

PPG INDUSTRIES INC  
Form 10-Q  
July 23, 2014  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 10-Q

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QUARTERLY REPORT UNDER SECTION 13 or 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934  
For Quarter Ended June 30, 2014  
Commission File Number 1-1687

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PPG INDUSTRIES, INC.  
(Exact name of registrant as specified in its charter)

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Pennsylvania 25-0730780  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) 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)

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Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of June 30, 2014, 137,834,563 shares of the Registrant’s common stock, par value \$1.66-2/3 per share, were outstanding.

PPG INDUSTRIES, INC. AND SUBSIDIARIES  
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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## PPG INDUSTRIES, INC. AND SUBSIDIARIES

## Condensed Consolidated Statement of Income (Unaudited)

(\$ in millions, except per share amounts)

	Three Months		Six Months	
	Ended June 30		Ended June 30	
	2014	2013	2014	2013
Net sales	\$4,082	\$3,883	\$7,718	\$6,991
Cost of sales, exclusive of depreciation and amortization	2,306	2,263	4,397	4,125
Selling, general and administrative	985	925	1,885	1,671
Depreciation	84	85	173	160
Amortization	31	34	61	60
Research and development, net	126	118	246	227
Interest expense	48	47	95	100
Interest income	(13	) (9	) (25	) (19
Asbestos settlement – net	3	3	6	6
Other charges	19	24	40	49
Other income	(31	) (29	) (56	) (51
Income from continuing operations before income taxes	524	422	896	663
Income tax expense	125	98	214	142
Income from continuing operations	399	324	682	521
(Loss)/income from discontinued operations, net of tax	(7	) 47	1,011	2,295
Net income attributable to the controlling and noncontrolling interests	392	371	1,693	2,816
Less: Net income attributable to noncontrolling interests	(6	) (30	) (45	) (65
Net income (attributable to PPG)	\$386	\$341	\$1,648	\$2,751
Amounts attributable to PPG:				
Income from continuing operations, net of tax	\$393	\$318	\$670	\$509
(Loss)/income from discontinued operations, net of tax	(7	) 23	978	2,242
Net income (attributable to PPG)	\$386	\$341	\$1,648	\$2,751
Earnings per common share:				
Income from continuing operations, net of tax	\$2.83	\$2.22	\$4.82	\$3.51
(Loss)/income from discontinued operations, net of tax	(0.05	) 0.16	7.04	15.46
Net income (attributable to PPG)	\$2.78	\$2.38	\$11.86	\$18.97
Earnings per common share – assuming dilution:				
Income from continuing operations, net of tax	\$2.80	\$2.19	\$4.77	\$3.47
(Loss)/income from discontinued operations, net of tax	(0.05	) 0.16	6.97	15.29
Net income (attributable to PPG)	\$2.75	\$2.35	\$11.74	\$18.76
Dividends per common share	\$0.67	\$0.61	\$1.28	\$1.20

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

## PPG INDUSTRIES, INC. AND SUBSIDIARIES

## Condensed Consolidated Statement of Comprehensive Income (Unaudited)

(\$ in millions)

	Three Months		Six Months	
	Ended June 30		Ended June 30	
	2014	2013	2014	2013
Net income attributable to the controlling and noncontrolling interests	\$392	\$371	\$1,693	\$2,816
Other comprehensive income (loss), net of tax:				
Defined benefit pension and other postretirement benefits	14	17	25	198
Unrealized foreign currency translation adjustments	41	(59	) 58	(190
Unrealized losses on marketable securities	—	1	—	1
Net change – derivative financial instruments	(3	) 2	—	7
Other comprehensive income (loss), net of tax	\$52	\$(39	) \$83	\$16
Total comprehensive income	444	332	1,776	2,832
Less: amounts attributable to noncontrolling interests:				
Net income	(6	) (30	) (45	) (65
Unrealized foreign currency translation adjustments	(3	) 8	(4	) 11
Comprehensive income attributable to PPG	\$435	\$310	\$1,727	\$2,778

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

PPG INDUSTRIES, INC. AND SUBSIDIARIES  
Condensed Consolidated Balance Sheet (Unaudited)  
(\$ in millions)

	June 30, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$1,986	\$1,116
Short-term investments	927	629
Receivables (less allowance for doubtful accounts of \$72 and \$74)	3,184	2,736
Inventories	1,964	1,824
Deferred Income Taxes	430	425
Other	544	484
Total current assets	9,035	7,214
Property, plant and equipment (net of accumulated depreciation of \$4,745 and \$4,805)	2,777	2,876
Goodwill	2,978	3,008
Identifiable intangible assets, net	1,304	1,339
Deferred income taxes	230	491
Investments	381	393
Other assets	595	542
Total	\$17,300	\$15,863
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$3,691	\$3,265
Asbestos settlement	792	763
Restructuring reserves	54	73
Short-term debt and current portion of long-term debt	425	34
Total current liabilities	4,962	4,135
Long-term debt	2,958	3,372
Accrued pensions	734	728
Other postretirement benefits	1,013	1,007
Asbestos settlement	252	245
Deferred income taxes	271	249
Other liabilities	789	929
Total liabilities	10,979	10,665
Commitments and contingent liabilities (Note 15)		
Shareholders' equity:		
Common stock	484	484
Additional paid-in capital	983	953
Retained earnings	14,227	12,757
Treasury stock, at cost	(8,281)	(8,002)
Accumulated other comprehensive loss	(1,181)	(1,260)
Total PPG shareholders' equity	6,232	4,932
Noncontrolling interests	89	266
Total shareholders' equity	6,321	5,198
Total	\$17,300	\$15,863

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



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

(\$ in millions)

	Six Months Ended June 30	
	2014	2013
Operating activities:		
Net income attributable to controlling and noncontrolling interests	\$1,693	\$2,816
Less: Income from discontinued operations	(1,011	) (2,295
Income from continuing operations	682	521
Adjustments to reconcile net income to cash from operations:		
Depreciation and amortization	234	220
Pension expense	41	74
Stock-based compensation expense	38	32
Environmental remediation charge	—	12
Equity affiliate earnings, net of dividends	7	7
Deferred income taxes	27	(32
Cash contributions to pension plans	(10	) (28
Restructuring cash spending	(32	) (36
Change in certain asset and liability accounts:		
Receivables	(531	) (462
Inventories	(203	) (24
Other current assets	(75	) (36
Accounts payable and accrued liabilities	314	110
Noncurrent assets	(29	) 16
Noncurrent liabilities	(71	) (27
Taxes and interest payable	114	29
Other	6	