P.E. 12-31-05

GROWTH LEADERSHIP INNOVATION

PPG INDUSTRIES, INC. 2005 ANNUAL REPORT AND FORM 10-K

AT A GLANCE

PPG Industries is a leading diversified manufacturer that supplies products and services around the world.

The company makes protective and decorative coatings, adhesives, sealants, metal pretreatment products, flat glass, fabricated glass products, continuous-strand fiber glass products, and chlor-alkali and specialty chemicals — including photochromic ophthalmic lenses, optical materials, amorphous precipitated silicas and fine chemicals. In addition, PPG provides insurance claims-processing services.

With headquarters in Pittsburgh, PPG has 110 manufacturing facilities and equity affiliates in Argentina, Australia, Brazil, Canada, China, England, France, Germany, India, Ireland, Italy, Japan, Malaysia, Mexico, the Netherlands, the Philippines, South Korea, Spain, Taiwan, Thailand, Turkey, the United States and Venezuela.

CONTENTS

2005 SEGMENT NET SALES

- Coatings 55%
- Chemicals 23%
- Glass 22%

Responsible Care
Good Chemistry at Work

coatings care

Aerospace. World's leading supplier of cockpit transparencies, sealants, coatings and application systems, serving original equipment manufacturers and the maintenance market for the commercial, military, regional jet and general aviation industries. Also manufactures sealants for architectural insulating glass units. ■

Architectural Coatings. Under the *Pittsburgh* Paints, *Olympic, Porter, Monarch, Lucite, Iowa, Sterling* and *PPG HPC* (High Performance Coatings) brands, the unit produces paints, stains and specialty coatings for commercial, maintenance and residential markets. ■

Automotive Coatings. Global supplier of automotive coatings and services to auto and light truck manufacturers. Products include electrocoats, primer surfacers, base coats, clearcoats, bedliner, pretreatment chemicals, adhesives and sealants. ■

Automotive OEM Glass. Produces original equipment windshields, rear and side windows and related assemblies for auto and truck manufacturers. ●

Automotive Refinish. Produces and markets a full line of coatings products and related services for automotive and fleet repair and refurbishing, light industrial coatings and specialty coatings for signs. Also created and manages *CertifiedFirst*, PPG's premier collision-shop alliance. ■

Automotive Replacement Glass. Fabricates and distributes replacement windshields and rear and side windows. Also responsible for *PPG PROSTARS* marketing alliance in the retail auto glass replacement market. ●

Chlor-Alkali and Derivatives. A world leader in the production of chlorine, caustic soda and related chemicals for use in chemical manufacturing, pulp and paper production, water treatment, plastics production, agricultural products and many other applications. ▲

Fiber Glass. Maker of fiber glass yarn for use in electronics, especially printed circuit boards, and specialty materials, such as insect screening, vertical casting and filtration fabrics. Also maker of fiber glass chopped strands, rovings and mat products used as reinforcing agents in thermoset and thermoplastic composite applications. ●

Fine Chemicals. Produces advanced intermediates and bulk active ingredients for the pharmaceutical industry. ▲

Industrial Coatings. Produces a wide variety of coatings for the manufacture of appliances, agricultural and construction equipment, consumer products, electronics, heavy-duty trucks, automotive parts and accessories, coils, extrusions, wood flooring, kitchen cabinets and other finished products. ■

Insurance & Services. An array of business process and software service businesses linking the automotive aftermarket and the insurance and fleet industries. Includes *LYNX Services*, a wholly owned subsidiary offering a variety of claims-management solutions and call-center services to leading insurance companies. ●

Optical Products. Produces optical monomers, including *CR39* and *Trivex* lens materials, photochromic dyes, *Transitions* photochromic ophthalmic plastic eyewear and polarized film. ▲

Packaging Coatings. Global supplier of coatings, inks, compounds, pretreatment chemicals and lubricants for metal and plastic containers for the beverage, food, general line and specialty packaging industries. ■

