this guidance will have a material effect on its consolidated results of operations, cash flows or financial position.

3. Fair Value Measurement

The accounting guidance on fair value measurement establishes a hierarchy with three levels of inputs used to determine fair value. Level 1 inputs are quoted prices in active markets for identical assets and liabilities, considered to be the most reliable evidence of fair value, and

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should be used whenever available. Level 2 inputs are observable prices that are not quoted on active exchanges. Level 3 inputs are unobservable inputs used for measuring the fair value of assets or liabilities.

Assets and liabilities reported at fair value on a recurring basis:

(Millions)

	Level 1	Level 2	Level 3	Total
At September 30, 2011				
Short-term investments:				
Commercial paper and restricted cash	$	$ 33	$	$ 33
Marketable equity securities	4			4
Other current assets:				
Foreign currency contracts[2]		7		7
Equity forward arrangement[1]		37		37
Interest rate swaps[1]		1		1
Investments:				
Marketable equity securities	54			54
Other assets:				
Interest rate swaps[1]		25		25
Accounts payable and accrued liabilities:				
Foreign currency contracts[1]		4		4
Natural gas swap contracts[1]		10		10
Forward starting swaps[1]		86		86
Other liabilities:				
Cross currency swaps[1]		144		144
Foreign currency contracts[1]		2		2
At December 31, 2010				
Short-term investments:				
Commercial paper and restricted cash	$	$ 632	$	$ 632
Marketable equity securities	5			5
Other current assets:				
Foreign currency contracts[1]		4		4
Equity forward arrangement[1]		55		55
Investments:				
Marketable equity securities	65			65
Other assets:				
Interest rate swaps[1]		20		20
Accounts payable and accrued liabilities:				
Foreign currency contracts[1]		4		4
Natural gas swap contracts[1]		28		28
Other liabilities:				
Cross currency swaps[1]		163		163
Forward starting swaps[1]		21		21
Natural gas swap contracts[1]		3		3

(1) This entire balance is designated as a hedging instrument under U.S. GAAP.
(2) All but $1 million of this balance is designated as a hedging instrument under U.S. GAAP.

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4. Acquisitions

During the nine months ended September 30, 2011, PPG spent $56 million on several acquisitions, including purchase price adjustments related to acquisitions that were completed prior to December 31, 2010. In May 2011, PPG acquired the assets of Equa-Chlor, Inc. for $28 million, of which $3 million is held in escrow. PPG assessed the fair value of the assets acquired and liabilities assumed, which consisted principally of property and operating working capital. PPG recorded a net benefit of $9 million stemming from a bargain purchase gain of $10 million reflecting the excess of the fair value of the net assets acquired over the price paid for the business and a $1 million loss related to the flow-through cost of sales of the step up to fair value of acquired inventory. The gain is reported in Other earnings in the accompanying condensed consolidated statement of income for the nine months ended September 30, 2011. The remaining amounts spent on acquisitions during the nine-month period ending September 30, 2011, relate to several acquisitions in the coatings businesses including the acquisition of a South African automotive refinish distributor.

During the nine months ended September 30, 2010, PPG spent $18 million on acquisitions (net of cash acquired of $3 million).

5. Inventories

Inventories as of September 30, 2011 and December 31, 2010 are detailed below:

	Sept. 30, 2011	Dec. 31, 2010
	(Millions)	
Finished products	$ 1,007	$ 912
Work in process	157	136
Raw materials	458	411
Supplies	115	114
Total	$ 1,737	$ 1,573

Most U.S. inventories are valued using the last-in, first-out method. These inventories represented approximately 33 percent of total inventories at September 30, 2011 and December 31, 2010. If the first-in, first-out method of inventory valuation had been used, inventories would have been $230 million and $201 million higher as of September 30, 2011 and December 31, 2010, respectively.

6. Goodwill and Other Identifiable Intangible Assets

The change in the carrying amount of goodwill attributable to each reportable segment for the nine months ended September 30, 2011 was as follows:

	Performance Coatings	Industrial Coatings	Architectural Coatings EMEA	Optical and Specialty Materials	Commodity Chemicals	Glass	Total
	(Millions)						
Balance, Dec. 31, 2010	$ 1,151	$ 495	$ 966	$ 49	$ 6	$ 52	$ 2,719
Acquisitions	4		1				5
Currency	(19)	(3)	(4)				(26)
Balance, September 30, 2011	$ 1,136	$ 492	$ 963	$ 49	$ 6	$ 52	$ 2,698

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The carrying amount of acquired trademarks with indefinite lives as of September 30, 2011 and December 31, 2010 totaled $321 million and $323 million, respectively.

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

	September 30, 2011			December 31, 2010		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
	(Millions)					
Acquired technology	$ 515	$ (301)	$ 214	$ 515	$ (273)	$ 242
Customer-related intangibles	964	(402)	562	974	(355)	619
Tradenames	117	(47)	70	120	(44)	76
Other	32	(25)	7	31	(23)	8
Balance	$ 1,628	$ (775)	$ 853	$ 1,640	$ (695)	$ 945

Aggregate amortization expense related to these identifiable intangible assets for the three and nine months ended September 30, 2011 and 2010 was $30 million and $92 million, respectively. As of September 30, 2011, estimated future amortization expense of identifiable intangible assets is as follows: $31 million for the fourth quarter of 2011, approximately $130 million in 2012, and approximately $115 to $120 million in each of the following four years.

7. Debt

In June 2011, the Company repaid a $400 million three year unsecured term loan, which had a scheduled maturity date of June 2012. There was no prepayment penalty.

In October 2009, the Company entered into an agreement with a counterparty to repurchase up to 1.2 million shares of the Company s stock of which 1.1 million shares were purchased in the open market. The counterparty held the shares until September 2010 when the Company paid $65 million and took possession of these shares.

8. Variable Interest Entities

PPG has a 50 percent ownership interest in RS Cogen, L.L.C., which toll produces electricity and steam that are primarily sold to PPG and its joint venture partner under take-or-pay contracts with terms that extend to 2022. The joint venture was formed with a wholly-owned subsidiary of Entergy Corporation (Entergy) in 2000 for the construction and operation of a $300 million process steam, natural gas-fired cogeneration facility in Lake Charles, La., the majority of which was financed by loans having terms that extend to 2022 from a syndicate of banks. The joint venture also maintains revolving credit arrangements which are drawn upon to manage short-term cash flow needs. These arrangements are subordinate to the senior credit facilities. The cogeneration facility serves as collateral under the most senior credit facility and neither owner has provided guarantees to any of the lenders to RS Cogen.

PPG s future commitment to purchase electricity and steam from the joint venture approximates $23 million per year subject to contractually defined inflation adjustments for the next 12 years. The purchases for the years ended December 31, 2010, 2009 and 2008 were $23 million, $23 million and $24 million, respectively.

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RS Cogen is a variable interest entity under U.S. accounting guidance. The daily operations of the cogeneration facility are the activities of RS Cogen that most significantly impact its economic performance. These activities are directed by a management team with oversight by a management committee that has equal representation from PPG and Entergy. By the terms of the joint venture agreement, all decisions of the management committee require approval by a majority of its members. Accordingly, the power to direct the activities of RS Cogen is equally shared between RS Cogen s two owners and, thus, PPG does not consider itself to be the joint venture s primary beneficiary. Accordingly, PPG accounts for its investment in RS Cogen under the equity method of accounting.

The following table summarizes PPG s maximum exposure to loss associated with RS Cogen.

(Millions)	
Investment in and advances to RS Cogen	$ 13
Take-or-pay obligation under power tolling arrangement through 2023	263
Maximum exposure to loss as of September 30, 2011	$ 276

9. Earnings Per Common Share

The following table presents the earnings per common share calculations for the three and nine months ended September 30, 2011 and 2010.

(Millions, except per share amounts)	Three Months Ended Sept. 30 2011	2010	Nine Months Ended Sept. 30 2011	2010
Earnings per common share (attributable to PPG)				
Net income (attributable to PPG)	$ 311	$ 262	$ 879	$ 564
Weighted average common shares outstanding	156.8	164.2	158.5	165.1
Earnings per common share (attributable to PPG)	$ 1.98	$ 1.59	$ 5.55	$ 3.41
Earnings per common share - assuming dilution (attributable to PPG)				
Net income (attributable to PPG)	$ 311	$ 262	$ 879	$ 564
Weighted average common shares outstanding	156.8	164.2	158.5	165.1
Effect of dilutive securities:				
Stock options	1.0	0.8	1.2	0.7
Other stock compensation plans	0.8	0.4	0.8	0.6
Potentially dilutive common shares	1.8	1.2	2.0	1.3
Adjusted weighted average common shares outstanding	158.6	165.4	160.5	166.4
Earnings per common share - assuming dilution (attributable to PPG)	$ 1.96	$ 1.58	$ 5.48	$ 3.39

Excluded from the computation of diluted earnings per share due to their antidilutive effect were 0.6 million outstanding stock options for the three and nine months ended September 30, 2011 and 1.8 million outstanding stock options for the three and nine months ended September 30, 2010.

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10. Income Taxes

PPG recorded a one-time after tax charge in the first quarter 2010 of $85 million, or 51 cents per share, as a result of a change in U.S. tax law included in the U.S. Patient Protection and Affordable Care Act enacted in March 2010. Under the prior tax law, the total amount paid for prescription drug costs for retirees over the age of 65 was tax deductible. Beginning in 2013, however, these costs will only be deductible to the extent they exceed the amount of the annual subsidy PPG receives from the U.S. government under Medicare Part D. As a result of this change, the Company s deferred tax asset, which reflected the future tax deductibility of these post retirement costs, had to be reduced. This resulted in a charge against earnings of $85 million in the first quarter of 2010, the period that the change in the tax law was enacted, as required by the accounting guidance for income taxes.

The Company files federal, state and local income tax returns in numerous domestic and foreign jurisdictions. In most tax jurisdictions, returns are subject to examination by the relevant tax authorities for a number of years after the returns have been filed. The Company is no longer subject to examinations by tax authorities in any major tax jurisdiction for years before 2003. Additionally, the Internal Revenue Service (IRS) has completed its examination of the Company s U.S. federal income tax returns filed for years through 2008. The examination of the 2008 U.S. federal income tax return was completed in the first quarter of 2011. The IRS is currently conducting its examination of the Company s U.S. federal income tax return for 2009. This examination is expected to be completed in 2012 and is not expected to result in a significant adjustment to the Company s income tax expense.

11. Pensions and Other Postretirement Benefits

The net periodic benefit costs for the three and nine months ended September 30, 2011 and 2010 were as follows:

	Pensions			
	Three Months Ended Sept. 30		Nine Months Ended Sept. 30	
	2011	2010	2011	2010
	(Millions)			
Service cost	$ 16	$ 15	$ 48	$ 48
Interest cost	64	61	192	187
Expected return on plan assets	(77)	(69)	(234)	(208)
Amortization of prior service cost		1		3
Amortization of actuarial losses	31	29	91	91
Curtailment losses			4	
Net periodic pension cost	$ 34	$ 37	$ 101	$ 121

PPG does not have a mandatory contribution to make to its U.S. defined benefit pension plans in 2011; however, PPG made voluntary contributions of $50 million to these plans in January 2011. PPG expects to make mandatory contributions to its non-U.S. plans in 2011 of approximately $75 million, of which $64 million was made as of September 30, 2011.

In January 2011, the Company approved an amendment to one of its U.S. defined benefit pension plans that represented 77 percent of the total U.S. projected benefit obligation at December 31,

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2010. This change will result in employees no longer accruing benefits under this plan either as of December 31, 2011 or December 31, 2020 depending upon the employee s combined age and service to PPG. The affected employees will participate in the Company s defined contribution retirement plan from the date their benefit under the defined benefit plan is frozen. The Company has remeasured the projected benefit obligation of the amended plan, which resulted in an approximate $65 million reduction in the liability and lowered 2011 pension expense by approximately $12 million. The Company recognized a curtailment loss associated with this plan amendment of $4 million in the first quarter of 2011.

The net periodic other postretirement benefit costs for the three and nine months ended September 30, 2011 and 2010 were as follows:

	Other Postretirement Benefits			
	Three Months Ended Sept. 30		Nine Months Ended Sept. 30	
	2011	2010	2011	2010
	(Millions)			
Service cost	$ 5	$ 5	$ 14	$ 14
Interest cost	15	16	47	48
Amortization of prior service credit	(3)	(2)	(9)	(5)
Amortization of actuarial losses	8	5	23	15
Net periodic other postretirement benefit cost	$ 25	$ 24	$ 75	$ 72

12. Comprehensive Income

Total comprehensive income (loss) for the three and nine months ended September 30, 2011 and 2010 was as follows:

	Three Months Ended Sept. 30		Nine Months Ended Sept. 30	
	2011	2010	2011	2010
	(Millions)			
Net income attributable to the controlling and noncontrolling interests	$ 342	$ 292	$ 973	$ 652
Other comprehensive (loss) income, net of tax:				
Pension and other postretirement benefits	45	1	94	18
Unrealized currency translation adjustment	(410)	347	(126)	(5)
Unrealized (loss) income on marketable securities		(1)		1
Net change derivatives (Note 15)	(32)	(12)	(29)	(33)
Other comprehensive (loss) income, net of tax	(397)	335	(61)	(19)
Total comprehensive (loss) income	(55)	627	912	633
Less: amounts attributable to noncontrolling interests:				
Net income	(31)	(30)	(94)	(88)
Unrealized currency translation adjustment	16	(12)	8	
Comprehensive (loss) income attributable to PPG	$ (70)	$ 585	$ 826	$ 545

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13. Shareholders Equity

The following tables present the change in total shareholders equity for the nine months ended September 30, 2011 and 2010, respectively:

(Millions)	000000 Total PPG Shareholders Equity	000000 Non-controlling Interests	000000 Total
Balance, January 1, 2011	$ 3,638	$ 195	$ 3,833
Net income	879	94	973
Other comprehensive loss, net of tax	(53)	(8)	(61)
Cash dividends	(268)		(268)
Issuance of treasury stock	95		95
Purchase of treasury stock	(633)		(633)
Stock-based compensation activity	4		4
Dividends paid on subsidiary common stock to noncontrolling interests		(36)	(36)
Other changes in noncontrolling interests		(1)	(1)
Balance, September 30, 2011	$ 3,662	$ 244	$ 3,906

(Millions)	Total PPG Shareholders Equity	Non-controlling Interests	Total
Balance, January 1, 2010	$ 3,753	$ 169	$ 3,922
Net income	564	88	652
Other comprehensive loss, net of tax	(19)		(19)
Cash dividends	(270)		(270)
Issuance of treasury stock	92		92
Purchase of treasury stock	(275)		(275)
Stock-based compensation activity	2		2
Dividends paid on subsidiary common stock to noncontrolling interests		(31)	(31)
Equity forward agreement (Note 7)	27		27
Other changes in noncontrolling interests		2	2
Balance, September 30, 2010	$ 3,874	$ 228	$ 4,102

14. Financial Instruments, Excluding Derivative Financial Instruments

Included in PPG s financial instrument portfolio are cash and cash equivalents, short-term investments, cash held in escrow, marketable equity securities, company-owned life insurance and short and long-term debt instruments. The fair values of these financial instruments approximated their carrying values at September 30, 2011 and December 31, 2010, in the aggregate, except for long-term debt.

