FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1999-07-27** | Period of Report: **1999-06-30**
SEC Accession No. 0000950132-99-000688

FILER

PPG INDUSTRIES INC

CIK:**79879**| IRS No.: **250730780** | State of Incorp.:**PA** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-01687** | Film No.: **99670798**
SIC: **2851** Paints, varnishes, lacquers, enamels & allied prods

Mailing Address
ONE PPG PL 40 EAST
PITTSBURGH PA 15272

Business Address
ONE PPG PL 40 EAST
PITTSBURGH PA 15272
4124343131

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For Quarter Ended June 30, 1999 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 incorporation or organization)	(I.R.S. Employer Identification No.)
One PPG Place, Pittsburgh, Pennsylvania	15272
(Address of principal executive offices)	(Zip Code)

(412) 434-3131
(Registrant's telephone number, including area code)

As of June 30, 1999, 173,610,793 shares of the Registrant's common stock, par value $1.66-2/3 per share, were outstanding.

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 ___

PPG INDUSTRIES, INC. AND SUBSIDIARIES

INDEX

<TABLE>
<CAPTION>

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

PPG INDUSTRIES, INC. AND SUBSIDIARIES

Condensed Statement of Income (Unaudited)

(Millions, except per share amounts)

<TABLE>
<CAPTION>

	Three Months Ended June 30		Six Months Ended June 30	
	1999	1998	1999	1998
<S>	<C>	<C>	<C>	<C>
Net sales...	$1,947	$2,004	$3,750	$3,917
Cost of sales.......................................	1,165	1,186	2,268	2,331
Gross profit....................................	782	818	1,482	1,586
Other expenses (earnings):				
Selling, general and administrative..............	307	293	593	556
Depreciation.....................................	87	89	178	178
Research and development.........................	67	67	134	134
Interest...	29	28	55	58
Business divestitures and realignments (Note 3)...........................	-	15	24	15
Other charges....................................	31	16	52	34
Other earnings...................................	(43)	(26)	(66)	(53)
Total other expenses - net......................	478	482	970	922
Income before income taxes and minority interest..	304	336	512	664
Income taxes..	116	130	195	256
Minority interest...................................	4	7	10	17
Net income..	$ 184	$ 199	$ 307	$ 391
Earnings per share (Note 2).........................	$ 1.06	$ 1.13	$ 1.77	$ 2.21
Earnings per share - assuming dilution (Note 2)...	$ 1.05	$ 1.11	$ 1.75	$ 2.18
Dividends per share.................................	$ 0.38	$ 0.36	$ 0.76	$ 0.70

</TABLE>

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

PPG INDUSTRIES, INC. AND SUBSIDIARIES

Condensed Balance Sheet (Unaudited)

<TABLE>
<CAPTION>

	June 30 1999	Dec. 31 1998
Assets	(Millions)	
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	$ 96	$ 128
Receivables-net	1,500	1,366
Inventories (Note 4)	915	917
Other	268	249
Total current assets	2,779	2,660
Property (less accumulated depreciation of $3,916 million and $3,834 million)	2,876	2,905
Investments	262	263
Goodwill (less accumulated amortization of $89 million and $84 million)	571	576
Prepaid pension cost	753	707
Other assets	272	276
Total	$ 7,513	$ 7,387
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term borrowings and current portion of long-term debt	$ 711	$ 637
Accounts payable and accrued liabilities	1,242	1,264
Income taxes	36	11
Total current liabilities	1,989	1,912
Long-term debt	1,051	1,081
Deferred income taxes	451	440
Accumulated provisions	448	444
Other postretirement benefits	548	543
Total liabilities	4,487	4,420
Commitments and contingent liabilities (Note 8)		
Minority interest	91	87
Shareholders' equity:		
Common stock	484	484
Additional paid-in capital	104	105
Retained earnings	5,968	5,791
Treasury stock	(3,271)	(3,198)
Unearned compensation	(149)	(149)
Accumulated other comprehensive loss (Note 5)	(201)	(153)
Total shareholders' equity	2,935	2,880
Total	$ 7,513	$ 7,387

</TABLE>

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

PPG INDUSTRIES, INC. AND SUBSIDIARIES

Condensed Statement of Cash Flows (Unaudited)

<TABLE>
<CAPTION>

	Six Months Ended June 30 1999	Six Months Ended June 30 1998
<S>	<C> (Millions)	<C>
Cash from operating activities	$ 389	$ 462
Investing activities:		
Capital spending		
Additions to property and investments	(206)	(216)
Business acquisitions, net of cash balances acquired	(113)	(69)
Reduction of investments	16	3
Other	19	7
Cash used for investing activities	(284)	(275)
Financing activities:		
Net change in borrowings with maturities of three months or less	111	75
Proceeds from other short-term debt	137	62
Repayment of other short-term debt	(138)	(64)
Proceeds from long-term debt	6	4
Repayment of long-term debt	(43)	(43)
Loans to employee stock ownership plan	(24)	(26)
Repayment of loans by employee stock ownership plan	24	20
Purchase of treasury stock, net	(76)	(67)
Dividends paid	(132)	(124)
Cash used for financing activities	(135)	(163)
Effect of currency exchange rate changes on cash and cash equivalents	(2)	(2)
Net (decrease) increase in cash and cash equivalents	(32)	22
Cash and cash equivalents, beginning of period	128	129
Cash and cash equivalents, end of period	$ 96	$ 151

</TABLE>

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

PPG INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Condensed Financial Statements (Unaudited)

1. Financial Statements

The condensed 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) at June 30, 1999 and the results of their operations and their cash flows for the three- and six-month periods ended June 30, 1999 and 1998. These condensed financial statements should be read in conjunction with the financial statements and notes thereto incorporated by reference in PPG's Annual Report on Form 10-K for the year ended December 31, 1998.