Performance Glazings. Produces glass that is fabricated into products primarily for the commercial construction and residential markets, as well as the appliance, mirror and transportation industries. Previously, the business unit was referred to as flat glass. ●

Silicas. Produces amorphous precipitated silicas for tire, battery separator, and other end-use markets and *Teslin* synthetic printing sheet used in such applications as waterproof labels, e-passports and identification cards. ▲

05

FINANCIAL HIGHLIGHTS

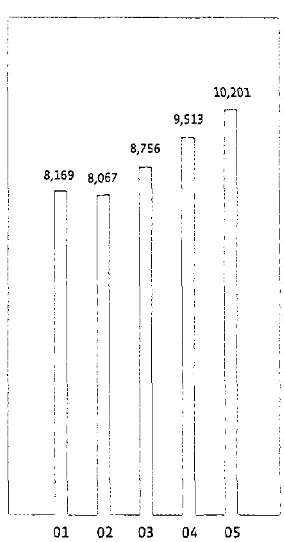
Average shares outstanding and all dollar amounts except per share data are in millions.

For The Year	2005	Change	2004
Net sales	**$ 10,201**	7%	$ 9,513
Net income*	**$ 596**	-13%	$ 683
Earnings per share*‡	**$ 3.49**	-12%	$ 3.95
Dividends per share	**$ 1.86**	4%	$ 1.79
Return on average capital	**13.8%**	-12%	15.7%
Operating cash flow	**$ 1,065**	5%	$ 1,018
Capital spending — including acquisitions	**$ 379**	22%	$ 311
Research and development	**$ 325**	1%	$ 321
Average shares outstanding‡	**170.9**	-1%	173.0
Average number of employees	**30,800**	-3%	31,800
At Year End			
Working capital	**$ 1,670**	-9%	$ 1,833
Shareholders' equity	**$ 3,053**	-15%	$ 3,572
Shareholders (at Jan. 31, 2006 and 2005)	**23,389**	-13%	26,899

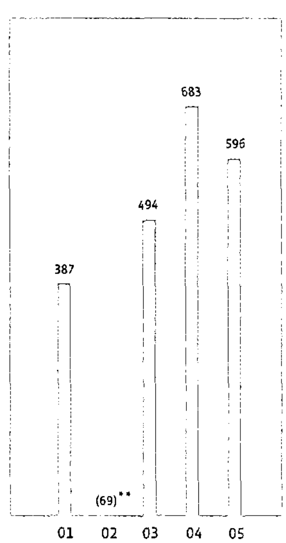
Includes in 2005 aftertax charges totaling $180 million, or $1.05 per share, for legal settlements net of insurance recoveries, direct hurricane costs, asset impairment, debt refinancing and the net increase in the value of the company's obligation under its asbestos settlement agreement. Includes in 2004 an aftertax charge of $19 million, or 11 cents per share, related to the net increase in the value of the company's obligation under its asbestos settlement agreement.

‡*Assumes dilution.*

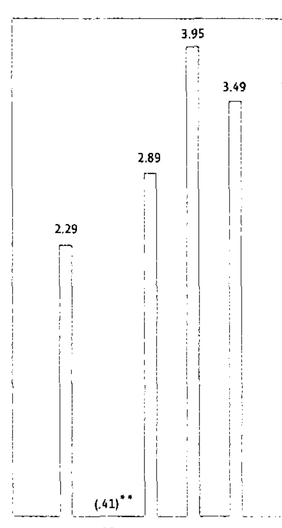
NET SALES
Millions of Dollars



NET INCOME
Millions of Dollars



EARNINGS PER SHARE
Dollars



DIVIDENDS PER SHARE
Dollars

***Includes aftertax charge of $484 million, or $2.85 a share, representing the estimated cost of asbestos settlement.*

GROWTH

TO OUR SHAREHOLDERS→

PPG delivered a strong performance in 2005. We reported record sales of $10.2 billion, plus 10 of our 15 businesses posted annual sales records. We generated strong cash flow, with more than $1 billion in cash from operations. We maintained our tradition of rewarding shareholders, increasing dividend payments for the 34th consecutive year, now at an annual rate of $1.88 per share. Also, we repurchased approximately $600 million of PPG stock. And we continued to invest in our company, with capital spending of $379 million, including $91 million in acquisitions.