Long-term debt (excluding capital lease obligations) had carrying and fair values totaling $3,633 million and $4,095 million, respectively, as of September 30, 2011. Long-term debt (excluding capital lease obligations) had carrying and fair values totaling $4,013 million and $4,299 million, respectively, as of December 31, 2010. The fair values of the debt instruments were based on discounted cash flows and interest rates then currently available to the Company for instruments of the same remaining maturities.

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15. Derivative Financial Instruments and Hedge Activities

The Company recognizes all derivative financial instruments as either assets or liabilities at fair value on the balance sheet. The accounting for changes in the fair value of a derivative depends on the use of the instrument. To the extent that a derivative is effective as a hedge of an exposure to future changes in cash flows, the change in fair value of the instrument is deferred in accumulated other comprehensive income (loss) (AOCI). Any portion considered to be ineffective is reported in earnings immediately, including changes in value related to credit risk. To the extent that a derivative is effective as a hedge of an exposure to future changes in fair value, the change in the derivative s fair value is offset in the condensed consolidated statement of income by the change in fair value of the item being hedged. To the extent that a derivative or a financial instrument is effective as a hedge of a net investment in a foreign operation, the change in the derivative s fair value is deferred as an unrealized currency translation adjustment in AOCI.

PPG s policies do not permit speculative use of derivative financial instruments. PPG uses derivative instruments to manage its exposure to fluctuating natural gas prices through the use of natural gas swap contracts. PPG also uses forward currency and option contracts as hedges against its exposure to variability in exchange rates on short-term intercompany transactions, unrecognized firm sales commitments and cash flows denominated in foreign currencies. PPG uses foreign denominated debt and cross currency swap contracts to hedge net investments in foreign operations. Interest rate swaps are used to manage the Company s exposure to changing interest rates as such rate changes affect the fair value of fixed rate borrowings. Forward starting swaps are used to lock-in a fixed interest rate, to which will be added a corporate spread, related to future long-term debt refinancings. PPG also uses an equity forward arrangement to hedge the Company s exposure to changes in the fair value of PPG stock that is to be contributed to the asbestos settlement trust as discussed in Note 18, Commitments and Contingent Liabilities.

PPG enters into derivative financial instruments with high credit quality counterparties and diversifies its positions among such counterparties in order to reduce its exposure to credit losses. The Company did not realize a credit loss on derivatives during the nine months ended September 30, 2011 or 2010.

PPG centrally manages certain of its foreign currency transaction risks to minimize the volatility in cash flows caused by currency fluctuations. Decisions on whether to use derivative financial instruments to hedge the net transaction exposures related to all regions of the world are made based on the amount of those exposures by currency and, in certain situations, an assessment of the near-term outlook for certain currencies. This net hedging strategy does not qualify for hedge accounting; therefore, the change in the fair value of these instruments is recorded in Other charges in the accompanying condensed consolidated statement of income in the period of change. As of September 30, 2011 and December 31, 2010, the fair value of these contracts was a net asset of $1 million and a net asset of less than $0.1 million, respectively.

PPG designates forward currency contracts as hedges against the Company s exposure to variability in exchange rates on short-term intercompany transactions denominated in foreign currencies. To the extent effective, changes in the fair value of these instruments are deferred in AOCI and subsequently reclassified to Other charges in the accompanying condensed consolidated statement of income as foreign exchange gains and losses are recognized on the related intercompany transactions. The portion of the change in fair value considered to be ineffective is recognized immediately in Other charges in the accompanying condensed consolidated statement of income. All amounts related to these instruments deferred in AOCI as of September 30, 2011 will be reclassified to earnings within the next twelve months. As of September 30, 2011 and December 31, 2010, the fair value of these instruments was a net asset of $3 million and a net liability of $2 million, respectively.

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PPG designates forward currency contracts as hedges against the Company s exposure to future changes in fair value related to certain firm sales commitments denominated in foreign currencies. These contracts are designated as fair value hedges. As such, they are reported at fair value in the Company s condensed consolidated balance sheet, with changes in the fair value of these contracts and that of the related firm sales commitments reported in net sales. As of September 30, 2011, these contracts converted $93 million to the South Korean won over the 33 month period ending June 30, 2014. As of December 31, 2010, these contracts converted $76 million to the South Korean won over the 33 month period ending September 30, 2013. As of September 30, 2011 and December 31, 2010, the fair value of the contracts was a net liability of $3 million and a net asset of $2 million, respectively.

PPG previously entered into ten U.S. dollar to euro cross currency swap contracts with a total notional amount of $1.3 billion, of which $600 million were to settle on March 15, 2013 and $700 million were to settle on March 15, 2018. One contract, with a notional amount of $140 million and a settlement date of March 15, 2018 was converted to cash during the first quarter of 2010. Accordingly, on settlement of the remaining outstanding contracts PPG will receive $1.2 billion U.S. dollars and pay Euros to the counterparties to the contracts. During the term of these contracts, PPG will receive semiannual payments in March and September of each year based on U.S. dollar, long-term fixed interest rates, and PPG will make annual payments in March of each year to the counterparties based on euro, long-term fixed interest rates. The Company has designated these swaps as hedges of its net investment in the acquired SigmaKalon businesses and, as a result, the mark to market fair value adjustments of the swaps have been and will be recorded as a component of AOCI, and the cash flow impact of these swaps has been and will be classified as investing activities in the condensed consolidated statement of cash flows. As of September 30, 2011 and December 31, 2010, the fair value of these contracts was a net liability of $144 million and $163 million, respectively.

As of September 30, 2011 and December 31, 2010, PPG designated 300 million euro-denominated borrowings as a hedge of a portion of PPG s net investment in the Company s European operations. Also during 2010, certain portions of PPG s various other euro-denominated borrowings were designated as hedges of PPG s investments in its European operations. As a result, the change in book value from adjusting these foreign denominated borrowings to current spot rates was deferred in AOCI.

As of September 30, 2011 and December 31, 2010, the Company had accumulated pretax unrealized translation losses in AOCI of $24 million and $33 million, respectively, related to both the euro-denominated borrowings and the cross currency swaps that have been designated as hedges of net investments.

Deferrals in AOCI related to hedges of the Company s net investments in European operations would be reclassified and recognized in earnings upon a substantial liquidation, sale or partial sale of such investments or upon impairment of all or a portion of such investments.

The Company manages its interest rate risk by balancing its exposure to fixed and variable rates while attempting to minimize its interest costs. Generally, the Company maintains variable interest rate debt at a level of approximately 25 percent to 50 percent of total borrowings. PPG principally manages its fixed and variable interest rate risk by retiring and issuing debt from time to time and through the use of interest rate swaps. As of September 30, 2011 and December 31, 2010, these swaps converted $445 million and $450 million of fixed rate debt to variable rate debt, respectively. The swaps are designated as fair value hedges. As such, these swaps are carried at fair value. Changes in the fair value of these swaps and that of the related debt are recorded in Interest expense in the accompanying condensed consolidated statement of income. As of September 30, 2011 and December 31, 2010, the fair value of these contracts was a net asset of $26 million and $20 million, respectively.

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The Company entered into forward starting swaps in 2009 and in the second quarter of 2010 to effectively lock-in a fixed interest rate for future debt refinancings with an anticipated term of ten years based on the ten year swap rate, to which will be added a corporate spread. All of the swap contracts are required to be settled in July 2012. As of September 30, 2011 and December 31, 2010, the notional amount of the swaps outstanding totaled $400 million. To the extent that the swaps are effective, changes in the fair values of the swap contracts are deferred in AOCI. The portion of the change in fair value considered to be ineffective is recognized immediately in Other charges in the accompanying condensed consolidated statement of income. Amounts deferred in AOCI will be reclassified to Interest expense over the same period of time that interest expense is recognized on the future borrowings. As of September 30, 2011 and December 31, 2010, the fair value of these swaps was a liability of $86 million and $21 million, respectively.

The Company uses derivative instruments to manage its exposure to fluctuating natural gas prices through the use of natural gas swap contracts. These instruments mature over the next 11 months. To the extent that these instruments are effective in hedging PPG s exposure to price changes, changes in the fair values of the hedge contracts are deferred in AOCI and reclassified to Cost of sales, exclusive of depreciation and amortization as the natural gas is purchased. The amount of ineffectiveness is reported in Other charges in the accompanying condensed consolidated statement of income immediately. As of September 30, 2011 and December 31, 2010, the fair value of these contracts was a liability of $10 million and $31 million, respectively. Of the total pretax loss deferred in AOCI as of September 30, 2011, $10 million related to contracts that mature within the twelve-month period ending September 30, 2012.

PPG entered into a one-year renewable equity forward arrangement with a bank in 2003 in order to mitigate the impact on PPG earnings of changes in the fair value of 1,388,889 shares of PPG stock that are to be contributed to the asbestos settlement trust as discussed in Note 18, Commitments and Contingent Liabilities. This instrument, which has been renewed, is recorded at fair value as an asset or liability and changes in the fair value of this instrument are reflected in the Asbestos settlement net caption of the accompanying condensed consolidated statement of income. The total principal amount payable for these shares is $62 million. PPG will pay to the bank interest based on the principal amount and the bank will pay to PPG an amount equal to the dividends paid on these shares during the period this instrument is outstanding. The difference between the principal amount and any amounts related to unpaid interest or dividends and the current market price for these shares, adjusted for credit risk, represents the fair value of the instrument as well as the amount that PPG would pay or receive if the bank chose to net settle the instrument. Alternatively, the bank may, at its option, require PPG to purchase the shares covered by the arrangement at the principal amount adjusted for unpaid interest and dividends as of the date of settlement. As of September 30, 2011 and December 31, 2010, the fair value of this contract was an asset of $37 million and $55 million, respectively.

No derivative instrument initially designated as a hedge instrument was undesignated or discontinued as a hedging instrument during the nine month periods ended September 30, 2011 or 2010. Nor were any amounts deferred in AOCI reclassified to earnings during these periods related to hedges of anticipated transactions that were no longer expected to occur.

All of the outstanding derivative instruments are subject to accelerated settlement in the event of PPG s failure to meet its debt obligations or payment obligations under the terms of the instruments contractual provisions. In addition, should the Company be acquired and its payment obligations under the derivative instruments contractual arrangements not be assumed by the acquirer, or should PPG enter into bankruptcy, receivership or reorganization proceedings, the instruments would also be subject to accelerated settlement.

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For the first nine months of 2011, Other comprehensive income included a net pretax loss due to cash flow hedge derivatives of $47 million ($29 million, net of tax). This loss was comprised of realized losses of $8 million and unrealized losses of $55 million. The realized losses related to the settlement during the period of natural gas contracts, interest rate swaps owned by RS Cogen (Refer to Note 8, Variable Interest Entities for a discussion regarding this equity method investment), offset in part by realized gains on settlement of foreign currency contracts. The unrealized losses related to the change in fair value of forward starting swaps, natural gas contracts, and interest rate swaps owned by RS Cogen, offset in part by the change in fair value of foreign currency contracts.

For the first nine months of 2010, other comprehensive income included a net pretax loss due to cash flow hedge derivatives of $54 million ($33 million, net of tax). This loss was comprised of realized losses of $67 million and unrealized losses of $121 million. The realized losses related to the settlement during the period of natural gas contracts, interest rate swaps owned by one of the Company s investees accounted for under the equity method of accounting and foreign currency contracts. The unrealized losses related to the change in fair value of the natural gas and foreign currency contracts, the change in fair value on forward starting swaps and interest rate swaps owned by one of the Company s investees accounted for under the equity method of accounting.

Refer to Note 3, Fair Value Measurement, for additional disclosures related to the Company s derivative instruments outstanding as of September 30, 2011 and December 31, 2010.

The following table provides details for the nine month period ended September 30, 2011 related to fair value, cash flow and net investment hedges by type of derivative and financial instrument. All amounts are pretax:

(Millions)		Gain (Loss) Recognized	
Hedge Type	**Gain (Loss) Deferred in OCI**	**Amount**	**Caption**
Fair Value			
Interest rate swaps (a)	Not applicable	$ 15	Interest expense
Foreign currency contracts (b)	Not applicable	2	Sales
Equity forward arrangements (a)	Not applicable	(18)	Asbestos - net
Total Fair Value		$ (1)	
Cash Flow			
Natural gas swaps (a)	$ (6)	$ (26)	Cost of sales
Interest rate swaps of an equity method investee	(2)	(2)	Other earnings
Forward starting swaps (c)	(67)		
Foreign currency contracts (d)	20	20	Other charges
Total Cash Flow	$ (55)	$ (8)	
Net Investment			
Cross currency swaps (e)	$ 9	$	
Foreign denominated debt		Not applicable	
Total Net Investment	$ 9		
Non-Hedge			
Foreign currency contracts	Not applicable	$	Other charges
Total Non-Hedge		$	

(a) The ineffective portion related to each of these items was less than $0.1 million of income.

(b) The ineffective portion related to this item was $1 million of income.
(c) The ineffective portion related to this item was $2 million of income.
(d) The ineffective portion related to this item was $4 million of expense.
(e) The ineffective portion related to this item was $1 million of expense.