The results of operations for the six months ended June 30, 1999 are not necessarily indicative of the results to be expected for the full year.

2. Earnings Per Common Share

The following table reflects the earnings per share calculations for the three and six months ended June 30, 1999 and 1998.

<TABLE>
<CAPTION>

	Three Months Ended June 30		Six Months Ended June 30	
	1999	1998	1999	1998
<S>	<C>	<C>	<C>	<C>
(Millions, except per share amounts)				
Earnings per common share				
Net income	$ 184	$ 199	$ 307	$ 391
Weighted average common shares outstanding	173.5	177.0	173.9	177.3
Earnings per common share	$ 1.06	$ 1.13	$ 1.77	$ 2.21
Earnings per common share - assuming dilution				
Net income	$ 184	$ 199	$ 307	$ 391
Weighted average common shares outstanding	173.5	177.0	173.9	177.3
Effect of dilutive securities:				
Stock options	0.5	1.2	0.4	0.9
Other stock compensation plans	1.2	1.0	1.2	1.0
Potentially dilutive common shares	1.7	2.2	1.6	1.9
Adjusted common shares outstanding	175.2	179.2	175.5	179.2
Earnings per common share - assuming dilution	$ 1.05	$ 1.11	$ 1.75	$ 2.18

</TABLE>

3. Acquisitions, Business Divestitures and Realignments

In January 1999, the Company completed the acquisition of the remaining portion of the global packaging coatings business formerly owned by Courtaulds plc from Akzo Nobel N.V. and completed the purchase of certain leased assets in connection with its 1998 acquisition of the technical coatings business of Orica Ltd. In February 1999, the Company acquired the commercial transport refinish coatings business of Sigma Coatings B.V., a subsidiary of Belgian refiner PetroFina S.A. The Company has completed preliminary purchase price allocations for these acquisitions and the operating activity associated with these acquisitions has been included in the Company's operations from the acquisition dates. The preliminary purchase price allocations are subject to adjustment in 1999 when finalized.

In March 1999, the Company approved a restructuring plan associated with the integration of recent packaging coatings acquisitions, which resulted in a pre-tax charge of $24 million. The components of the plan included severance benefits for 182 employees and an estimated loss of $14 million on the disposal of a redundant European facility. As of June 30, 1999, $1 million of severance benefits had been paid under the plan. It is anticipated that the asset disposition and the payment of the remaining severance benefits will occur by March 31, 2000.

On April 28, 1999, the Company agreed to acquire the global automotive refinish and industrial coatings businesses of Imperial Chemical Industries PLC (ICI), with the exception of the businesses in the Indian subcontinent, for 425 million British pounds sterling or approximately $684 million. The transaction is subject to regulatory approvals and the Company anticipates a closing date at the end of July 1999 for the businesses located in Europe and North and South America, and later in 1999 for the businesses located in Asia. The 1998 sales of the ICI businesses were approximately $459 million.

On June 2, 1999, the Company agreed to acquire coatings and sealants maker PRC-DeSoto International, Inc. (PRC-DeSoto) from Akzo Nobel N.V. for approximately $513 million. Pending regulatory approval, the acquisition should be completed by the end of July 1999. PRC-DeSoto's 1998 sales were approximately $225 million.

The Company intends to use the purchase method of accounting to record these two pending acquisitions and the acquisitions are expected to be funded through a combination of cash generated from operations and external funding sources.

The Company has previously reserved for the estimated loss on the disposition of its equity interests in two Asian float glass plants and two downstream fabrication facilities. At June 30, 1999, the reserve totaled approximately $40 million. Negotiations related to these disposals are ongoing and the Company anticipates completion of the sales of these facilities by the end of 1999.

4. Inventories

Inventories at June 30, 1999 and December 31, 1998 are detailed below.

<TABLE>
<CAPTION>

	June 30 1999	Dec. 31 1998
	(Millions)	
<S>	<C>	<C>
Finished products and work in process	$ 636	$ 638
Raw materials	175	174
Supplies	104	105
Total	$ 915	$ 917

</TABLE>

Most domestic and certain foreign inventories are valued using the last-in, first-out method. If the first-in, first-out method had been used, inventories would have been $166 million and $183 million higher at June 30, 1999 and December 31, 1998, respectively.