We recorded net income of $596 million, or $3.49 per share, including aftertax charges totaling $180 million, or $1.05 a share, as described in the financial highlights. Our results benefited from a strong chlor-alkali market as well as continued growth in optical products and aerospace, architectural and Asian coatings. In 2004 we recorded net income of $683 million, or $3.95 a share, including aftertax charges totaling $19 million, or 11 cents a share. Sales were $9.5 billion.

Our accomplishments in 2005 were noteworthy given the substantial increases in energy and raw material costs throughout the company as well as the impact the U.S. hurricanes had on our chemicals businesses.

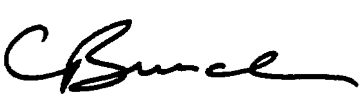
In 2005 my predecessor, Ray LeBoeuf, retired after nearly 25 years with the company, the last eight as chairman and chief executive officer. Under Ray's leadership, PPG grew in size and strength. Also in 2005 we welcomed to our board of directors Hugh Grant, chairman, president and chief executive officer of Monsanto.

Worthy of special recognition in 2005 are the employees of our Lake Charles, La., chemicals complex. They worked tirelessly and under difficult circumstances to restore our largest chemicals site after being hit by Hurricane Rita in September. Their dedication and spirit were truly inspirational.

Looking to the future, our continued ability to meet the challenges facing our company relies on success in accelerating the growth of sales and earnings, and strengthening our businesses through leadership and innovation. We are committed to leading in the markets and technologies in which we compete, with an emphasis on providing innovative products and services. We believe this combination of growth, leadership and innovation creates an environment that fosters growth for shareholders as well as employees, customers and suppliers.

In 2006, we expect energy and raw material costs will continue to challenge us. So will demanding conditions in some of the markets we serve. As a result, we will supplement ongoing initiatives to reduce manufacturing and overhead costs through continuous improvement with additional actions, such as the restructuring plans we are now finalizing that are expected to result in a first quarter 2006 charge in the range of $50 million to $70 million pretax.

However, we are well-positioned for both organic growth and acquisitions in 2006, taking advantage of our strong balance sheet and consistently strong cash flow. With a focus on growth, leadership, innovation and, of course, your ongoing support, I'm confident our company has the ability to continue reaching new heights.



CHARLES E. BUNCH
Chairman and Chief Executive Officer

We are committed to leading in the markets and technologies in which we compete, with an emphasis on providing innovative products and services.

CHARLES E. BUNCH

At left, PPG's executive committee, clockwise from top: Charles E. Bunch, chairman and chief executive officer; William H. Hernandez, senior vice president, finance; and James C. Diggs, senior vice president, general counsel and secretary.

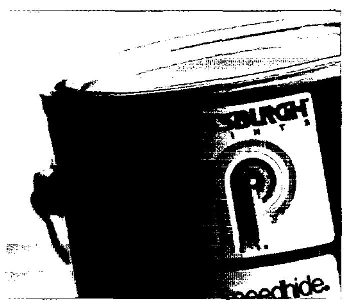
ACCELERATING GROWTH→

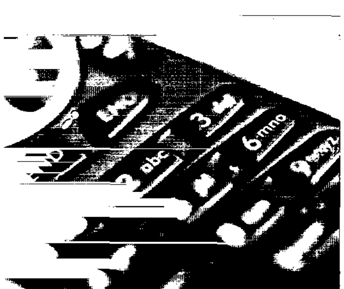
Leadership is an important component of PPG's strategy for accelerating growth and strengthening its businesses, whether it's building a presence that enables the company to participate fully in key markets or investing in the manufacturing technologies that meet the demands of the marketplace.