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The following tables provide details for the nine month period ended September 30, 2010 related to fair value, cash flow and net investment hedges by type of financial instrument. All amounts are pretax:

(Millions)		Gain (Loss) Recognized	
Hedge Type	**Gain (Loss) Deferred in OCI**	**Amount**	**Caption**
Fair Value			
Interest rate swaps (a)	Not applicable	$ 8	Interest expense
Foreign currency contracts (a)	Not applicable	(2)	Sales
Equity forward arrangements (a)	Not applicable	22	Asbestos - net
Total Fair Value		$ 28	
Cash Flow			
Natural gas swaps (a)	$ (39)	$ (43)	Cost of sales
Interest rate swaps of an equity method investee	(3)	(2)	Other earnings
Forward starting swaps (b)	(57)		
Foreign currency contracts (c)	(23)	(23)	Other charges
Total Cash Flow	$ (122)	$ (68)	
Net Investment			
Cross currency swaps (d)	$ 125	$	
Foreign denominated debt	25	Not applicable	
Total Net Investment	$ 150		
Non-Hedge			
Foreign currency contracts	Not applicable	$ 5	Other charges
Total Non-Hedge		$ 5	

(a) The ineffective portion related to each of these items was less than $0.1 million of expense.
(b) The ineffective portion related to this item was $2 million of income and is recorded in Other charges.
(c) The ineffective portion related to this item was $5 million of expense and is recorded in Other charges.
(d) The ineffective portion related to this item was $3 million of expense and is recorded in Other charges.

16. Cash Flow Information

Cash payments for interest were $177 million and $168 million for the nine months ended September 30, 2011 and 2010, respectively. Cash payments for income taxes for the nine months ended September 30, 2011 and 2010 were $276 million and $153 million, respectively.

Restructuring cash spending of $15 million and $78 million during the nine months ended September 30, 2011 and 2010, respectively, related primarily to severance payments made in connection with restructuring plans approved in the first quarter of 2009 and the third quarter of 2008. At September 30, 2011, the remaining reserve for these plans of $8 million relates to severance payments to be made to certain former employees, including $2 million which will be paid after September 30, 2012.

In April 2011, the Company received $168 million from Pittsburgh Glass Works LLC (PGW), PPG s former automotive glass and services business. The $168 million was comprised of the repayment of $90 million of notes receivable from PGW and a $78 million return of capital. At September 30, 2011, the carrying value of PPG s approximate 40 percent equity interest in PGW was $32 million.

17. Stock-Based Compensation

The Company s stock-based compensation includes stock options, restricted stock units (RSUs) and grants of contingent shares that are earned based on achieving targeted levels of total shareholder return. All current grants of stock options, RSUs and contingent shares are made under the PPG Industries, Inc. Amended and Restated Omnibus Incentive Plan (PPG Amended Omnibus Plan), which was amended and restated effective April 21, 2011. Shares available for future grants under the PPG Amended Omnibus Plan were 9.7 million as of September 30, 2011.

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Total stock-based compensation expense was $6 million and $27 million for the three and nine months ended September 30, 2011, respectively, and $11 million and $34 million for the three and nine months ended September 30, 2010, respectively. The total income tax benefit recognized in the accompanying condensed consolidated statement of income related to the stock-based compensation was $2 million and $9 million for the three and nine months ended September 30, 2011, respectively, and $4 million and $12 million for the three and nine months ended September 30, 2010, respectively.

Stock Options

PPG has outstanding stock option awards that have been granted under two stock option plans: the PPG Industries, Inc. Stock Plan (PPG Stock Plan) and the PPG Amended Omnibus Plan. Under the PPG Amended Omnibus Plan and the PPG Stock Plan, certain employees of the Company have been granted options to purchase shares of common stock at prices equal to the fair market value of the shares on the date the options were granted. The options are generally exercisable beginning from six to 48 months after being granted and have a maximum term of 10 years. Upon exercise of a stock option, shares of Company stock are issued from treasury stock. The PPG Stock Plan includes a restored option provision for options originally granted prior to January 1, 2003 that allows an optionee to exercise options and satisfy the option price by certifying ownership of mature shares of PPG common stock with equivalent market value.

In the first three quarters of 2011, PPG granted 628,927 stock options under the PPG Amended Omnibus Plan at a weighted average exercise price of $88.29 per share. The weighted average fair value of options granted was $19.00 per share. In the first three quarters of 2010, PPG granted 904,170 stock options from the PPG Omnibus Plan, at a weighted average exercise price of $61.85 per share. The weighted average fair value of options granted was $13.46 per share.

The fair value of stock options issued to employees is measured on the date of grant and is recognized as expense over the requisite service period. PPG estimates the fair value of stock options using the Black-Scholes option pricing model. The risk-free interest rate is determined by using the U.S. Treasury yield curve at the date of the grant and using a maturity equal to the expected life of the option. The expected life of options is calculated using the average of the vesting term and the maximum term, as prescribed by accounting guidance on the use of the simplified method for determining the expected term of an employee share option. This method is used as the vesting term of stock options was changed to three years in 2004 and, as a result, the historical exercise data does not provide a reasonable basis upon which to estimate the expected life of options. The expected dividend yield and volatility are based on historical stock prices and dividend amounts over past time periods equal in length to the expected life of the options.

The fair value of the grants issued in the nine months ended September 30, 2011 was calculated with the following weighted average assumptions:

Risk free interest rate	2.9%
Expected life of option in years	6.4
Expected dividend yield	3.3%
Expected volatility	28.0%

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Restricted Stock Units

Long-term incentive value is delivered to selected key management employees by granting RSUs, which have either time or performance-based vesting features. The fair value of an RSU is equal to the market value of a share of PPG stock on the date of grant. Time-based RSUs vest over the three-year period following the date of grant, unless forfeited, and will be paid out in the form of stock, cash or a combination of both at the Company s discretion at the end of the three-year vesting period. Performance-based RSUs vest based on achieving specific annual performance targets for earnings per share growth and cash flow return on capital over the three calendar year-end periods following the date of grant. Unless forfeited, the performance-based RSUs will be paid out in the form of stock, cash or a combination of both at the Company s discretion after the three-year performance period if PPG meets the performance targets. The amount paid for performance-based awards may range from 0 percent to 180 percent of the original grant, based upon the frequency with which the earnings per share growth and cash flow return on capital performance targets are met over the three calendar year periods. For the purposes of expense recognition, PPG has assumed that performance-based RSUs granted in 2009 will vest at the 150 percent level and those granted in 2010 and 2011 will vest at the 100 percent level. As of December 31, 2010, three of the four possible performance targets had been met for the 2009 grant and two of the two possible performance targets had been met for the 2010 grant.

In the first three quarters of 2011, PPG granted 221,009 RSUs at a weighted average fair value of $87.53 per share. In the first three quarters of 2010, PPG granted 358,902 RSUs at a weighted average fair value of $55.55 per share.

Contingent Share Grants

The Company also provides grants of contingent shares to selected key executives that may be earned based on PPG total shareholder return over the three-year period following the date of grant. Contingent share grants (referred to as TSR awards) are made annually and are paid out at the end of each three-year period based on the Company s performance. Performance is measured by determining the percentile rank of the total shareholder return of PPG common stock in relation to the total shareholder return of the S&P 500 for the three-year period following the date of grant. The payment of awards following the three-year award period will be based on performance achieved in accordance with the scale set forth in the plan agreement and may range from 0 percent to 220 percent of the initial grant. A payout of 100 percent is earned if the target performance is achieved. Contingent share awards for the 2009-2011, 2010-2012, and 2011-2013 periods earn dividend equivalents for the award period, which will be paid to participants with the award payout at the end of the period based on the actual number of contingent shares that are earned. Any payments made at the end of the award period may be in the form of stock, cash or a combination of both. The TSR awards qualify as liability awards, and compensation expense is recognized over the three-year award period based on the fair value of the awards (giving consideration to the Company s percentile rank of total shareholder return) remeasured in each reporting period until settlement of the awards.

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18. Commitments and Contingent Liabilities

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

The results of any future litigation of the above lawsuits and claims are 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.

Antitrust Matters

Several complaints were filed in late 2007 and early 2008 in different federal courts naming PPG and other flat glass producers as defendants in purported antitrust class actions. The complaints alleged that the defendants conspired to fix, raise, maintain and stabilize the price and the terms and conditions of sale of flat glass in the United States in violation of federal antitrust laws. In June 2008, these cases were consolidated into one federal court class action in Pittsburgh, Pa. In the consolidated complaint, the plaintiffs sought a permanent injunction enjoining the defendants from future violations of the federal antitrust laws, unspecified compensatory damages, including treble damages, and the recovery of their litigation costs. Many allegations in the complaints were similar to those raised in proceedings by the European Commission in which fines were levied against other flat glass producers arising out of alleged antitrust violations. PPG is not involved in any of the proceedings in Europe. PPG divested its European flat glass business in 1998. A complaint containing allegations substantially similar to the U.S. litigation and seeking compensatory and punitive damages in amounts to be determined by the court was filed in the Superior Court in Windsor, Ontario, Canada in August 2008 regarding the sale of flat glass in Canada. In the third quarter of 2010, the other defendants in these cases agreed to settlements. Although PPG is aware of no wrongdoing or conduct on its part in the operation of its flat glass business that violated any antitrust laws, in order to avoid the ongoing expense of this protracted case, as well as the risks and uncertainties associated with complex litigation involving jury trials, in the third quarter of 2010 PPG reached an agreement in principle to resolve these flat glass antitrust matters for approximately $6 million. Final settlement agreements were executed in the fourth quarter of 2010.

Asbestos Matters

For over 30 years, PPG has been a defendant in lawsuits involving claims alleging personal injury from exposure to asbestos. Most of PPG s potential exposure relates to allegations by plaintiffs that PPG should be liable for injuries involving asbestos-containing thermal insulation products, known as Unibestos, manufactured and distributed by Pittsburgh Corning Corporation (PC). PPG and Corning Incorporated are each 50 percent shareholders of PC. PPG has denied responsibility for, and has defended, all claims for any injuries caused by PC products.

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As of the April 16, 2000 order which stayed and enjoined asbestos claims against PPG (as discussed below), PPG was one of many defendants in numerous asbestos-related lawsuits involving approximately 114,000 claims served on PPG. During the period of the stay, PPG generally has not been aware of the dispositions, if any, of these asbestos claims.

Background of PC Bankruptcy Plan of Reorganization

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

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

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

The terms of the 2002 PPG Settlement Arrangement and the 2003 Corning Settlement Arrangement were incorporated into a bankruptcy reorganization plan for PC along with a disclosure statement describing the plan, which PC filed with the Bankruptcy Court on April 30, 2003. Amendments to the plan and disclosure statement were subsequently filed. On November 26, 2003, after considering objections to the second amended disclosure statement and plan of reorganization, the Bankruptcy Court entered an order approving such disclosure statement and directing that it be sent to creditors, including asbestos claimants, for voting. In March 2004, the second amended PC plan of reorganization (the second amended PC plan of reorganization) received the required votes to approve the plan with a channeling injunction for present and future asbestos claimants under §524(g) of the Bankruptcy Code. After voting results for the second amended PC plan of reorganization were received, the Bankruptcy Court judge conducted a hearing regarding the fairness of the settlement, including whether the plan would be fair with respect to present and future claimants, whether such claimants would be treated in substantially the same manner, and whether the protection provided to PPG and its participating insurers would be fair in view of the assets they would convey to the asbestos settlement trust (the Trust) to be established as part of the second amended PC plan of reorganization. At that hearing, creditors and other parties in interest raised objections to the second amended PC plan of reorganization. Following that hearing, the Bankruptcy Court scheduled oral arguments for the contested items.

The Bankruptcy Court heard oral arguments on the contested items on November 17-18, 2004. At the conclusion of the hearing, the Bankruptcy Court agreed to consider certain post-hearing written submissions. In a further development, on February 2, 2005, the Bankruptcy Court established a briefing schedule to address whether certain aspects of a decision of the U.S. Third Circuit Court of Appeals in an unrelated case had any applicability to the second amended

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PC plan of reorganization. Oral arguments on these matters were subsequently held in March 2005. During an omnibus hearing on February 28, 2006, the Bankruptcy Court judge stated that she was prepared to rule on the PC plan of reorganization in the near future, provided certain amendments were made to the plan. Those amendments were filed, as directed, on March 17, 2006. After further conferences and supplemental briefings, in December 2006, the court denied confirmation of the second amended PC plan of reorganization, on the basis that the plan was too broad in the treatment of allegedly independent asbestos claims not associated with PC.

Terms of 2002 PPG Settlement Arrangement

PPG had no obligation to pay any amounts under the 2002 PPG Settlement Arrangement until 30 days after the second amended PC plan of reorganization was finally approved by an appropriate court order that was no longer subject to appellate review (the Effective Date). If the second amended PC plan of reorganization had been approved as proposed, PPG and certain of its insurers (along with PC) would have made payments on the Effective Date to the Trust, which would have provided the sole source of payment for all present and future asbestos bodily injury claims against PPG, its subsidiaries or PC alleged to be caused by the manufacture, distribution or sale of asbestos products by these companies. PPG would have conveyed the following assets to the Trust: (i) the stock it owns in PC and Pittsburgh Corning Europe, (ii) 1,388,889 shares of PPG s common stock and (iii) aggregate cash payments to the Trust of approximately $998 million, payable according to a fixed payment schedule over 21 years, beginning on June 30, 2003, or, if later, the Effective Date. PPG would have had the right, in its sole discretion, to prepay these cash payments to the Trust at any time at a discount rate of 5.5 percent per annum as of the prepayment date. In addition to the conveyance of these assets, PPG would have paid $30 million in legal fees and expenses on behalf of the Trust to recover proceeds from certain historical insurance assets, including policies issued by certain insurance carriers that were not participating in the settlement, the rights to which would have been assigned to the Trust by PPG.

Under the proposed 2002 PPG Settlement Arrangement, PPG s participating historical insurance carriers would have made cash payments to the Trust of approximately $1.7 billion between the Effective Date and 2023. These payments could also have been prepaid to the Trust at any time at a discount rate of 5.5 percent per annum as of the prepayment date. In addition, as referenced above, PPG would have assigned to the Trust its rights, insofar as they related to the asbestos claims to have been resolved by the Trust, to the proceeds of policies issued by certain insurance carriers that were not participating in the 2002 PPG Settlement Arrangement and from the estates of insolvent insurers and state insurance guaranty funds.