5. Comprehensive Income

Total comprehensive income for the three and six months ended June 30, 1999 and 1998 was as follows:

<TABLE>
<CAPTION>

	Three Months Ended June 30		Six Months Ended June 30	
	1999	1998	1999	1998
	(Millions)			
<S>	<C>	<C>	<C>	<C>
Net income.......................................	$ 184	$ 199	$ 307	$ 391
Other comprehensive income (loss), net of tax:				
Currency translation adjustment..................	21	1	(50)	(10)
Minimum pension liability adjustment............	-	-	(1)	-
Unrealized gains on marketable securities....................................	8	-	3	-
	29	1	(48)	(10)
Total comprehensive income......................	$ 213	$ 200	$ 259	$ 381

</TABLE>

As of June 30, 1999 and December 31, 1998, accumulated other comprehensive loss, as reflected on the condensed balance sheet, was comprised of the following:

<TABLE>
<CAPTION>

	June 30 1999	Dec. 31 1998
	(Millions)	
<S>	<C>	<C>
Currency translation adjustment.................................	$ (172)	$ (122)
Minimum pension liability adjustment............................	(32)	(31)
Unrealized gains on marketable securities.......................	3	-
Accumulated other comprehensive loss..........................	$ (201)	$ (153)

</TABLE>

6. Cash Flow Information

Cash payments for interest were $56 million and $62 million for the six months ended June 30, 1999 and 1998, respectively. Net cash payments for income taxes for the six months ended June 30, 1999 and 1998 were $134 million and $193 million, respectively.

7. Business Segment Information

Effective December 31, 1998, PPG adopted Statement of Financial Accounting Standards No. 131, "Disclosures About Segments of an Enterprise and Related Information." Segment operating income and other unallocated corporate (expense) income for the three and six months ended June 30, 1998 have been restated to conform with the current year presentation format.

<TABLE>
<CAPTION>

	Three Months Ended June 30		Six Months Ended June 30	
	1999	1998	1999	1998
	(Millions)			
<S>	<C>	<C>	<C>	<C>
Net sales:				
Coatings (a).............................	$1,005	$ 901	$1,917	$1,722

Glass	586	706	1,143	1,393
Chemicals (b)	359	401	696	808
Intersegment net sales	(3)	(4)	(6)	(6)
Total	$1,947	$2,004	$3,750	$3,917
Operating income:				
Coatings (c)	$ 179	$ 160	$ 280	$ 287
Glass (d)	116	104	213	217
Chemicals	42	96	78	207
Total	337	360	571	711
Interest expense - net	(27)	(25)	(52)	(52)
Other unallocated corporate (expense) income - net	(6)	1	(7)	5
Income before income taxes and minority interest	$ 304	$ 336	$ 512	$ 664

</TABLE>

(a) Includes intersegment net sales of $1 million for each of the three months ended June 30, 1999 and 1998, respectively, and $2 million and $1 million for the six months ended June 30, 1999 and 1998, respectively.

(b) Includes intersegment net sales of $2 million and $3 million for the three months ended June 30, 1999 and 1998, respectively, and $4 million and $5 million for the six months ended June 30, 1999 and 1998, respectively.

(c) Includes for the six months ended June 30, 1999 a pre-tax restructuring charge of $24 million associated with the integration of recent packaging coatings acquisitions, including the disposal of a redundant European facility and work-force reductions.

(d) Includes for each 1998 period a pre-tax charge of $15 million related to the divestiture of equity interests in two Asian float glass plants and two Asian downstream fabrication facilities.

8. 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 money damages are sought. These lawsuits and claims relate to product liability, contract, patent, environmental, antitrust and other matters arising out of the conduct of PPG's business. The Company has been named in a number of antitrust lawsuits alleging that PPG acted with competitors to fix prices and allocate markets for certain glass products. These antitrust proceedings are in an early stage. 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 matters. Management believes that, in the aggregate, the outcome of all lawsuits and claims involving PPG will not have a material effect on PPG's consolidated financial position, results of operations or liquidity.

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 not discounted. As of June 30, 1999 and December 31, 1998, PPG had reserves for environmental contingencies totaling $86 million and $94 million, respectively. Pre-tax charges against income for environmental remediation costs for the six months ended June 30, 1999 and 1998 totaled $5 million and $4 million, respectively, and are included in "Other Charges" in the condensed statement of income. Cash outlays related to such charges for the six months ended June 30, 1999 and 1998 aggregated $13 million and $9 million, respectively.

Management anticipates that the resolution of the Company's environmental contingencies, which will occur over an extended period of time, will not result in future annual charges against income that are significantly greater than those recorded in recent years. It is possible, however, that technological, regulatory and enforcement developments, the results of environmental studies and other factors could alter this expectation. 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.

In addition to the amounts currently reserved, the Company may be subject to loss contingencies related to environmental matters estimated to be as much as $200 million to $400 million, which range is unchanged from December 31, 1998. Such unreserved losses are reasonably possible but are not currently considered to be probable of occurrence. Although insurers and other third parties may cover a portion of these costs, to the extent they are incurred, any potential recovery is not included in this unreserved exposure to future loss. The Company's environmental contingencies are expected to be resolved over an extended period of time.

Although the unreserved exposure to future loss relates to all sites, a significant portion of such exposure involves three operating plant sites. Initial remedial actions are occurring at these sites. Studies to determine the nature of the contamination are reaching completion and the need for additional remedial actions, if any, is presently

being evaluated. The loss contingencies related to the remaining portion of such unreserved exposure include significant unresolved issues such as the nature and extent of contamination, if any, at sites and the methods that may have to be employed should remediation be required.

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 voluntary 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.