The Asian coatings market is a perfect example. Since 1999, PPG's coatings sales in the region have more than doubled, growing at rate of 18 percent per year. To generate additional growth, PPG acquired Crown Coating Industries of Singapore, Asia's leader in radiation-cured coatings for the flooring industry. In addition, PPG announced it will open a coatings application facility in Taiwan for fasteners and small parts in the second quarter of 2006. Today PPG's Asian coatings sales constitute slightly less than 10 percent of the company's worldwide coatings sales. Furthermore, PPG's operating margins in its Asian coatings businesses are on par with the operating margins for the company's entire coatings segment, which are the industry's best.

In architectural coatings, meanwhile, a business where success relies heavily on distribution, PPG expanded its presence in 2005 with the acquisition of 42 service centers in eight Midwestern states from Iowa Paint Manufacturing. In addition, PPG acquired the *Iowa* and *Sterling* brands. Since 2001, PPG has added nearly 150 company-owned service centers to its network that now includes nearly 380 locations, with plenty of room for further growth. In addition, PPG supplies paint to two of the big three home center chains, Lowe's and Menards, which together added 156 stores in 2005. As a result of the growth in company-owned service centers and home centers, PPG's architectural coatings sales have increased about 14 percent per year since 1997.

This page, from top: *Pittsburgh Paints* is one of three national and four regional brands in PPG's architectural coatings business. PPG is the technology leader in coatings for the wood flooring industry. Additionally, PPG is a leader in the supply of paints for consumer electronics, including cell phones, personal digital assistants (PDAs) and computers.





STRENGTHENING BUSINESSES→

Of course, being a significant player in key markets benefits PPG, but success in manufacturing requires much more than market share. It also requires industry-leading technology. As a result, PPG is adding coating capabilities at its Wichita Falls, Texas, performance glazings plant to meet the growing demand for low-emissivity glass and accommodate future generations of energy-efficient, high-performance products. Scheduled to come online in the first half of 2006, the system that applies thin, transparent coatings to enhance the performance of glass will become the sixth in the PPG network, increasing the company's participation in a fast-growing segment of the architectural glass industry.

Another example of PPG's investment in technology to maintain the strength of its businesses was the announcement in 2005 that the company will install membrane cell technology for the manufacture of chlor-alkali products at the Lake Charles, La., chemicals complex. Installation of the membrane cells, which is expected to be completed by mid-2007, will eliminate the use of mercury at Lake Charles while reducing energy use by about 25 percent over mercury cells. In addition, the new technology will reduce maintenance and operating costs, enhancing the sustainability and competitiveness of PPG's largest chemicals facility.

At right: Production Operator Yang Chun seals a drum at PPG's Tianjin, China, coatings plant, the company's largest in Asia.

This is an exciting time because of the growth opportunities in our businesses and throughout the world, especially in developing regions such as Asia.

J. RICH ALEXANDER
Senior Vice President
Coatings

We are working with our customers to position them to be stronger players in the marketplace and to improve their value proposition, while at the same time helping them to become more efficient providers of products and services.

GARRY A. GOUDY
Senior Vice President
Automotive Aftermarket

Our key strength is operational excellence. We have the people and the technology to run our businesses better than the competition.