Under the proposed 2002 PPG Settlement Arrangement, PPG would have granted asbestos releases to all participating insurers, subject to a coverage-in-place agreement with certain insurers for the continuing coverage of premises claims (discussed below). PPG would have granted certain participating insurers full policy releases on primary policies and full product liability releases on excess coverage policies. PPG would have also granted certain other participating excess insurers credit against their product liability coverage limits.

If the second amended PC plan of reorganization incorporating the terms of the 2002 PPG Settlement Arrangement and the 2003 Corning Settlement Arrangement had been approved by the Bankruptcy Court, the Court would have entered a channeling injunction under §524(g) and other provisions of the Bankruptcy Code, prohibiting present and future claimants from asserting bodily injury claims after the Effective Date against PPG or its subsidiaries or PC relating to the manufacture, distribution or sale of asbestos-containing products by PC or PPG or its subsidiaries. The injunction would have also prohibited codefendants in those cases from asserting claims against PPG for contribution, indemnification or other recovery. All such claims would have been filed with the Trust and only paid from the assets of the Trust.

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Modified Third Amended PC Plan of Reorganization

To address the issues raised by the Bankruptcy Court in its December 2006 ruling, the interested parties engaged in extensive negotiations regarding the terms of a third amended PC plan of reorganization, including modifications to the 2002 PPG Settlement Arrangement. A modified third amended PC plan of reorganization (the third amended PC plan of reorganization), including a modified PPG settlement arrangement (the 2009 PPG Settlement Arrangement), was filed with the Bankruptcy Court on January 29, 2009. The parties also filed a disclosure statement describing the third amended PC plan of reorganization with the court. The third amended PC plan of reorganization also includes a modified settlement arrangement of Corning Incorporated.

Several creditors and other interested parties filed objections to the disclosure statement. Those objections were overruled by the Bankruptcy Court by order dated July 6, 2009 approving the disclosure statement. The third amended PC plan of reorganization and disclosure statement were then sent to creditors, including asbestos claimants, for voting. The report of the voting agent, filed on February 18, 2010, revealed that all voting classes, including asbestos claimants, voted overwhelmingly in favor of the third amended PC plan of reorganization, which included the 2009 PPG Settlement Arrangement. In light of the favorable vote on the third amended PC plan of reorganization, the Bankruptcy Court conducted a hearing regarding the fairness of the proposed plan, including whether (i) the plan would be fair with respect to present and future claimants, (ii) such claimants would be treated in substantially the same manner, and (iii) the protection provided to PPG and its participating insurers would be fair in view of the assets they would convey to the Trust to be established as part of the third amended PC plan of reorganization. The hearing was held in June of 2010. The remaining objecting parties (a number of objections were resolved through plan amendments and stipulations filed before the hearing) appeared at the hearing and presented their cases. At the conclusion of the hearing, the Bankruptcy Court established a briefing schedule for its consideration of confirmation of the plan and the objections to confirmation. That briefing was completed and final oral arguments held in October 2010. On June 16, 2011 the Bankruptcy Court issued a decision denying confirmation of the third amended PC plan of reorganization. Although denying confirmation, PPG believes that the decision viewed favorably many features of that plan. Several parties filed motions for reconsideration of specific aspects of the Bankruptcy Court s ruling. PPG filed a motion jointly with PC, Corning Incorporated, the official committee representing asbestos claimants, and the legal representatives of future asbestos claimants, and requested a deferred hearing and briefing schedule in view of potential plan amendments that might be considered in response to the June 16, 2011 ruling. Those amendments, along with other technical amendments, were filed on September 23, 2011. The Bankruptcy Court is to consider the amendments, including hearing oral argument on any objections and responses to the objections, on November 30, 2011. The Bankruptcy Court will also hold a status conference on the pending motions for reconsideration and on case management issues at the November 30 hearing. If the Bankruptcy Court ultimately finds the third amended PC plan of reorganization, as amended, to be acceptable, after considering any objections to the amendments, the Bankruptcy Court will enter a confirmation order if all requirements to confirm a plan of reorganization under the Bankruptcy Code have been satisfied. Such an order could be appealed to the U. S. District Court for the Western District of Pennsylvania. Assuming that the District Court approves a confirmation order, interested parties could appeal the order to the U.S. Third Circuit Court of Appeals and subsequently could seek review by the U.S. Supreme Court.

The 2009 PPG Settlement Arrangement will not become effective until the third amended PC plan of reorganization is finally approved by an appropriate court order that is no longer subject to appellate review, and PPG s initial contributions will not be due until 30 business days thereafter (the Funding Effective Date).

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Asbestos Claims Subject to Bankruptcy Court s Channeling Injunction

If the third amended PC plan of reorganization is approved by the Bankruptcy Court and becomes effective, a channeling injunction will be entered under §524(g) of the Bankruptcy Code prohibiting present and future claimants from asserting asbestos claims against PC. With regard to PPG, the channeling injunction by its terms will prohibit present and future claimants from asserting claims against PPG that arise, in whole or in part, out of exposure to Unibestos, or any other asbestos or asbestos-containing products manufactured, sold and/or distributed by PC, or asbestos on or emanating from any PC premises. The injunction by its terms will also prohibit codefendants in these cases that are subject to the channeling injunction from asserting claims against PPG for contribution, indemnification or other recovery. Such injunction will also preclude the prosecution of claims against PPG arising from alleged exposure to asbestos or asbestos-containing products to the extent that a claimant is alleging or seeking to impose liability, directly or indirectly, for the conduct of, claims against or demands on PC by reason of PPG s: (i) ownership of a financial interest in PC; (ii) involvement in the management of PC, or service as an officer, director or employee of PC or a related party; (iii) provision of insurance to PC or a related party; or (iv) involvement in a financial transaction affecting the financial condition of PC or a related party. The foregoing PC related claims are referred to as PC Relationship Claims and constitute, in PPG management s opinion, the vast majority of the pending asbestos personal injury claims against PPG. All claims channeled to the Trust will be paid only from the assets of the Trust.

Asbestos Claims Retained by PPG

The channeling injunction provided for under the third amended PC plan of reorganization will not extend to any claim against PPG that arises out of exposure to any asbestos or asbestos-containing products manufactured, sold and/or distributed by PPG or its subsidiaries that is not a PC Relationship Claim, and in this respect differs from the channeling injunction contemplated by the second amended PC plan of reorganization filed in 2003. While management believes that the vast majority of the approximately 114,000 claims against PPG alleging personal injury from exposure to asbestos relate to products manufactured, distributed or sold by PC, the potential liability for any non-PC Relationship Claims will be retained by PPG. Because a determination of whether an asbestos claim is a non-PC Relationship Claim would typically not be known until shortly before trial and because the filing and prosecution of asbestos claims (other than certain premises claims) against PPG has been enjoined since April 2000, the actual number of non-PC Relationship Claims that may be pending at the expiration of the stay or the number of additional claims that may be filed against PPG in the future cannot be determined at this time. PPG does not expect the Bankruptcy Court to lift the stay until after confirmation or rejection of the third amended PC plan of reorganization. PPG intends to defend against all such claims vigorously and their ultimate resolution in the court system is expected to occur over a period of years.

In addition, similar to what was contemplated by the second amended PC plan of reorganization, the channeling injunction will not extend to claims against PPG alleging personal injury caused by asbestos on premises owned, leased or occupied by PPG (so called premises claims), which generally have been subject to the stay imposed by the Bankruptcy Court. Historically, a small proportion of the claims against PPG and its subsidiaries have been premises claims, and based upon review and analysis, PPG believes that the number of premises claims currently comprises less than 2 percent of the total asbestos related claims against PPG. Beginning in late 2006, the Bankruptcy Court lifted the stay with respect to certain premises claims against PPG. As a result, PPG and its primary insurers have settled

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approximately 500 premises claims. PPG s insurers agreed to provide insurance coverage for a major portion of the payments made in connection with the settled claims, and PPG accrued the portion of the settlement amounts not covered by insurance. PPG, in conjunction with its primary insurers as appropriate, evaluates the factual, medical, and other relevant information pertaining to additional claims as they are being considered for potential settlement. The number of such claims under consideration for potential settlement, currently approximately 350, varies from time to time. Premises claims remain subject to the stay, as outlined above, although certain claimants have requested the Court to lift the stay with respect to these claims and the stay has been lifted as to some claims. PPG believes that any financial exposure resulting from such premises claims, taking into account available insurance coverage, will not have a material adverse effect on PPG s consolidated financial position, liquidity or results of operations.

PPG s Funding Obligations

PPG has no obligation to pay any amounts under the third amended PC plan of reorganization until the Funding Effective Date. If the third amended PC plan of reorganization is approved, PPG and certain of its insurers will make the following contributions to the Trust. On the Funding Effective Date, PPG will relinquish any claim to its equity interest in PC, convey the stock it owns in Pittsburgh Corning Europe and transfer 1,388,889 shares of PPG s common stock or cash equal to the fair value of such shares as defined in the 2009 PPG Settlement Arrangement. PPG will make aggregate cash payments to the Trust of approximately $825 million, payable according to a fixed payment schedule over a period ending in 2023. The first payment is due on the Funding Effective Date. PPG would have the right, in its sole discretion, to prepay these cash payments to the Trust at any time at a discount rate of 5.5 percent per annum as of the prepayment date. PPG s historical insurance carriers participating in the third amended PC plan of reorganization will also make cash payments to the Trust of approximately $1.7 billion between the Funding Effective Date and 2027. These payments could also be prepaid to the Trust at any time at a discount rate of 5.5 percent per annum as of the prepayment date. PPG will grant asbestos releases and indemnifications to all participating insurers, subject to amended coverage-in-place arrangements with certain insurers for remaining coverage of premises claims. PPG will grant certain participating insurers full policy releases on primary policies and full product liability releases on excess coverage policies. PPG will also grant certain other participating excess insurers credit against their product liability coverage limits.

PPG s obligation under the 2009 PPG Settlement Arrangement at December 31, 2008 was $162 million less than the amount that would have been due under the 2002 PPG Settlement Arrangement. This reduction is attributable to a number of negotiated provisions in the 2009 PPG Settlement Arrangement, including the provisions relating to the channeling injunction under which PPG retains liability for any non-PC Relationship Claims. PPG will retain such amount as a reserve for asbestos-related claims that will not be channeled to the Trust, as this amount represents PPG s best estimate of its liability for these claims. PPG does not have sufficient current claim information or settlement history on which to base a better estimate of this liability, in light of the fact that the Bankruptcy Court s stay has been in effect since 2000. As a result, PPG s reserve at September 30, 2011 and December 31, 2010 for asbestos-related claims that will not be channeled to the Trust is $162 million. In addition, under the 2009 PPG Settlement Arrangement, PPG will retain for its own account rights to recover proceeds from certain historical insurance assets, including policies issued by non-participating insurers. Rights to recover these proceeds would have been assigned to the Trust by PPG under the 2002 PPG Settlement Arrangement.

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Following the effective date of the third amended PC plan of reorganization and the lifting of the Bankruptcy Court stay, PPG will monitor the activity associated with asbestos claims which are not channeled to the Trust pursuant to the third amended PC plan of reorganization, and evaluate its estimated liability for such claims and related insurance assets then available to the Company as well as underlying assumptions on a periodic basis to determine whether any adjustment to its reserve for these claims is required.

Of the total obligation of $812 million under the 2009 PPG Settlement Arrangement at September 30, 2011, $575 million is reported as a current liability and the present value of the payments due in the years 2013 to 2023 totaling $237 million is reported as a non-current liability in the accompanying condensed consolidated balance sheet. The future accretion of the noncurrent portion of the liability will total $126 million and be reported as expense in the condensed consolidated statement of income over the period through 2023, as follows (in millions):

Remainder of 2011	$ 4
2012	14
2013 2023	108
Total	$ 126

The following table summarizes the impact on PPG s financial statements for the three and nine months ended September 30, 2011 and 2010 resulting from the 2009 PPG Settlement Arrangement including the change in fair value of the stock to be transferred to the Trust and the equity forward instrument (see Note 15, Derivative Financial Instruments and Hedge Activities) and the increase in the net present value of the future payments to be made to the Trust.

	Three Months Ended Sept. 30		Nine Months Ended Sept. 30	
	2011	2010	2011	2010
	(Millions)			
Increase (decrease) in expense:				
Change in fair value:				
PPG stock	$ (28)	$ 18	$ 18	$ 21
Equity forward instrument	28	(18)	(18)	(22)
Accretion of asbestos liability	3	3	9	10
Asbestos settlement net expense	$ 3	$ 3	$ 9	$ 9

The fair value of the equity forward instrument is included as an Other current asset as of September 30, 2011 and December 31, 2010 in the accompanying condensed consolidated balance sheet. Payments under the fixed payment schedule require annual payments that are due each June. The current portion of the asbestos settlement liability included in the accompanying condensed consolidated balance sheet as of September 30, 2011 consists of all such payments required through September 2012, the fair value of PPG s common stock and the value of PPG s investment in Pittsburgh Corning Europe. The amount due June 30, 2013 of $17 million and the net present value of the remaining payments is included in the long-term asbestos settlement liability in the accompanying condensed consolidated balance sheet as of September 30, 2011.

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Enjoined Claims

If the 2009 PPG Settlement Arrangement is not implemented, for any reason, and the Bankruptcy Court stay expires, PPG intends to defend vigorously the pending and any future asbestos claims, including PC Relationship Claims, asserted against it and its subsidiaries. PPG continues to assert that it is not responsible for any injuries caused by PC products, which it believes account for the vast majority of the pending claims against PPG. Prior to 2000, PPG had never been found liable for any PC-related claims. In numerous cases, PPG was dismissed on motions prior to trial, and in others PPG was released as part of settlements by PC. PPG was found not responsible for PC-related claims at trial in two cases. In January 2000, one jury found PPG, for the first time, partly responsible for injuries to five plaintiffs alleged to be caused by PC products. The plaintiffs holding the judgment on that verdict moved to lift the injunction as applied to their claims. Before the hearing on that motion, PPG entered into a settlement with those claimants in the second quarter of 2010 to avoid the costs and risks associated with the possible lifting of the stay and appeal of the adverse 2000 verdict. The settlement resolved both the motion to lift the injunction and the judgment against PPG. The cost of this settlement was not significant to PPG s results of operations for the second quarter of 2010 and was fully offset by prior insurance recoveries. Although PPG has successfully defended asbestos claims brought against it in the past, in view of the number of claims, and the significant verdicts that other companies have experienced in asbestos litigation, the result of any future litigation of such claims is inherently unpredictable.