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

Performance in the Second Quarter of 1999 Compared to the Second Quarter of 1998

Performance Overview

Sales decreased 3% during the second quarter of 1999 to $1.95 billion compared to $2.0 billion in the second quarter of 1998. Sales declined 6% due to the absence of sales from our European flat and automotive glass businesses, which were divested in July 1998, 4% due to lower selling prices in our chemicals and glass segments and 1% from the negative effects of foreign currency translation. These reductions were partially offset by an 8% increase in volumes across all of our segments, including several acquisitions made within our coatings segment in late 1998 and early 1999.

The gross profit percentage decreased to 40.2% in the second quarter of 1999 from 40.8% in the second quarter of 1998. Lower selling prices for our chemicals and fiber glass products more than offset the manufacturing efficiencies realized across all of our segments.

Net income and earnings per share, diluted, for the second quarter of 1999 were $184 million and $1.05, respectively, compared to $199 million and $1.11 in the same quarter of 1998. Net income in the second quarter of 1999 was negatively impacted by the same factors that contributed to a lower gross profit percentage and foreign currency transaction losses. However, these negative factors were partially offset by the absence of a second quarter 1998 $15 million pre-tax restructuring charge related to the divestiture of our equity interests in Asian glass operations, lower selling, general and administrative expenses, principally within our coatings segment, and an insurance recovery of certain past environmental costs.

Performance of Business Segments

Coatings sales increased 12% to $1.0 billion in the second quarter of 1999 from $900 million in the same quarter of 1998. A 13% sales volume increase resulted from several acquisitions made in late 1998 and early 1999 and volume increases in our North American automotive original and refinish businesses. The second quarter of 1998 included the effects of the General Motors strike, which resulted in reduced volumes. These favorable factors in 1999 were partially offset by a 1% decrease from the negative effects of foreign currency translation and the announced closing of certain store locations by an architectural coatings customer. Operating income increased to $179 million in the second quarter of 1999 from $160 million in the same quarter of 1998. The increase in operating income is attributable to the sales volume increase discussed previously, lower selling, general and administrative expenses in our worldwide automotive original and North American industrial businesses, increased manufacturing efficiencies in our North American industrial business, earnings generated from acquisitions and lower legal expenses.

Glass sales decreased 17% to $586 million in the second quarter of 1999 from $706 million in the same quarter of 1998. A 17% reduction in sales resulted from the absence of sales from our European flat and automotive glass businesses divested in July 1998. Additionally, lower selling prices for our fiber glass products largely as a result of the recessionary Asian economies, as well as for our automotive replacement and original glass products, contributed to a 4% reduction in sales. These negative factors were partially offset by a 4% increase in sales volumes primarily in our North American automotive original glass business as the comparable quarter of 1998 was adversely affected by the General Motors strike. Operating income increased to $116 million in the second quarter of 1999 from $104 million in the same

quarter of 1998. The manufacturing efficiencies realized in our North American automotive original and flat glass businesses and the absence of a second quarter 1998 $15 million pre-tax restructuring charge related to the divestiture of our equity interests in Asian glass operations more than offset the negative effects of the lower sales prices discussed above and the absence of profits related to our divested European flat and automotive glass businesses.

Chemicals sales decreased 10% to $357 million in the second quarter of 1999 from $398 million in the same quarter of 1998. Sales decreased 13% from significantly lower selling prices for our chlorine and caustic soda products, due in part to the worldwide pricing effects of the recessionary Asian economies and other competitive pressures, respectively, which was partially offset by a 3% increase in volumes for certain other chlor-alkali products. Operating income decreased to $42 million in the second quarter of 1999 from $96 million in the second quarter of 1998. The significant reduction in selling prices for our chlorine and caustic soda products was only partially offset by increased manufacturing efficiencies in our chlor-alkali and derivatives business and an insurance recovery of certain past environmental costs.

Performance in the First Six Months of 1999 Compared to the First Six Months of 1998

Performance Overview

Sales decreased 4% during the first six months of 1999 to $3.75 billion from $3.92 billion in the first six months of 1998. The combination of the absence of sales from the European flat and automotive glass businesses divested in July 1998, which reduced sales by 6%, and a 4% decrease principally associated with significantly lower selling prices for our chlorine and caustic soda products more than offset a 6% increase in volumes related to several coatings acquisitions and increased volumes across the majority of our businesses.

The gross profit percentage decreased to 39.5% in the 1999 six-month period compared to 40.5% in the same prior-year period. The decrease in the gross profit percentage principally resulted from lower selling prices for our chlorine, caustic soda and fiber glass products and unfavorable sales mix changes across all of our segments. These unfavorable deviations were only partially offset by the continued realization of manufacturing efficiencies in all of our segments.

Net income and earnings per common share, diluted, for the first six months of 1999 were $307 million and $1.75, respectively, compared to $391 million and $2.18, respectively, for the first six months of 1998. Net income for the first six months of 1999 was negatively affected by the same factors that contributed to a lower gross profit percentage and foreign currency transaction losses. These negative factors were partially offset by lower income tax expense due to a reduction in pre-tax earnings, a lower effective income tax rate and an insurance recovery of certain past environmental costs.

Performance of Business Segments

Coatings sales increased 11% to $1.92 billion in the first six months of 1999 from $1.72 billion in same period of 1998. Sales increased 12% principally from acquisitions made within all of our coatings businesses and volume increases in our automotive original and industrial coatings businesses in North America as second quarter 1998 sales were adversely affected by the General Motors strike. The favorable factors were slightly offset by a 1% sales decline attributable to the negative effects of foreign currency translation. Operating income decreased to $280 million in the first six months of 1999 from $287 million in the first six months of 1998. The decrease in operating income is attributable to a $24 million pre-tax restructuring charge for disposal of a redundant European facility and work-force reductions related to the integration of recent packaging coatings acquisitions. The combination of lower selling, general and

administrative expenses in our worldwide automotive original coatings business and a modest improvement in manufacturing efficiencies in our industrial coatings business partially offset these negative factors.