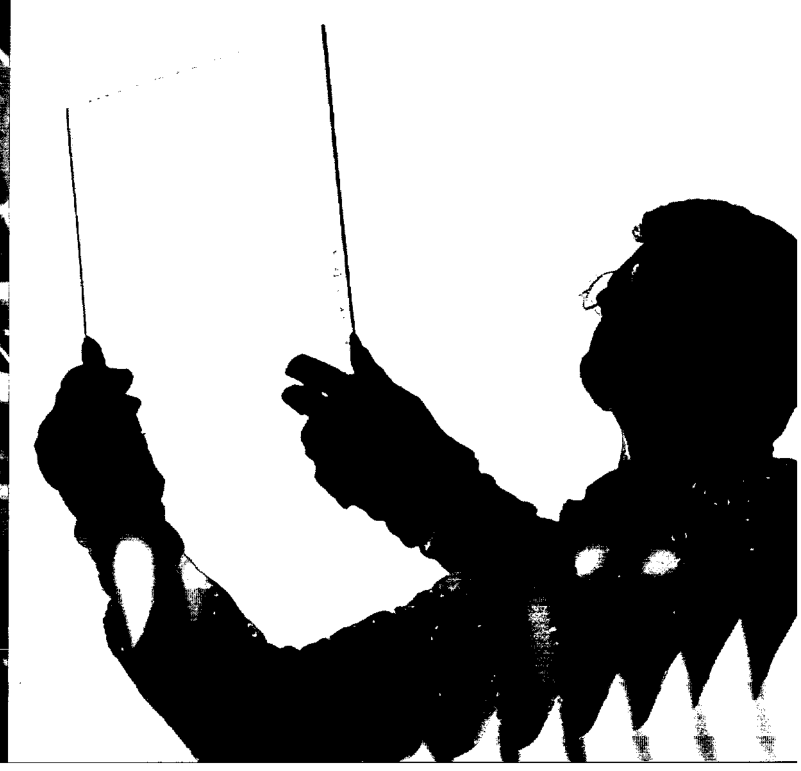
VICTORIA M. HOLT
Senior Vice President
Glass and Fiber Glass

LEADERSHIP

PPG is known as a performance-driven, highly ethical company with a track record of doing what we say we'll do.

Our people are confident about the future. They understand the challenges we face, and they are committed to our company's continued success.

INNOVATION



MARKET-DRIVEN TECHNOLOGY→

Innovation is a proven and powerful source of growth at PPG. From new products to continuously improved manufacturing processes, PPG employs a market-driven innovation process that creates value for customers and investors alike.

No business exemplifies this more than PPG's aerospace business, whose customers demand technical breakthroughs to achieve their business results. Airlines have long sought a solution to the shades for cabin windows. If it's sunny or bright outside, passengers essentially have only one choice...close the shade. With electronically dimmable cabin window systems by PPG and Gentex Corporation, which are working on the project together, passengers on the new Boeing 787 *Dreamliner* will be able to darken or lighten their windows at the touch of a button for more comfortable travel. The Boeing 787, with production to begin in 2006 and first commercial flight in 2008, will be the first commercial aviation application for electrochromic window technology. PPG's continuous focus on research and development in the aerospace industry, whether it's transparencies, coatings or sealants, has enabled its aerospace business to deliver long-term growth. Furthermore, PPG's technical excellence has established industry expertise from which the business can pursue acquisitions in adjacent aerospace markets and continue growing.

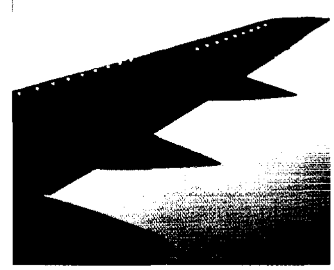
Another business whose success depends on technical innovation is optical products. Consumers typically buy new eyewear every two or three years, each time expecting a higher level of performance. For more than 10 years, *Transitions* photochromic lenses have met that expectation. The fifth generation of the product, introduced in early 2005, grows darker and fades back to clear even faster than previous editions. PPG's breakthrough discovery of and subsequent advances in photochromic technology have fueled sales growth in PPG's optical products business at a rate of 18 percent per year during the past four years. Continued global growth is expected as marketing, advertising and distribution expand and the technology advances. Adding to its optical products expertise, PPG acquired International Polarizer, the world's largest manufacturer of sunglass polarizer. With the technical knowledge to manufacture polarizer film, PPG is well-positioned to meet the growing global demand for polarized eyewear and continue its tradition of bringing innovation to lens materials.