Environmental Matters

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

As of September 30, 2011 and December 31, 2010, PPG had reserves for environmental contingencies totaling $242 million and $272 million, respectively, of which $77 million and $83 million, respectively, were classified as current liabilities. The reserve at September 30, 2011 included $140 million for environmental contingencies associated with PPG s former chromium manufacturing plant in Jersey City, N.J. (Jersey City), $49 million for environmental contingencies associated with the Calcasieu River estuary and three operating plant sites in PPG s chemicals business and $53 million for other environmental contingencies, including National Priority List sites and legacy glass manufacturing sites. The reserve at December 31, 2010 included $168 million for environmental contingencies associated with the former chromium manufacturing plant in Jersey City, $50 million for environmental contingencies associated with the Calcasieu River Estuary and three operating plant sites in PPG s chemicals business and $54 million for other environmental contingencies, including National Priority List sites and legacy glass manufacturing sites. Pretax charges against income for environmental remediation costs totaled $3 million and $15 million, respectively, for the three and nine months ended September 30, 2011, and $7 million and $19 million, respectively, for the three and nine months ended September 30, 2010, and are included in Other charges in the accompanying condensed consolidated statement of income. Cash outlays related to such environmental remediation aggregated $9 million and $43 million, respectively, for the three and nine months ended September 30, 2011 and $11 million and $23 million, respectively, for the three and nine months ended September 30, 2010. The impact of foreign currency decreased the liability by $2 million in the first nine months of 2011 and $1 million in the first nine months of 2010, respectively.

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The Company s continuing efforts to analyze and assess the environmental issues associated with a former chromium manufacturing plant site located in Jersey City and at the Calcasieu River Estuary located near the Lake Charles, La. chlor-alkali plant resulted in a pretax charge of $173 million in the third quarter of 2006 for the estimated costs of remediating these sites. These charges for estimated environmental remediation costs in 2006 were significantly higher than PPG s historical range. Excluding 2006, pretax charges against income have ranged between $10 million and $35 million per year for the past 15 years. PPG anticipates that charges against income in 2011 for environmental remediation costs will be within this historical range.

Management expects cash outlays for environmental remediation costs to be approximately $60 million to $70 million in 2011 and to range from $50 million to $70 million annually through 2014. It is possible that technological, regulatory and enforcement developments, the results of environmental studies and other factors could alter the Company s expectations with respect to future charges against income and future cash outlays. Specifically, the level of expected future remediation costs and cash outlays is highly dependent upon activity related to the former chromium manufacturing plant site in New Jersey as discussed below.

Remediation: New Jersey Chrome

Since 1990, PPG has remediated 47 of 61 residential and nonresidential sites under the 1990 Administrative Consent Order (ACO) with the New Jersey Department of Environmental Protection (NJDEP). The most significant of the 14 remaining sites is the former chromium manufacturing location in Jersey City, New Jersey. The principal contaminant of concern is hexavalent chromium. Based on current estimates, at least 700,000 tons of soil may be potentially impacted for all remaining sites. The Company submitted a feasibility study work plan to the NJDEP in October 2006 that includes a review of the available remediation technology alternatives for the former chromium manufacturing location. Under the feasibility study work plan, remedial alternatives which will be assessed include, but are not limited to, soil excavation and offsite disposal in a licensed disposal facility, in situ chemical stabilization of soil and groundwater, and in situ solidification of soils.

As a result of the extensive analysis undertaken in connection with the preparation and submission of the feasibility study work plan for the former chromium manufacturing location described above, the Company recorded a pretax charge of $165 million in the third quarter of 2006. The charge included estimated costs for remediation at the 14 remaining ACO sites, including the former manufacturing site, and for the resolution of litigation filed by NJDEP in May 2005 as discussed below. The principal estimated cost elements of the third quarter 2006 charge and of the remaining reserve at September 30, 2011 were based on competitively derived or readily available remediation industry cost data for representative remedial options, e.g., excavation and in situ stabilization/solidification. The major cost components are (i) transportation and disposal of excavated soil and in place soil treatment and (ii) construction services (related to soil excavation, groundwater management and site security), which account for approximately 55 percent and 25 percent of the reserve, respectively, as of September 30, 2011. The reserve also includes estimated costs for remedial investigation, interim remedial measures, engineering and project management. The most significant assumptions underlying the reserve are those related to the extent and concentration of chromium impacts in the soil, as these will determine the quantity of soil that must be treated in place, the quantity that will have to be excavated and transported for offsite disposal, and the nature of disposal required. The charges are exclusive of any third party indemnification, as management does not expect to receive any such amounts.

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In May 2005, the NJDEP filed a complaint against PPG and two other former chromium producers seeking to hold the parties responsible for a further 53 sites where the source of chromium contamination is not known and to recover costs incurred by the agency in connection with its response activities at certain of those sites. During the third quarter of 2008, the parties reached an agreement in principle on all claims relating to these 53 sites (the Orphan Sites Settlement). Under the terms of this Orphan Sites Settlement, PPG accepted responsibility for remediation of 6 of the 53 sites, one half of the cost for remediating 9 sites where chrome ore processing residue was used as fill in connection with the installation or repair of sewer pipes owned by the city of Jersey City, New Jersey (Jersey City), reimburse the NJDEP for a portion of past costs in the amount of $5 million and be responsible for the NJDEP s oversight costs associated with the sites for which PPG is wholly or partially responsible. This settlement was finalized and issued for public comment in June 2011. After the close of the public comment period, NJDEP determined that no changes to the settlement were necessary and a motion was filed with the court to enter the settlement as a final order. In September of 2011, the court entered the Orphan Site Settlement as a final order. PPG has 60 days from the date the settlement was entered by the court within which to pay the $5 million for the NJDEP past remediation costs to the State of New Jersey. This Orphan Sites Settlement does not affect PPG s responsibilities for the 14 remaining unremediated sites covered by PPG s ACO. A settlement agreement among PPG, NJDEP and Jersey City (which had asserted claims against PPG for lost tax revenue) has been reached and memorialized in the form of a Judicial Consent Order (the JCO) that was entered by the court on June 26, 2009. PPG s remedial obligations under the ACO with NJDEP have been incorporated into the JCO. Pursuant to the JCO, a new process has been established for the review of the technical reports PPG must submit for the investigation and remedy selection for the 14 ACO sites and the 6 sites for which PPG has accepted sole responsibility under the terms of the Orphan Sites Settlement (i.e., 20 PPG sites). The JCO also provided for the appointment of a court-approved Site Administrator who is responsible for establishing a master schedule for the remediation of the 20 PPG sites. The JCO established a goal, based on currently applicable remedial provisions, to remediate soils and sources of contamination at the PPG sites as expeditiously as possible with a goal for completion near the end of 2014 in accordance with the master schedule developed by the Site Administrator. On July 6, 2009, former United States Environmental Protection Agency Deputy Administrator, Michael McCabe, was appointed as Site Administrator under the JCO. The JCO also resolved the claims for reparations for lost tax revenues by Jersey City with the payment of $1.5 million over a 5 year time period. The JCO did not otherwise affect PPG s responsibility for the remediation of the 14 ACO sites. PPG s estimated costs under the Orphan Sites Settlement and the JCO are included in the September 30, 2011 reserve for New Jersey chrome environmental remediation matters.

On February 6, 2009, the Natural Resources Defense Council (NRDC) and the Interfaith Community Organization (ICO) filed suit against PPG in federal court under the federal Resource Conservation and Recovery Act seeking, among other things, to compel PPG to further evaluate and remediate the chromium contaminated sites covered by the 1990 ACO and the settlement with NJDEP and Jersey City. The Complaint sought to compel PPG to clean up the former chromium manufacturing site and certain sites immediately adjacent to the former chromium manufacturing site and also to pay the plaintiffs attorney s fees related to this lawsuit. NRDC and ICO subsequently amended their complaint to add GRACO Community Organization (GRACO), a New Jersey non-profit corporation, as an additional plaintiff. In April 2011, a final settlement of the plaintiffs remediation claims was reached among the parties to this lawsuit. The settlement was memorialized in the form of a consent decree which has been entered by the United States District Court for the District of New Jersey. Pursuant to the terms of this settlement PPG has agreed to remediate the former chromium manufacturing site and the sites immediately adjacent to the former chromium manufacturing site in a manner that is

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consistent with PPG s existing proposed excavation-based remedial proposal under the JCO. Therefore, PPG s estimated remediation costs under this settlement with NRDC, ICO and GRACO are included in the September 30, 2011 reserve for New Jersey chrome environmental remediation matters. In addition to the specified remediation actions, the settlement also requires PPG to pay the sum of $150,000 in five equal annual installments to NRDC, which the NRDC has indicated it intends to use to monitor PPG s cleanup activities at these sites. The plaintiffs claim for attorney s fees remains unresolved and this claim may be subject to further litigation.

The feasibility study work plan for the former chromium manufacturing site previously submitted in 2006 is being incorporated into a Remedial Action Work Plan. PPG submitted a preliminary draft Remedial Action Work Plan for the former chromium manufacturing site to NJDEP in June 2011. Following review and comment by the NJDEP, PPG will submit a final remediation work plan and associated cost estimate for the site, which is expected to occur in early 2012. The work plans for interim remedial measures at that site, which consist of the removal and off-site disposal of concrete foundations, have been approved by NJDEP and the associated work began in the third quarter of 2010.

PPG has submitted a final Remedial Action Work Plan for one other remaining site under the ACO. This proposal has been submitted to the NJDEP for approval, with remedial activities expected to begin in 2012. In addition, investigation activities are ongoing for an additional six sites covered by the ACO adjacent to the former manufacturing site with completion expected in 2011. Investigation activities for the remaining six sites covered by the ACO are also expected to be completed in 2011, and PPG believes the results of the study at the former chromium manufacturing location will provide the Company with relevant information concerning remediation alternatives at these sites. The investigation and remediation of the soils and sources of contamination of all ACO sites and the six orphan sites for which PPG has accepted sole responsibility is scheduled to be completed by the end of 2014.

As described above, multiple future events, including completion of feasibility studies, remedy selection, remedy design and remedy implementation involving governmental agency action or approvals will be required, and considerable uncertainty exists regarding the timing of these future events for the remaining 14 sites covered by the ACO and the six orphan sites for which PPG has accepted responsibility under the terms of the Orphan Sites Settlement. Final resolution of these events is expected to occur over an extended period of time. As these events occur and to the extent that the cost estimates of the environmental remediation remedies change, the existing reserve for this environmental remediation will be adjusted.

Remediation: Calcasieu River Estuary

In Lake Charles, the U.S. Environmental Protection Agency (USEPA) completed an investigation of contamination levels in the Calcasieu River Estuary and issued a Final Remedial Investigation Report in September 2003, which incorporates the Human Health and Ecological Risk Assessments, indicating that elevated levels of risk exist in the estuary. PPG and other potentially responsible parties have completed a feasibility study under the authority of the Louisiana Department of Environmental Quality (LDEQ). PPG s exposure with respect to the Calcasieu Estuary is focused on the lower few miles of Bayou d Inde, a small tributary to the Calcasieu Estuary near PPG s Lake Charles facility, and about 150 to 200 acres of adjacent marshes. The Company and three other potentially responsible parties submitted a draft remediation feasibility study report to the LDEQ in October 2006. The proposed remedial alternatives include sediment dredging, sediment capping, and biomonitoring of fish and shellfish. Principal contaminants of concern which may require remediation include various metals, dioxins and furans, and polychlorinated biphenyls. In response to agency comments on the draft study, the companies conducted additional investigations and submitted a revised

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feasibility report to the agencies in the third quarter of 2008. Government officials have indicated that a U.S. Army Corps of Engineers study has concluded that the proposed remedy will not adversely affect drainage in communities adjacent to Bayou d Inde. In response to the revised feasibility study, LDEQ issued a draft decision document for the Bayou d Inde area in February 2010. The decision document includes LDEQ s selection of remedial alternatives for the Bayou d Inde area and is in accordance with those recommended in the revised feasibility study. LDEQ held a public hearing on March 23, 2010 and subsequently issued its final decision document in March 2011. As in its draft document, LDEQ s selection of remedial approaches is in accordance with those proposed in the feasibility study.

On June 10, 2011, LDEQ met with the Company and the three other potentially responsible parties to discuss implementation of a remedy for Bayou d Inde based on the final decision document. The agency proposed entering into a new Cooperative Agreement with the four companies and on July 12, 2011 transmitted a draft document for the company s consideration. At the same time, the companies have initiated discussions among themselves on allocation of costs associated with remedy implementation.

Multiple future events, such as remedy design and remedy implementation involving agency action or approvals related to the Calcasieu River Estuary will be required and considerable uncertainty exists regarding the timing of these future events. Final resolution of these events is expected to occur over an extended period of time. However, based on currently available information, design approval could occur in 2012. The remedy implementation could occur during 2012 to 2015, with some period of long-term monitoring for remedy effectiveness to follow. In addition, PPG s obligation related to any potential remediation will be dependent in part upon the final allocation of responsibility among the potentially responsible parties. Negotiations with respect to this allocation are ongoing, but the outcome is uncertain.

Remediation: Reasonably Possible Matters

In addition to the amounts currently reserved for environmental remediation, the Company may be subject to loss contingencies related to environmental matters estimated to be as much as $200 million to $400 million, which is unchanged from the previously reported range. Such unreserved losses are reasonably possible but are not currently considered to be probable of occurrence. This range of reasonably possible unreserved loss relates to environmental matters at a number of sites; however, about 50 percent of this range relates to additional costs at the former chromium manufacturing plant site and related sites in Jersey City, N.J., about 25 percent relates to the Calcasieu River Estuary and the three operating PPG plant sites in the Company s chemicals businesses and the remaining 25 percent relates to a number of other sites, including legacy glass manufacturing sites. The loss contingencies related to these sites include significant unresolved issues such as the nature and extent of contamination at these sites and the methods that may have to be employed to remediate them.