Glass sales decreased 18% to $1.14 billion in the first six months of 1999 from $1.39 billion in the same period of 1998. Sales declined 16% as a result of the divestiture of our European flat and automotive glass businesses in July 1998 and 3% principally from lower prices for our fiber glass products due largely to the worldwide pricing effects of the recessionary Asian economies and lower selling prices for our North American automotive original and replacement glass businesses. These negative factors were slightly offset by a 1% increase in sales volumes primarily related to our North American automotive original and replacement glass businesses. Operating income decreased to $213 million in the first six months of 1999 from $217 million in the same six month period of 1998. The combination of the lower prices for our fiber glass and automotive glass products discussed above, the absence of profits related to our divested European flat and automotive glass businesses and unfavorable sales mix changes in certain businesses were partially offset by manufacturing efficiencies in our automotive original glass and fiber glass reinforcements businesses. In addition, operating income for the six months ended June 30, 1998 included a $15 million pre-tax restructuring charge related to the divestiture of our equity interests in Asian glass operations.

Chemicals sales decreased 14% to $692 million in the first six months of 1999 from $803 million in the same period of 1998. Sales declined 15% as a result of lower selling prices for chlorine and caustic soda products, due in part to the worldwide pricing effects of the recessionary Asian economies and other competitive pressures, respectively, which was offset slightly by a 1% increase in volumes for certain chlor-alkali products. Operating income decreased to $78 million in the first six months of 1999 compared to $207 million in the same period of 1998. The significant reduction in selling prices discussed above and unfavorable sales mix changes were only slightly offset by manufacturing efficiencies in our chlor-alkali and derivatives business and an insurance recovery of certain past environmental costs.

Other Factors

The increase in receivables-net principally results from acquisitions and higher sales volumes in the second quarter of 1999 compared with the fourth quarter of

1998.

The Company may issue up to $500 million aggregate principal amount of debt securities under a shelf registration statement filed with the Securities and Exchange Commission (SEC) in January 1998. In July 1999, the Company also filed a registration statement with the SEC for the issuance of an additional $800 million aggregate principal amount of debt securities.

Acquisitions, Business Divestitures and Realignments
In January 1999, the Company completed the acquisition of the remaining portion of the global packaging coatings business formerly owned by Courtaulds plc from Akzo Nobel N.V. and completed the purchase of certain leased assets in connection with its 1998 acquisition of the technical coatings business of Orica Ltd. In February 1999, the Company acquired the commercial transport refinish coatings business of Sigma Coatings B.V., a subsidiary of Belgian refiner PetroFina S.A. The Company has completed preliminary purchase price allocations for these acquisitions and the operating activity associated with these acquisitions has been included in the Company's operations from the acquisition dates. The preliminary purchase price allocations are subject to adjustment in 1999 when finalized.

In March 1999, the Company approved a restructuring plan associated with the integration of recent packaging coatings acquisitions, which resulted in a pre-tax charge of $24 million. The components of the plan included severance benefits for 182 employees and an estimated loss of $14 million on the disposal of a redundant European facility. As of June 30, 1999, $1 million of severance benefits had been paid under the plan. It is anticipated that the asset disposition and the payment of the remaining severance benefits will occur by March 31, 2000.

On April 28, 1999, the Company agreed to acquire the global automotive refinish and industrial coatings businesses of ICI with the exception of the businesses in the Indian subcontinent, for 425 million British pounds sterling or approximately $684 million. The transaction is subject to regulatory approvals and the Company anticipates a closing date at the end of July 1999 for the businesses located in Europe and North and South America, and later in 1999 for the businesses located in Asia. The 1998 sales of the ICI businesses were approximately $459 million.

On June 2, 1999, the Company agreed to acquire coatings and sealants maker PRC-DeSoto from Akzo Nobel N.V. for approximately $513 million. Pending regulatory approval, the acquisition should be completed by the end of July 1999. PRC-DeSoto's 1998 sales were approximately $225 million.

The Company intends to use the purchase method of accounting to record these two pending acquisitions and the acquisitions are expected to be funded through a combination of cash generated from operations and external funding sources.

The Company has previously reserved for the estimated loss on the disposition of its equity interests in two Asian float glass plants and two downstream fabrication facilities. At June 30, 1999, the reserve totaled approximately $40 million. Negotiations related to these disposals are ongoing and the Company anticipates completion of the sales of these facilities by the end of 1999.

Conversion to the Euro
On January 1, 1999, eleven of the member countries of the European Monetary Union converted from their sovereign currencies to a common currency, the euro. At that time, fixed conversion rates between the legacy currencies and the euro were set. The legacy currencies will remain legal tender from January 1, 1999 through July 1, 2002. Beginning January 1, 2002, euro-denominated currency will be issued. No later than July 1, 2002, the participating countries will withdraw all bills and coins so that their legacy currencies will no longer be considered legal tender.

PPG has identified and has substantially addressed the significant issues that may have resulted from the euro conversion. These issues include increased competitive pressures from greater price transparency, changes to information systems to accommodate various aspects of the new currency and exposure to market risk with respect to financial instruments. The impact on PPG's operating results and financial condition from the conversion to the euro has not been, and is not expected to be, material.

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 Form 10-Q contain forward-looking statements that reflect the Company's current views with respect to future events and financial performance.

Forward-looking statements are identified by the use of the words "aim," "believe," "expect," "anticipate," "intend," "estimate" and other expressions that 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. Among these factors are increasing price and product competition by foreign and domestic competitors, fluctuations in the cost and availability of raw materials, the ability to maintain favorable supplier relationships and arrangements, economic and political conditions in international markets, the ability to penetrate existing, developing and emerging foreign and domestic markets, which also depends on economic and political conditions, foreign exchange rates and fluctuations in those rates and the uncertainties regarding the Year 2000 problem discussed below. Further, it is not possible to predict or identify all such factors. Consequently, while the list of factors presented here is 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.

The following discussion regarding Year 2000 issues, including the discussion of the timing and effectiveness of implementation and the estimated cost of the Company's Year 2000 efforts, contains forward-looking statements derived using various assumptions of future events. These forward-looking statements involve inherent risks and uncertainties and the actual results could differ materially from those contemplated by such statements.

Factors that could cause material differences in results - many of which are outside the control of the Company - include, but are not limited to:

- The Company's ability to locate and correct all relevant computer software.

- The accuracy of representations by manufacturers of the Company's computer systems and software that their products are Year 2000 compliant.

- The ability of the Company's suppliers, customers and other counterparties to identify and resolve their own Year 2000 issues so as to allow them to continue normal business operations or furnish products, services or data to the Company without disruption.

- The ability of the Company to complete the remediation and testing of critical information technology and non-information technology systems of the acquisitions expected to be completed in the last half of 1999.

- The Company's ability to respond to unforeseen Year 2000 complications.

The consequences of material differences in the results as compared to those anticipated in the forward-looking statements could include, among other things, business disruption, operational problems, financial loss, legal liability to third parties and similar risks, any of which could have a material adverse effect on the Company's consolidated financial condition, operations or liquidity.

Year 2000 Readiness Disclosure

Background. Many existing information technology (IT) products and systems and non-IT products and systems containing embedded microchip processors, were originally programmed to represent any calendar dates by using six digits (for example, 12/31/99), as opposed to eight digits (for example, 12/31/1999). Accordingly, such products and systems may experience miscalculations, malfunctions or disruptions when attempting to process information containing dates that fall after December 31, 1999, or other dates that could cause computer malfunctions. These potential problems are collectively referred to as the "Year 2000" problem.

State of Readiness. Recognizing the importance of Year 2000 issues, the Company has established a corporate-wide Year 2000 Steering Committee made up of certain senior executives of the Company. The Committee is responsible for overseeing the Company's efforts to assess and address the Year 2000 problem as it may affect the Company. The scope of the Company's efforts includes: (1) an assessment, and where needed a remediation, of both IT and non-IT elements of its business information, computing, telecommunications and process control systems; (2) an assessment, and remediation, as necessary, of equipment with embedded computer chips and (3) an evaluation of the Company's relationships with material third parties as they may be impacted by the Year 2000 problem.

The phases of the Company's Year 2000 compliance plan are: (1) Internal Assessment - a detailed evaluation of the potential Year 2000 effects on the Company's IT and non-IT systems and on its equipment with embedded computer chips; (2) Remediation - corrective action including code enhancements, hardware and software upgrades, system replacements, vendor certification, equipment repair or replacement and other associated changes to achieve Year 2000 compliance; (3) Testing - the verification that remediation actions are effective; (4) Third-Party Evaluation - an evaluation of the Year 2000 readiness of key suppliers of goods and services and of key customers and (5) Contingency Planning - the development of detailed procedures to be put in place should the Company or key suppliers or customers experience a significant Year 2000 problem. These phases sometimes overlap.

The testing phase of the Company's Year 2000 compliance plan involves subjecting the remediated system to a simulated change of date from the year 1999 to the year 2000 using, in many cases, computer resources dedicated to that purpose so that normal computing activity is not interrupted or adversely affected by the testing. As of June 30, 1999, the Company has substantially completed the remediation and testing of all critical IT and non-IT systems. The Company anticipates that the remediation and testing of all remaining systems will be completed by December 31, 1999. The Year 2000 Steering Committee will continue to review Year 2000 compliance efforts on an ongoing basis.

The Company expects to substantially complete the acquisitions of PRC-DeSoto and certain businesses of ICI in the third quarter of 1999. Although the sellers have represented that these companies have instituted Year 2000 compliance plans and will have all critical systems compliant by December 31, 1999, the Company will assess their state of readiness upon conclusion of the acquisitions.

In the third-party evaluation phase, the Company has identified and contacted materially significant suppliers of goods or services in an effort to determine the state of readiness of these important third parties. Materially significant suppliers for this purpose are considered to be those from whom the Company purchases a significant dollar amount of goods or services and those who supply goods or services that are critical to uninterrupted production by the Company of its products, including those who are sole-source suppliers of important goods or services. Written assurances that these materially significant suppliers are progressing toward timely Year 2000 compliance have been received from more than 95% of the Company's materially significant suppliers. The Company has identified and is in the process of investigating the Year 2000 readiness of its materially significant customers. Through review of their publicly issued statements of Year 2000 readiness, no significant concerns have been identified to date. Materially significant customers for this purpose are considered to be those to whom the Company sells a significant dollar amount of goods.