The status of the remediation activity at the sites in New Jersey and at the Calcasieu River Estuary in Louisiana and the factors that could result in the need for additional environmental remediation reserves at those sites are described above. Initial remedial actions are occurring at the three operating plant sites in the chemicals businesses. These three operating plant sites are in Barberton, Ohio, Lake Charles, Louisiana, and Natrium, West Virginia. At Barberton, PPG has completed a Facility Investigation and Corrective Measure Study (CMS) under USEPA s Resource Conservation and Recycling Act (RCRA) Corrective Action Program. PPG has been implementing the remediation alternatives recommended in the CMS using a performance-based approach with USEPA Region V oversight. However, USEPA Region V transferred its oversight authority to the Ohio Environmental Protection Agency (OEPA) in 2010. The Barberton Corrective Action Permit was issued by Ohio EPA on September 24, 2010. As part of this permit, PPG is responsible for filing engineering remedies for various issues at this site.

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These remedies have not yet been filed with the OEPA. Similarly, the Company has completed a Facility Investigation and CMS for the Lake Charles facility under the oversight of the LDEQ. The LDEQ has accepted the proposed remedial alternatives. PPG received notice of LDEQ issuance of the final Hazardous Waste Post-Closure/HSWA Permit on June 28, 2010. The Permit was issued in final form on September 23, 2010. Planning for or implementation of these proposed alternatives is in progress. At Natrium, a facility investigation has been completed and initial interim remedial measures have been implemented to mitigate soil impacts. There is additional investigation of groundwater contamination ongoing which may indicate the need for further remedial actions to address specific areas of the facility. Engineering design and installation of a groundwater treatment system is underway. PPG has been addressing impacts from a legacy plate glass manufacturing site in Kokomo, Indiana under the Voluntary Remediation Program of the Indiana Department of Environmental Management. PPG has agreed to expand the scope of the investigation activities.

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

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

Other Matters

PPG is a defendant in a matter in the California State Court in San Francisco in which the City of Modesto and its Redevelopment Authority claim that PPG and other defendants manufactured a defective product, the dry cleaning solvent perchloroethylene (PCE), and failed to provide adequate warnings regarding the environmental risks associated with the use of PCE. The plaintiffs claimed the defendants are responsible for remediation of soil and groundwater contamination at numerous dry cleaner sites in Modesto, California. In 2006, a Phase 1 trial was conducted as to four sites. The jury returned a verdict in the amount of $3.1 million against PPG, The Dow Chemical Company, Vulcan, Oxy, and R.R. Street. The verdict was not apportioned.

Subsequent to the Phase 1 verdict, Vulcan and Oxy settled. In 2008, trial commenced on 18 Phase 2 Sites. Prior to submission of the case to the jury, the Court granted motions that limited PPG s potential liability to one of the 18 sites. The damages sought at this one site totaled $27 million. A jury verdict in the amount of $18 million was returned against PPG and The Dow Chemical Company on May 18, 2009. The verdict was not apportioned. The jury was not able to reach a verdict on the statute of limitations issue on the site in question. However, on August 24, 2009, the trial court issued an opinion finding that the City s claims were barred by the statute of limitations. The effect of the ruling was to nullify the jury s Phase 2 damage award. In October 2009, the trial court held a non-jury trial of the Redevelopment Authority s damage claims under the Polanco Act for certain remediation and investigative costs incurred to date. On June 3, 2010, the court issued a final decision finding that none of the Defendants were liable under the Polanco Act. The court will combine the Phase 1 and Phase 2 verdicts and decide what amount of prior settlements will be applied to the final verdict. The allocation of

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prior settlements will be the subject of briefing and a court decision prior to the entry of a final judgment. On January 31, 2011 the court issued a tentative decision finding that prior settlements offset the entire $3.1 million verdict against PPG and Dow. Upon entry of a final judgment there will most likely be appeals.

The Company accrues for product warranties at the time the products are sold based on historical claims experience. As of September 30, 2011 and December 31, 2010, the reserve for product warranties was $7 million. Pretax charges against income for product warranties and the related cash outlays were not material for the three and nine months ended September 30, 2011 and 2010.

The Company had outstanding letters of credit and surety bonds of $110 million and guarantees of $88 million as of September 30, 2011. The Company does not believe any loss related to such guarantees is likely.

19. Reportable Segment Information

PPG is a multinational manufacturer with 13 operating segments that are organized based on the Company s major products lines. These operating segments are also the Company s reporting units for purposes of testing goodwill for impairment. The operating segments have been aggregated based on economic similarities, the nature of their products, production processes, end-use markets and methods of distribution into six reportable business segments.

The Performance Coatings reportable segment is comprised of the refinish, aerospace, architectural coatings Americas and Asia Pacific and protective and marine coatings (PMC) operating segments. This reportable segment primarily supplies a variety of protective and decorative coatings, sealants and finishes along with paint strippers, stains and related chemicals, as well as transparencies and transparent armor.

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

The Architectural Coatings EMEA (Europe, Middle East, and Africa) reportable segment is comprised of the architectural coatings EMEA operating segment. This reportable segment primarily 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.

The 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, optical lens materials and high performance sunlenses; amorphous precipitated silicas for tire, battery separator and other end-use markets; and *Teslin*® substrate used in such applications as radio frequency identification (RFID) tags and labels, e-passports, drivers licenses and identification cards. *Transitions*® lenses are processed and distributed by PPG s 51 percent-owned joint venture with Essilor International.

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

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

Reportable segment net sales and segment income for the three and nine months ended September 30, 2011 and 2010 were as follows:

	Three Months Ended Sept. 30		Nine Months Ended Sept. 30	
	2011	2010	2011	2010
	(Millions)			
Net sales:				
Performance Coatings	$ 1,208	$ 1,103	$ 3,490	$ 3,179
Industrial Coatings	1,039	927	3,139	2,759
Architectural Coatings - EMEA	573	512	1,655	1,448
Optical and Specialty Materials	311	288	945	873
Commodity Chemicals	445	370	1,334	1,058
Glass	273	260	805	727
Total (a)	$ 3,849	$ 3,460	$ 11,368	$ 10,044
Segment income:				
Performance Coatings	$ 190	$ 174	$ 533	$ 491
Industrial Coatings	101	86	332	299
Architectural Coatings - EMEA	53	50	115	111
Optical and Specialty Materials	93	82	273	250
Commodity Chemicals	104	60	307	116
Glass	23	32	78	45
Total	564	484	1,638	1,312
Legacy items (b)	(15)	(19)	(52)	(49)
Interest expense, net of interest income	(40)	(37)	(127)	(112)
Acquisition related gain net (c)			9	
Other unallocated corporate expense net (d)	(47)	(42)	(155)	(147)
Income before income taxes	$ 462	$ 386	$ 1,313	$ 1,004

(a) Intersegment net sales for the three and nine months ended September 30, 2011 and 2010 were not material.

(b) Legacy items include current costs related to former operations of the Company, including pension and other postretirement benefit costs, certain charges for legal matters and environmental remediation costs, and certain charges which are considered to be unusual or non-recurring. Legacy items also include equity earnings from PPG s approximate 40 percent investment in the former automotive glass and services business. Beginning in 2011, the earnings impact of adjustments to the Company s proposed asbestos settlement liability will be presented in Legacy items. Prior year amounts have been conformed to this presentation. The amount of this charge for the three and nine months ended September 30, 2011 was equal to the prior year amount.

(c) Represents a 2011 net benefit stemming primarily from a bargain purchase gain reflecting the excess of the fair value of the net assets acquired over the price paid for the business, net of the flow-through cost of sales of the step up to fair value of acquired inventory. These items are considered to be unusual and non-recurring and will not be included in the segment earnings used to evaluate the performance of the operating segment.

(d) Beginning in 2011, stock based compensation costs will be reported as part of Other unallocated corporate expense. Prior year amounts have been conformed to this presentation.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Performance in Third Quarter of 2011 Compared to Third Quarter of 2010

Performance Overview

Net sales of $3,849 million were nearly $400 million higher in comparison with the third quarter of 2010 net sales of $3,460 million. Higher selling prices were the largest factor impacting our sales performance. Selling prices improved by over $200 million, or more than 6 percent. Year-over-year pricing has improved over the past six consecutive quarters. The largest gains have been in Commodity Chemicals driven by higher demand; however pricing this quarter increased in all 13 businesses as the Company made additional progress in the quarter in offsetting continuing raw materials inflation. Currency translation increased sales for the quarter by about $150 million, or about 4 percent, primarily as a result of stronger European and Asian currencies compared to last year, although several currencies weakened notably toward the end of the quarter. Overall volumes were flat with acquisitions adding about 1 percent to sales; however, there was differing performance based on geographic region and end-use market.

Volume growth in the United States and Canada was slightly positive, similar to the second quarter, but was negatively impacted by downtime in the Commodity Chemicals segment due to several unplanned production outages. Activity levels in construction markets remained at very low, but stable levels. Aiding sales was solid growth in the automotive OEM, aerospace, optical and automotive refinish end-use markets.

European volumes declined by 3 percent, with declines in businesses with a heavy consumer orientation, such as architectural coatings and optical products, along with lower marine and fiber glass sales. Overall industrial demand was flat, while aerospace delivered solid gains.

Higher industrial demand contributed to emerging region growth in Asia and Latin America, with combined volumes up 3 percent. The overall Asian growth was tempered, as expected, by shrinking marine original-equipment new ship builds. Asia remains the primary region for shipbuilding. Excluding the impacts from the protective & marine business, emerging region growth would have been 5 percent, fairly consistent with the prior quarter. Construction activity moderated, but infrastructure-related protective coatings sales grew. Aerospace, optical and automotive refinish continued to grow sales in the emerging regions.

Lastly, all regions generally exhibited traditional seasonal sales patterns versus the second quarter, and year-over-year company volumes in September were similar with the overall quarter providing indication of fairly steady demand throughout the quarter.

Cost of sales, exclusive of depreciation and amortization, increased by $245 million for the third quarter of 2011 to $2,353 million compared to $2,108 million for the third quarter of 2010. About 60 percent of the increase was due to the impact of inflation on raw materials, primarily in our coatings businesses, and 40 percent due to the impact of foreign currency translation. Cost of sales as a percentage of sales was 61 percent for the third quarter of 2011 and 2010. For the coatings businesses, higher pricing partially offset persistent raw material cost inflation. Not all coatings businesses fully offset raw material cost inflation in the quarter, and additional pricing actions are underway for the fourth quarter. For the Company in total, inflation was offset by higher pricing in the Commodity Chemicals segment.

Selling, general and administrative expenses increased by $67 million in the third quarter of 2011 compared to the third quarter of 2010. More than half of this increase was a result of foreign currency translation. Additionally, about 30 percent of the increase was due to overhead

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inflation with the remainder due to growth in costs to support the sales volume growth in the quarter. In total, these expenses declined as a percent of sales from 21.4 percent in the third quarter of 2010 to 20.9 percent in the third quarter of 2011 reflecting the benefit of our efforts to aggressively manage our cost growth as our sales volume increases.

Interest expense increased $5 million to $51 million in the third quarter of 2011 from $46 million in the third quarter of 2010. This increase was driven by the Company s $1 billion debt issuance in November of 2010.

Other charges decreased to $14 million in the third quarter of 2011 as compared to $28 million in the third quarter of 2010 due primarily to $3 million lower environmental expense compared to 2010 and the absence of a 2010 settlement charge related to antitrust litigation.

The effective tax rate on pretax earnings in the third quarter of 2011 was approximately 26 percent compared to approximately 24.5 percent in the third quarter of 2010. The effective tax rate for third quarter of 2010 included a $6 million benefit from a catch-up adjustment from reducing the effective tax rate from 28 percent to 27 percent in the third quarter and a $3 million benefit as a result of enacted statutory rate changes. The effective rate on the remaining third quarter 2010 pretax earnings was approximately 27 percent.

Diluted earnings-per-share for the third quarter were $1.96. This compares to the third quarter 2010 diluted earnings-per-share of $1.58. The increase in diluted earnings-per-share resulted from higher earnings as discussed above and a reduction in the shares outstanding as a result of share repurchases net of shares issued due to stock option exercise activity.

Looking ahead, we are expecting macro and regional economic trends to continue into the fourth quarter, supported to date by our October activity levels in many of our businesses. In general, we are anticipating normal seasonal patterns in the fourth quarter in most of our businesses. We expect flattening of raw material inflation rates, and are in the process of implementing additional pricing in several businesses to counter the inflation that we have absorbed. Also, the fourth quarter is typically the company s strongest cash generation quarter of the year, and intentions are to continue to utilize the strong cash flow and cash position to drive earnings growth through acquisitions and share buy backs. Finally, we are keeping a watchful eye on the global economy and are prepared to adapt to changing conditions.

Performance of Reportable Business Segments

For Performance Coatings, sales for the quarter were $1.2 billion, about 10 percent, or $105 million, higher than the prior year s period. The sales increase was comprised of 6 percent from higher pricing and 4 percent form favorable currency. Segment earnings improved 9 percent, or $16 million, to $190 million, establishing a new third quarter record for the segment. Year-over-year pricing was higher in all businesses and grew in comparison with the second quarter as well, reflecting continuing efforts to fully offset input cost inflation.

Year-over-year segment sales volumes were flat in the quarter as volumes in the protective and marine coatings business were down; reflecting the decline in new ship builds. Sales increases in protective coatings were offset by lower marine new build sales. Offsetting the overall PMC volume decline was higher performance in the aerospace and automotive refinish businesses based on higher market demand and wider adoption of our leading technologies. Architectural coatings volumes were essentially flat. Higher volumes were achieved in the U.S. do-it-yourself (DIY) retail category, aided by the solid debut of our new Olympic One® product. Company-owned stores volumes were down slightly, although same store sales comparisons were solidly positive, as higher pricing outweighed the slightly lower volumes.

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Further pricing actions are anticipated in the segment in the fourth quarter and traditional volume seasonality is also expected, driven largely by the architectural coatings business in the United States. Also, the new Boeing 787 Dreamliner recently entered service, and production activity of the new aircraft is expected to ramp-up over the next several quarters. PPG s products on the new plane include coatings, adhesives and sealants, composite cockpit windows and electro-chromic passenger-controlled dimmable cabin windows. PPG content on the new plane is more than 150 percent higher in comparison with other similar Boeing aircraft.

The Industrial Coatings segment s sales increased to $1.0 billion, up 12 percent in comparison with the prior year s quarter. The sales increase was comprised of 4 percent from higher pricing, 3 percent from higher volumes and 5 percent from favorable currency. Third quarter earnings of $101 million were up $15 million, or 17 percent, and operating margins expanded 40 basis points as each business delivered improved earnings.