If materially significant suppliers or customers or a number of less substantial suppliers or customers do not convert their systems in a timely manner, or are themselves adversely affected by a lack of Year 2000 readiness on the part of their suppliers or customers, it could have a material adverse effect on the Company's operations, liquidity or consolidated financial condition. The

Company believes that its continuing efforts to gain assurances of Year 2000 compliance from materially significant suppliers and its investigative efforts with respect to the readiness of materially significant customers will minimize these risks. Nonetheless, the actual readiness of these third parties is beyond the Company's control.

Costs. The Company is using both internal and external resources to execute its Year 2000 compliance plan. The Company currently estimates the incremental cost of resolving the Year 2000 issue at approximately $20 million. The Company spent a total of $14 million during 1998 and the six months ended June 30, 1999, representing the incremental cost of resolving the Year 2000 issue and anticipates the expenditure of an additional $4 to $6 million during the second half of 1999. Approximately 50% of the total Year 2000 costs are expected to be expended on equipment or software replacement and the remainder on remediation and testing of existing systems. These cost estimates are based on currently available information and may be subject to change.

All Year 2000 costs are expected to be funded from the Company's operating cash flow. The Company is expensing as incurred all costs related to the assessment, remediation and testing of the Year 2000 issue, unless new systems or equipment are purchased. In those instances, such costs are capitalized and charged to expense over the useful lives of those assets in accordance with the Company's existing policy.

Risks. If needed modifications and conversions of computer systems are not made on a timely basis by the Company or its materially significant suppliers or customers, the Company could be affected by business disruption, operational problems, financial loss, legal liability to third parties and similar risks, any of which could have a material adverse effect on the Company's consolidated financial condition, results of operations or liquidity. Although not anticipated, the most reasonably likely worst-case scenario of failure by the Company or its key suppliers or customers to resolve the Year 2000 issue would be a short-term slowdown or cessation of manufacturing operations at one or more of the Company's facilities and a short-term inability on the part of the Company to process orders and billings in a timely manner and to deliver product to customers.

Contingency Planning. Although the Company expects to be Year 2000 compliant by December 31, 1999, contingency plans to address the most reasonably likely worst case

scenario have been completed for substantially all of the Company's locations as of June 30, 1999. The main focus of the contingency plans is to outline the procedures and necessary resources for the safe shutdown of manufacturing and other processes in the event of a business disruption due to a Year 2000 event. The contingency plans will continue to be reviewed and modified as required during the remainder of 1999.

Accounting Standards

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities". The effective date of this standard has been delayed to fiscal years beginning after June 15, 2000. The Company is currently evaluating the prospective impact of this standard on its financial position and results of operations.

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 money damages are sought. These lawsuits and claims relate to product liability, contract, patent, environmental, antitrust and other matters arising out of the conduct of PPG's business. The Company has been named in a number of antitrust lawsuits alleging that PPG acted with competitors to fix prices and allocate markets for certain glass products. These antitrust proceedings are in an early stage. 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 matters. Management believes that, in the aggregate, the outcome of all lawsuits and claims involving PPG will not have a material effect on PPG's consolidated financial position, results of operations or liquidity.

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 not discounted. As of June 30, 1999 and December 31, 1998, PPG had reserves for environmental contingencies totaling $86 million and $94 million, respectively. Pre-tax charges against income for environmental remediation costs for the six months ended June 30, 1999 and 1998 totaled $5 million and $4 million, respectively, and are included in "Other Charges" in the condensed statement of income. Cash outlays related to such charges for the six months ended June 30, 1999 and 1998 aggregated $13 million and $9 million, respectively.

Management anticipates that the resolution of the Company's environmental contingencies, which will occur over an extended period of time, will not result in future annual charges against income that are significantly greater than those recorded in recent years. It is possible, however, that technological, regulatory and enforcement developments, the results of environmental studies and other factors could alter this expectation. 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.

In addition to the amounts currently reserved, the Company may be subject to loss contingencies related to environmental matters estimated to be as much as $200 million to $400 million, which range is unchanged from December 31, 1998. Such unreserved losses are reasonably possible but are not currently considered to be probable of occurrence. Although insurers and other third parties may cover a portion of these costs, to the extent they are incurred, any potential recovery is not included in this unreserved exposure to future loss. The Company's environmental contingencies are expected to be resolved over an extended period of time.

Although the unreserved exposure to future loss relates to all sites, a significant portion of such exposure involves three operating plant sites. Initial remedial actions are occurring at these sites. Studies to determine the nature of the contamination are reaching completion and the need for additional remedial actions, if any, is presently being evaluated. The loss contingencies related to the remaining portion of such unreserved exposure include significant unresolved issues such as the nature and extent of contamination, if any, at sites and the methods that may have to be employed should remediation be required.

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 voluntary 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There were no material changes in the Company's exposure to market risk from December 31, 1998.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

In the Company's Form 10-K for the year ended December 31, 1998, it was reported that the Company had been named in a number of antitrust lawsuits alleging PPG was involved with competitors in fixing prices and allocating markets for certain glass products. Three of the named defendants in those cases, Pilkington plc, Libbey-Owens Ford Co., Inc. and AFG Industries, Inc. have entered into preliminary settlement agreements with the plaintiffs. Otherwise, the status of those cases remains as reported in the Company's Form 10-K.