Higher volumes were achieved on solid global industrial demand, with the largest gains coming from the Asia/Pacific region based on continued strong activity levels and share gains. Growth in automotive OEM coatings volumes were supported by higher global auto production as the industry growth rate continued to recover from the impact of the Japan earthquake and tsunami in March. Higher pricing in each business and the impact of favorable currency contributed to the sales increase and combined with the higher sales volume and continued cost management, which further offset inflation, to produce the earnings increase in the quarter.

Looking ahead, the fourth quarter is expected to be seasonally slower for the segment. However, continued automotive OEM recovery from the Japan crisis should offset some of the historical seasonal trend. Additional pricing efforts are underway in all businesses to counter the increases in raw material costs these businesses have absorbed, and we will continue to be aggressive in managing costs. Also, given the significant geographic diversity of the segment, currency translation will continue to be a factor.

Architectural Coatings EMEA segment sales were $573 million, up $61 million versus last year s period. Sales grew 12 percent. The sales increase was comprised of 6 percent from higher pricing and 8 percent from favorable currency. Lower volumes reduced sales by 2 percent. Pricing was favorable reflecting efforts to counter raw material inflation. Year-over-year volumes declined a modest 2 percent due, in large part, to lower retail DIY sales, including the negative impact from the loss of a DIY customer that filed for bankruptcy in the second quarter of 2011. Segment earnings were up 6 percent, or $3 million versus the prior year. The increase in earnings resulted from the impact of favorable currency, lower overhead costs and favorable sales margin mix, which more than offset slightly negative price net of inflation.

Looking forward, the fourth quarter has historically been slower seasonally for this segment than the third quarter with sales dropping between 20-to-25 percent, and expectations are for that trend to continue in 2011. Also, additional pricing actions are being implemented in several regions. Lastly, a January 2012 closing date has been established for our acquisition of Dyrup. This acquisition will strengthen our EMEA product offering in the wood care segment and help to grow PPG s presence in key countries such as Poland, France and Denmark, and to establish PPG in Portugal, Spain and Germany, where PPG has little or no architectural coatings presence today.

Third quarter sales for the Optical and Specialty Materials segment were $311 million, up $23 million, or 8 percent, with volumes, price and currency all adding about equally to sales. Earnings grew by 13 percent to $93 million, with both the optical products and silicas businesses improving as a result of the higher sales and lower manufacturing and overhead costs. Both sales and earnings are third quarter records for this segment.

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Both the optical products and silicas businesses delivered sales growth. In optical products, strong growth in emerging regions continued, as did consistent growth in the United States. Volumes in Europe fell versus the prior year and prior quarter, reflecting weaker customer demand for all corrective eyewear, including *Transitions*® lenses. Silicas posted solid growth aided by higher automotive production resulting in increased demand for our products sold into the tire and battery markets. Pricing improved, aiding sales and countering raw material inflation.

Looking ahead, this segment also is expected to exhibit a seasonal decline in sales in the fourth quarter versus the third quarter.

Commodity Chemicals segment sales versus the prior year grew by $75 million to $445 million and earnings increased from $60 million to $104 million. The improvements in sales and earnings were driven by higher pricing. Despite solid end-use market demand, volumes declined mid-single-digit percents year-over-year as a result of planned and unplanned July and August production outages. The outages also resulted in lower capacity utilization and a notable increase in maintenance costs, which negatively impacted earnings. Natural gas unit costs declined by about 50 cents per MMBTU, including the favorable impact of fewer high cost hedges, although ethylene costs were higher year-over-year. Lower environmental expense also contributed to higher earnings.

Looking forward, announced caustic price increases are being implemented. Expectations are for lower industry production in the fourth quarter due to traditional seasonal demand factors. We began the quarter with less than one day of caustic inventory at our largest chlor-alkali production facility. Also, chlorine demand is currently lower in most end-use markets, including less export activity, which would further temper caustic production in the fourth quarter. Natural gas unit costs are expected to be slightly lower based on current market pricing.

Third quarter sales for the Glass segment were $273 million, up $13 million. Higher pricing in both businesses accounted for 4 percent of the growth, with currency translation positively contributing an additional 2 percent. Volumes declined one percent due largely to lower fiber glass volumes reflecting, in part, planned production maintenance downtime. Flat Glass volumes were generally stable, reflecting static construction market activity levels. Segment earnings were $23 million, compared to $32 million a year ago. Higher fiber glass maintenance costs and lower capacity utilization significantly impacted the earnings results. Equity earnings, which are primarily related to our joint venture selling to the consumer electronics industry, were also lower.

Looking forward, lighter seasonal demands in both businesses and a weak construction market outlook are expected to impact sales and production rates in the fourth quarter.

Performance in the First Nine Months of 2011 Compared to the First Nine Months of 2010

Performance Overview

Sales increased 13 percent in the first nine months of 2011 to $11,368 million compared to $10,044 million for the first nine months of 2010. Higher volumes increased sales 3 percent and higher selling prices increased sales 6 percent. The remainder of the increase was due to the impact of foreign currency translation. The higher volumes were achieved by all reporting segments and by all major geographic regions. Increased demand was driven by stronger global industrial production activity, which aided many of our businesses. The global industrial recovery continues with solid growth in emerging regions and North America, with modest improvement in Europe despite a slight decline in volume in the third quarter. Growth in Asia was negatively impacted by the shrinking level of marine original-equipment new ship builds and

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North American growth was impacted by unscheduled production outages in the Commodity Chemicals segment. Activity in construction markets in the developed regions of the world remained at low levels and has not demonstrated any convincing signs of near term improvement. Our volume growth for the first nine months of 2011 is in comparison to the prior year s first nine months when we experienced strong growth as the global industrial economy began to recover from the recession. The improved selling prices in 2011 were achieved in every reporting segment, led by Commodity Chemicals and each of the three coatings segments. The Commodity Chemicals and Glass segments achieved pricing gains due to continued strong demand and tightening supply in their respective end-use markets. In our coatings segments, higher selling prices further offset persistent but flattening raw material cost inflation. The favorable currency impact was primarily driven by strengthening European, Asian and Latin American currencies against the U.S. dollar compared to the first nine months of 2010.

Cost of sales, exclusive of depreciation and amortization, increased by $769 million for the first nine months of 2011 to $6,897 million compared to $6,128 million for the first nine months of 2010. About 50 percent of the increase was due to the impact of inflation, particularly increases in raw material costs, primarily in our coatings businesses, another 30 percent to the impact of foreign currency translation and 20 percent due to the cost of sales associated with the sales volume growth. Cost of sales as a percentage of sales was 61 percent for the first nine months of 2011 and 2010. This reflects a combination of slightly higher margins on the first nine months sales volume growth in 2011 due to improved product mix and the benefit of selling price increases, particularly in Commodity Chemicals, net of the impact of inflation on cost of sales. For the coatings businesses, higher pricing further offset inflation, as raw material costs escalated versus last year s first nine months. Not all coatings businesses fully offset raw material cost inflation with higher pricing in the first nine months of 2011, and additional pricing actions are underway in several businesses to further counter inflation. For the Company in total, inflation was more than offset by higher pricing aided by Commodity Chemicals.

Selling, general and administrative expenses increased by $221 million in the first nine months of 2011 compared to the first nine months of 2010. About 45 percent of this increase was a result of foreign currency translation, and 25 percent was due to growth in the costs to support the sales volume growth in the first nine months of 2011. Additionally, nearly 25 percent of the increase was due to overhead inflation. However, these expenses declined as a percent of sales from 22.0 percent in the first nine months of 2010 to 21.4 percent in the first nine months of 2011, reflecting the benefit of our continuing efforts to aggressively manage our cost growth as our sales volume increases.

Interest expense increased $22 million to $159 million in the first nine months of 2011 from $137 million in the first nine months of 2010. This increase was driven by the Company s $1 billion debt issuance in November of 2010. Interest income increased $7 million to $32 million in the first nine months of 2011 from $25 million in the first nine months of 2010 due to higher average investment balances in 2011 compared to 2010.

Other charges decreased to $60 million in the first nine months of 2011 as compared to $65 million in the first nine months of 2010 due primarily to $4 million lower environmental expense compared to 2010 and the absence of a $6 million 2010 antitrust litigation settlement charge. Other earnings increased to $143 million in the first nine months of 2011 as compared to $127 million for the first nine months of 2010. This increase was primarily due to higher equity earnings, primarily from our Asian fiber glass joint ventures, reflecting the improvement in the consumer electronics markets and to the bargain purchase gain related to the acquisition of Equa-Chlor during the second quarter of 2011.

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The effective tax rate on pretax earnings was approximately 26 percent for the first nine months of 2011 compared to approximately 35 percent for the first nine months of 2010. The effective rate for the first nine months of 2011 included the impact of the non-taxable bargain purchase gain resulting from the Equa-Chlor acquisition. The effective rate on the remaining pretax earnings in the first nine months of 2011 was 26 percent. Income tax expense for the nine months ended September 30, 2010 included expense of $85 million resulting from the reduction of our previously provided deferred tax asset related to our liability for retiree medical costs. The deferred tax asset needed to be reduced because of U.S. healthcare legislation enacted in March 2010 that included a provision that reduced the amount of retiree medical costs that will be tax deductible after December 31, 2012. Income tax expense in 2010 also included a $3 million benefit as a result of enacted statutory rate changes. The tax rate was approximately 27 percent on the remaining pretax earnings in the first nine months of 2010. The decline in the ongoing tax rate in 2011 to 26 percent resulted principally from a shift in the geographic mix of non-U.S. earnings to countries with lower statutory tax rates.

Diluted earnings-per-share for the first nine months were $5.48. This compares to the first nine months of 2010 diluted earnings-per-share of $3.39, which included a $0.51 charge from the reduction of our previously recorded deferred tax asset. The increase in diluted earnings-per-share resulted from higher earnings as discussed above and a reduction in the shares outstanding as a result of share repurchases.

Performance of Reportable Business Segments

For Performance Coatings, sales for the first nine months were $3.5 billion, $311 million, or 10 percent, higher than the prior year s period. The sales increase was comprised of 5 percent due to price, 4 percent due to currency and 1 percent due to volume. Segment earnings improved 9 percent to $533 million. The 1 percent volume increase included severely negative U.S. architectural coatings results in April due to weather conditions. Architectural volume trends improved in the remainder of the nine month period, but still ended the first nine months of 2011 slightly negative compared to a year ago. Offsetting these lower architectural volumes were volume gains in aerospace, based on high end-use market activity levels, along with improvement in automotive refinish driven by continued Asia/Pacific growth and U.S. market share gains. Protective and marine coatings volumes were flat year over year. Segment earnings grew by $42 million. The impacts of improved volumes in automotive refinish and aerospace, manufacturing cost reductions and favorable currency impacts more than offset the negative impact of inflation net of price to result in the earnings improvement in the nine-month period of 2011 compared to the same period in 2010. Pricing improved in all businesses reflecting the continuing efforts to address persistent input cost inflation.

The Industrial Coatings segment s sales increased to $3.1 billion, up 14 percent, in comparison with the prior year s first nine months. The sales increase was comprised of 5 percent due to currency, 6 percent due to volume and 3 percent due to price. First nine months earnings of $332 million were up $33 million. Segment volume grew by 6 percent on solid global industrial demand, with positive results in all three business units. Industrial and automotive OEM growth rates were higher in Asia as a result of continued growth in the region, and in Europe stemming from higher exports. Currency contributed about one-third of the sales gain, reflecting stronger European and Asian currencies and the broad geographic diversity of the segment sales. Segment earnings increased by $33 million as the impact of higher volume and currency overcame the adverse impact of inflation net of price and manufacturing cost reduction.

Architectural Coatings EMEA segment sales were $1,655 million, up $207, million or 14 percent, versus last year s period. The sales increase was comprised of 8 percent due to currency, 2 percent due to volume and 4 percent due to price. Segment earnings were up $4

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million compared to the prior year. Positive year-over-year earnings resulted from the earnings impact of volume growth, lower overhead and currency translation. Offsetting these items was a $9 million charge related to a U.K. based retail DIY customer who filed for bankruptcy during the second quarter of 2011 and the adverse impact of inflation net of price increases.

First nine month sales for the Optical and Specialty Materials segment were $945 million, up $72 million, or 8 percent. Earnings grew by 9 percent to $273 million as sales and earnings improved in both businesses. Both optical products and silicas achieved sales growth coming largely from higher volumes and the impact of currency. The silicas business volumes have benefitted from the higher automotive OEM production. Optical products sales growth in the mature regions was in the mid-single digit percentage range. Supporting this growth was higher selling and advertising costs, with expense in emerging regions higher based on continued efforts to broaden geographic penetration. Optical earnings increased on higher pricing and volume that exceeded the impact of inflation. Silicas posted strong earnings growth on higher sales into the tire and battery end-use markets.

Commodity Chemicals segment sales in the first nine months of 2011 versus the prior year grew by $276 million to $1,334 million and earnings increased from $116 million to $307 million. Higher pricing was the key factor producing the improved sales and earnings. Capacity utilization was lower in the second and third quarters due to planned and unplanned production outages, resulting in higher maintenance expenses. Natural gas unit costs were modestly lower year-over-year.

First nine month sales for the Glass segment were $805 million, up $78 million, or 11 percent. The sales increase was comprised of 5 percent due to price, 4 percent due to volume and 2 percent due to currency. Solid fiber glass pricing gains drove the sales growth, with both businesses also recording improved volume trends. Currency translation also contributed to the growth. Segment earnings grew to $78 million, compared to $45 million a year ago. Higher sales prices and volumes were the primary drivers of the earnings improvement. Also contributing to the increased earnings were higher equity earnings, primarily related to our joint venture selling to the electronics industry. The earnings results were tempered somewhat by higher fiber glass maintenance costs, lower capacity utilization in the third quarter and higher overhead costs.

Liquidity and Capital Resources

PPG ended the quarter with cash and short-term investments totaling approximately $1.3 billion compared to $2.0 billion at December 31, 2010.