Item 2. Change in Securities and Use of Proceeds

Directors who are not also Officers of the Company receive Common Stock Equivalents pursuant to the Deferred Compensation Plan for Directors and the Directors' Common Stock Plan. Common Stock Equivalents are hypothetical shares of Common Stock having a value on any given date equal to the value of a share of Common Stock. Common Stock Equivalents earn dividend equivalents that are converted into additional Common Stock Equivalents but carry no voting rights or other rights of 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 Company's Deferred Compensation Plan for Directors, each Director must defer receipt of such compensation as the Board mandates. Currently, the Board mandates deferral of one-third of each payment of the basic annual retainer of each Director. Each Director may also elect to defer the receipt of (1) an additional one-third of each payment of the basic annual retainer, (2) all of the basic annual retainer, or (3) all compensation. 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 second quarter of 1999, the Directors, as a group, were credited with 4,490 Common Stock Equivalents under this Plan. The values of the Common Stock Equivalents, when credited, ranged from $60.69 to $64.94.

Under the Directors' Common Stock Plan, each Director who neither is nor was an employee of the Company is credited annually with Common Stock Equivalents worth one-half of the Director's basic annual retainer. Upon termination of service and attaining 70 years of age, the Common Stock Equivalents held in a Director's account are converted to and paid in Common Stock of the Company (and cash as to any fractional Common Stock Equivalent). In the second quarter of 1999, the Directors, as a group, received 3,028 Common Stock Equivalents under this Plan. The value of each Common Stock Equivalent, when credited, ranged from $52.21 to $61.63.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

(12) Computation of Ratio of Earnings to Fixed Charges.

(27) Financial Data Schedule.

(b) Reports on Form 8-K

(1) The Company filed a Form 8-K on June 17, 1999, dated June 2, 1999, reporting the acquisition by PPG of PRC-DeSoto International, Inc. from Akzo Nobel N.V., subject to regulatory approval.

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: July 27, 1999 By /s/ W. H. Hernandez

W. H. Hernandez
Senior Vice President, Finance
(Principal Financial and
Accounting Officer and
Duly Authorized Officer)

PPG INDUSTRIES, INC. AND SUBSIDIARIES

INDEX TO EXHIBITS

Exhibit Number	Description
(12)	Computation of Ratio of Earnings to Fixed Charges.
(27)	Financial Data Schedule.

Exhibit 12

PPG INDUSTRIES, INC. AND CONSOLIDATED SUBSIDIARIES

Computation of Ratio Of Earnings to Fixed Charges
(Dollars in Millions)

<TABLE>
<CAPTION>

<S>	Year Ended December 31 1994 <C>	1995 <C>	1996 <C>	1997 <C>	1998 <C>	Six Months Ended June 30, 1999 <C>
Earnings:						
Earnings before income taxes	$ 840	$1,247	$1,215	$1,149	$1,267	$ 502
Plus:						
Fixed charges exclusive of capitalized interest	108	113	124	136	139	70
Amortization of capitalized interest	11	12	13	13	12	5
Adjustments for equity affiliates and minority interest	(2)	(4)	(3)	0	(2)	(1)
Total	$ 957	$1,368	$1,349	$1,298	$1,416	$ 576
Fixed Charges:						
Interest expense including amortization of debt discount/premium and debt expense	$ 88	$ 91	$ 102	$ 113	$ 114	$ 57
Rentals - portion representative of interest	20	22	22	23	25	13
Fixed charges exclusive of capitalized interest	108	113	124	136	139	70
Capitalized interest	5	9	12	10	9	5
Total	$ 113	$ 122	$ 136	$ 146	$ 148	$ 75
Ratio of earnings to fixed charges	8.4	11.3	9.9	8.9	9.6	7.7

</TABLE>

<TABLE> <S> <C>

<ARTICLE> 5
<LEGEND>
THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM PPG INDUSTRIES, INC. JUNE 30, 1999 FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
</LEGEND>
<MULTIPLIER> 1,000,000

<S>	<C>
<PERIOD-TYPE>	6-MOS
<FISCAL-YEAR-END>	DEC-31-1999
<PERIOD-START>	JAN-01-1999
<PERIOD-END>	JUN-30-1999
<CASH>	96
<SECURITIES>	0
<RECEIVABLES>	1,500
<ALLOWANCES>	0
<INVENTORY>	915
<CURRENT-ASSETS>	2,779
<PP&E>	6,792
<DEPRECIATION>	3,916
<TOTAL-ASSETS>	7,513
<CURRENT-LIABILITIES>	1,989
<BONDS>	1,051
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	484
<OTHER-SE>	2,451
<TOTAL-LIABILITY-AND-EQUITY>	7,513
<SALES>	3,750
<TOTAL-REVENUES>	3,750
<CGS>	2,268
<TOTAL-COSTS>	2,268
<OTHER-EXPENSES>	388
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	55
<INCOME-PRETAX>	512
<INCOME-TAX>	195
<INCOME-CONTINUING>	0
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	307
<EPS-BASIC>	1.77
<EPS-DILUTED>	1.75

</TABLE>