Cash from operating activities for the nine months ended September 30, 2011 was $777 million versus cash from operations of $698 million for the comparable period of 2010. Cash from operations and the Company s debt capacity are expected to continue to be sufficient to fund operating activities, capital spending, including acquisitions, dividend payments, debt service, amounts due under the proposed asbestos settlement, share repurchases and contributions to pension plans. Other sources and uses of cash during the nine months ended September 30, 2011 included:

Capital expenditures, excluding acquisitions year to date were $235 million, or about 2 percent of sales. Anticipated 2011 capital spending is expected to be in the range of 2 percent to 3 percent of sales.

Cash spent on acquisitions totaled $56 million. During the third quarter, the Company announced, but has not yet closed, the acquisition of Colpisa, a Colombian producer of automotive OEM and refinish coatings. The previously announced acquisition of Dyrup is now scheduled to close in early January 2012.

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PPG does not have a mandatory contribution to make to its U.S. defined benefit pension plans in 2011; however, PPG made voluntary contributions of $50 million to these plans in January 2011. PPG expects to make mandatory contributions to its non-U.S. plans in 2011 of approximately $75 million, of which $64 million was made as of September 30, 2011.

The Company received $168 million during the second quarter from Pittsburgh Glass Works LLC (PGW) an equity affiliate in which PPG holds an approximate 40 percent interest. The $168 million was comprised of the repayment of $90 million of notes receivable due from the affiliate and a $78 million return of capital.

The Company prepaid a $400 million unsecured term loan in the second quarter of 2011 using cash on hand. This term loan had a scheduled maturity date of June of 2012. There are no further sizable debt payments anticipated for the year.

Dividends paid totaled $268 million. Stock repurchases totaled $633 million. Since the beginning of 2010, PPG has repurchased approximately 16 million shares of its stock for $1.2 billion, at an average share price of about $79. The Company has approximately 1.7 million shares remaining under its previous share repurchase authorization. On October 20, 2011, the PPG Board of Directors authorized the repurchase of an additional 10 million shares of PPG stock.

The ratio of total debt, including capital leases, to total debt and equity was 50 percent at September 30, 2011 and 53 percent at December 31, 2010, respectively.

Operating Working Capital is a subset of total working capital and represents (1) trade receivables net of the allowance for doubtful accounts plus (2) inventories on a first-in, first-out (FIFO) basis less (3) trade creditors liabilities. We believe Operating Working Capital represents the key components of working capital under the operating control of our businesses. A key metric we are using to measure improvement in our working capital management is Operating Working Capital as a percentage of sales (current quarter sales annualized).

(Millions, except percentages)	Sept. 30 2011	Sept. 30 2010	Dec. 31 2010
Trade Receivables, Net	$ 2,817	$ 2,677	$ 2,447
Inventories, FIFO	1,967	1,839	1,773
Trade Creditors Liabilities	1,690	1,561	1,626
Operating Working Capital	$ 3,094	$ 2,955	$ 2,595
Operating Working Capital as a % of Sales	20.1%	21.3%	19.2%

The change in operating working capital elements, excluding the impact of currency and acquisitions, was an increase of $530 million and $302 million during the nine months ended September 30, 2011 and 2010, respectively. This increase is the result of trade receivables increasing in line with the increase in the third quarter of 2011 sales. Days sales outstanding at September 30, 2011 was 67 days, which was level with December 31, 2010 and a 4 day improvement over September 30, 2010.

Currency

From December 31, 2010 to September 30, 2011, the U.S. dollar strengthened against certain currencies in the countries in which PPG operates. As a result, consolidated net assets at September 30, 2011 decreased by $118 million, compared to December 31, 2010, primarily due to the effects of translating the net assets of PPG s operations denominated in non-U.S.

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currencies to the U.S. dollar. However, comparing exchange rates during the first nine months of 2011 to those of the first nine months of 2010, in the countries in which PPG operates, the U.S. dollar was generally weaker, which had a favorable impact on September 30, 2011 pretax earnings of $45 million from the translation of these foreign earnings into U.S. dollars.

New Accounting Standards

See Note 2, New Accounting Standards, to the accompanying condensed consolidated financial statements for further details on recently issued new accounting guidance.

Commitments and Contingent Liabilities, including Environmental Matters

PPG is involved in a number of lawsuits and claims, both actual and potential, including some that it has asserted against others, in which substantial monetary damages are sought. See Part II, Item 1, Legal Proceedings of this Form 10-Q and Note 18, Commitments and Contingent Liabilities, to the accompanying condensed consolidated financial statements for a description of certain of these lawsuits, including a description of the proposed asbestos settlement.

As discussed in Part II, Item 1 and Note 18, although the result of any future litigation of such lawsuits and claims is inherently unpredictable, management believes that, in the aggregate, the outcome of all lawsuits and claims involving PPG, including asbestos-related claims in the event the proposed asbestos settlement described in Note 18 does not become effective, will not have a material effect on PPG s consolidated financial position or liquidity; however, any such outcome may be material to the results of operations of any particular period in which costs, if any, are recognized.

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

As of September 30, 2011 and December 31, 2010, PPG had reserves for environmental contingencies totaling $242 million and $272 million, respectively, of which $77 million and $83 million, respectively, were classified as current liabilities. Pretax charges against income for environmental remediation costs totaled $3 million and $15 million, respectively, for the three and nine months ended September 30, 2011 and $7 million and $19 million, respectively, for the three and nine months ended September 30, 2010, and are included in Other charges in the accompanying condensed consolidated statement of income. Cash outlays related to such environmental remediation aggregated $9 million and $43 million, respectively, for the three and nine months ended September 30, 2011 and $11 million and $23 million, respectively, for the three and nine months ended September 30, 2010. The impact of foreign currency decreased the liability by $2 million and $1 million in the first nine months of 2011 and 2010, respectively.

In addition to the amounts currently reserved for environmental remediation, the Company may be subject to loss contingencies related to environmental matters estimated to be as much as $200 million to $400 million, which is unchanged from the previously reported range. Such unreserved losses are reasonably possible but are not currently considered to be probable of occurrence.

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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 at the Calcasieu River Estuary located near our Lake Charles, La. chlor-alkali plant resulted in a pretax charge of $173 million in the third quarter of 2006 for the estimated costs of remediating these sites. These charges for estimated environmental remediation costs in 2006 were significantly higher than PPG s historical range. Excluding 2006, pretax charges against income have ranged between $10 million and $35 million per year for the past 15 years. We anticipate that charges against income in 2011 for environmental remediation costs will be within this historical range.

Management expects cash outlays for environmental remediation costs to be approximately $60 million to $70 million in 2011 and to range from $50 million to $70 million annually through 2014. It is possible that technological, regulatory and enforcement developments, the results of environmental studies and other factors could alter our expectations with respect to charges against income and future cash outlays. Specifically, the level of expected cash outlays and charges for environmental remediation costs are highly dependent upon activity related to the former chromium manufacturing plant site in New Jersey, as PPG awaits approval of work plans that have been submitted to the applicable regulatory agencies.

Forward-Looking Statements

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

You can identify forward-looking statements by the fact that they do not relate strictly to current or historic facts. Forward-looking statements are identified by the use of the words aim, believe, expect, anticipate, intend, estimate, project, outlook, forecast and other expre indicate future events and trends. Any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward looking statement, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our reports to the Securities and Exchange Commission. Also, note the following cautionary statements.

Many factors could cause actual results to differ materially from the Company s forward-looking statements. Such factors include global economic conditions, increasing price and product competition by foreign and domestic competitors, fluctuations in cost and availability of raw materials, the ability to maintain favorable supplier relationships and arrangements, difficulties in integrating acquired businesses and achieving expected synergies therefrom, economic and political conditions in international markets, the ability to penetrate existing, developing and emerging foreign and domestic markets, foreign exchange rates and fluctuations in such rates, fluctuations in tax rates, the impact of future legislation, the impact of environmental regulations, unexpected business disruptions and the unpredictability of existing and possible future litigation, including litigation that could result if the proposed asbestos settlement does not become effective. However, it is not possible to predict or identify all such factors. Consequently, while the list of factors presented here and in the Company s Form 10-K for the year ended December 31, 2010 under the caption Item 1A Risk Factors are considered representative, no such list should be considered to be a complete statement of all potential risks and uncertainties. Unlisted factors may present significant additional obstacles to the realization of forward-looking statements.

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Consequences of material differences in the results compared with those anticipated in the forward-looking statements could include, among other things, business disruption, operational problems, financial loss, legal liability to third parties, other factors set forth in Item 1A Risk Factors of the Company s Form 10-K for the year ended December 31, 2010 and similar risks, any of which could have a material adverse effect on the Company s consolidated financial condition, results of operations or liquidity.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

With the exception of the increase in the notional amount of PPG s fixed to variable rate interest rate swaps from $450 million to $1,045 million in the first quarter of 2011 and the subsequent decrease in the notional amount to $445 million in the third quarter of 2011, there were no material changes in the Company s exposure to market risk from December 31, 2010 to September 30, 2011. The fair value of these instruments was a net asset of $26 million and $20 million as of September 30, 2011 and December 31, 2010, respectively. The fair value of these swaps would have changed unfavorably by $1 million as of September 30, 2011 and December 31, 2010 if variable interest rates increased by 10 percent.

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Item 4. Controls and Procedures

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

b. Changes in internal control. There were no changes in the Company s internal control over financial reporting that occurred during the Company s most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

The results of any future litigation of the above lawsuits and claims are 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 arrangement, see Note 18, Commitments and Contingent Liabilities to the accompanying condensed consolidated financial statements under Part I, Item 1 of this Form 10-Q.

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 Consolidated Compliance Order and Notice of Proposed Penalty (CO/NOPP) from the Louisiana Department of Environmental Quality (LDEQ) in February 2006 alleging violation of various requirements of its Lake Charles, La. facility s air permit based largely upon permit deviations self-reported by PPG. The CO/NOPP did not contain a proposed civil penalty. PPG filed a request for hearing and has engaged LDEQ in settlement discussions. Since 2006, PPG has held discussions with LDEQ to try to resolve the CO/NOPP. In April 2009, PPG offered to settle all of its self-reported air permit deviations through the first half of 2008 for a proposed penalty of $130,000. LDEQ responded to this settlement offer by asking PPG to make another offer that included all self-reported air permit deviations through the end of 2009. PPG has increased its offer to settle this matter to $171,000. In January 2011, LDEQ sent PPG a list of questions concerning various items in its settlement proposal. PPG responded to the questions in March 2011.

PPG received a proposed Consent Order and Final Agreement (COFA) from the U.S. Environmental Protection Agency (USEPA) on May 11, 2011, which included a proposed penalty of $338,000 relating to the alleged exceedance of emission limits for dioxins and furans from the Energy Recovery Unit (ERU) at its Circleville facility. The COFA alleges that PPG failed to meet dioxin and furan limits during a comprehensive performance test on the air pollution control equipment on the ERU conducted between August and September of 2009 until the ERU was temporarily shut down on September 17, 2009. In the COFA, USEPA also

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alleged that PPG failed to comply with its Start-up, Shutdown and Malfunction Plan (the SSM Plan) during an unspecified period of time in 2009. The ERU resumed operations on or about October 14, 2009, and PPG believes that it has been operated in compliance with applicable limits since that time. It is PPG s position that the allegations in the COFA are not correct and that PPG did not violate any applicable legal requirements. On September 30, 2011, PPG and USEPA negotiated a settlement in order to resolve this matter which has been memorialized in a revised COFA that requires PPG to pay to USEPA a civil penalty of $175,000 by November 15, 2011 and to revise the ERU s SSM Plan by October 31, 2011.

Item 1A. Risk Factors

There were no material changes in the Company s risk factors from the risks disclosed in the Company s Form 10-K for the year ended December 31, 2010.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

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

Under the PPG Deferred Compensation Plan for Directors, each director may elect to defer the receipt of all or any portion of the compensation paid to such director for serving as a PPG director. All deferred payments are held in the form of common stock equivalents. Payments out of the deferred accounts are made in the form of common stock of the Company (and cash as to any fractional common stock equivalent). In the third quarter of 2011, the directors, as a group, were credited with 2,984 common stock equivalents under this plan. The value of each common stock equivalent, when credited, ranged from $73.12 to $91.85.

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Issuer Purchases of Equity Securities

The following table summarizes the Company s stock repurchase activity for the three months ended September 30, 2011:

Month	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs [1]	Maximum Number of Shares That May Yet Be Purchased Under the Programs
July 2011				
Repurchase program	556,852	$ 89.79	556,852	4,409,208
August 2011				
Repurchase program	1,343,578	$ 74.43	1,343,578	3,065,630
September 2011				
Repurchase program	1,356,338	$ 73.80	1,356,338	1,709,292
Total quarter ended September 30, 2011				
Repurchase program [2]	3,256,768	$ 76.80	3,256,768	1,709,292

(1) These shares were repurchased under a 10 million share repurchase program approved in October 2010. This repurchase program has no expiration date.

(2) In October 2011, PPG s Board of Directors approved an additional 10 million share repurchase program, which shares are not included in the maximum number of shares that could be repurchased at September 30, 2011 presented in the table above. This program does not have an expiration date and was effective immediately.

Item 6. Exhibits

See the Index to Exhibits on Page 51.

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SIGNATURE

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

PPG INDUSTRIES, INC.
(Registrant)

Date: October 31, 2011

By /s/ David B. Navikas
David B. Navikas

Senior Vice President, Finance and

Chief Financial Officer
(Principal Financial and

Accounting Officer and

Duly Authorized Officer)

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PPG Industries, Inc. and Consolidated Subsidiaries

Index to Exhibits

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

10.1	Employment Agreement, dated September 12, 2011, between PPG Industries, Inc. and Pierre-Marie De Leener.
10.2	Agreement, dated September 12, 2011, between PPG Industries Europe Sárl and Pierre-Marie De Leener terminating the Employment Agreement, dated July 1, 2008, between PPG Industries Europe Sárl and Pierre-Marie De Leener.
12	Computation of Ratio of Earnings to Fixed Charges for the Nine Months Ended September 30, 2011 and for the Five Years Ended December 31, 2010.
31.1	Certification of Principal Executive Officer Pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer Pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

Filed herewith.

* Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Statement of Income for the three and nine months ended September 30, 2011 and 2010, (ii) the Condensed Consolidated Balance Sheet at September 30, 2011 and December 31, 2010, (iii) the Condensed Consolidated Statement of Cash Flows for the nine months ended September 30, 2011 and 2010, and (iv) Notes to Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2011. Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities and Exchange Act of 1934, and otherwise is not subject to liability under these sections.