UNLOCKING POTENTIAL→

PPG is also a leader in the field of nanotechnology, the science of engineering particles and self-assembled structures 1,000 times smaller than the diameter of human hair. PPG has developed two products based on nanotechnology, *CeramiClear* clearcoat for automobiles and *SunClean* self-cleaning glass. Furthermore, PPG is working with the U.S. departments of Energy and Defense to develop a low-cost process for producing nanoparticles that could be used in a wide range of applications, such as stronger, lightweight body armor for soldiers, and brighter colors and enhanced corrosion and scratch resistance for paints.

PPG also leverages its technical excellence to help the company's plants achieve optimum performance. Demand for low-emissivity, coated glass exceeded manufacturing capacity at the Mt. Zion, Ill., performance glazings plant. Using the *Sigma Logic* methodology, PPG's proprietary process for reducing variation, and process mapping, both tools of the Quality Process, Mt. Zion increased its production of *Sungate* energy-saving glass by 65 percent.

This page, from top: PPG is the world's leading supplier of cockpit transparencies, sealants and coatings for the aerospace industry. *Transitions* lenses are the undisputed leader in plastic photochromic eyewear. *CeramiClear* clearcoat, the final layer of paint applied to automobiles, provides unmatched scratch and mar resistance and retention of gloss throughout a vehicle's life cycle.



At left: Lenses are carefully inspected during the manufacturing process at the Transitions Optical plant in Pinellas Park, Fla. Jeff Benigni at PPG's glass technology center in Harmar Township, Pa., inspects a sample of *Solarban* 70XL glass, which can reduce cooling equipment costs for commercial buildings by as much as 26 percent over current performance glasses.

CORPORATE DIRECTORY

EXECUTIVE COMMITTEE

Charles E. Bunch
Chairman and Chief Executive Officer

James C. Diggs
Senior Vice President, General Counsel and Secretary

William H. Hernandez
Senior Vice President, Finance

OPERATING COMMITTEE

Charles E. Bunch
Chairman and Chief Executive Officer

James C. Diggs
Senior Vice President, General Counsel and Secretary

William H. Hernandez
Senior Vice President, Finance

J. Rich Alexander
Senior Vice President, Coatings

Garry A. Goudy
Senior Vice President, Automotive Aftermarket

Victoria M. Holt
Senior Vice President, Glass and Fiber Glass

Kevin F. Sullivan
Senior Vice President, Chemicals

William A. Wulfsohn
Senior Vice President, Coatings, Managing Director, PPG Europe

Aziz S. Giga
Vice President, Strategic Planning

Kathleen A. McGuire
Vice President, Purchasing and Distribution

David B. Navikas
Vice President and Controller

Maurice V. Peconi
Vice President, Corporate Development and Services

James A. Trainham
Vice President, Science and Technology

Charles W. Wise
Vice President, Human Resources

OTHER OFFICERS

Werner Baer
Vice President, Information Technology

Richard A. Beuke
Vice President, Architectural Coatings

Richard C. Elias
Vice President, Optical Products

Dennis A. Kovalsky
Vice President, Automotive Coatings

Susan M. Kreh
Treasurer

Michael H. McGarry
Vice President, Chlor-Alkali and Derivatives

David P. Morris
Vice President, Aerospace

Mark J. Orcutt
Vice President, Performance Glazings

Lynne D. Schmidt
Vice President, Government and Community Affairs

Joseph Stas
Vice President, Automotive OEM Glass

Marc P. Talman
Vice President, Packaging Coatings

Donna Lee Walker
Vice President, Tax Administration

BOARD OF DIRECTORS

From left: Michele J. Hooper, Robert Mehrabian, Hugh Grant, David R. Whitwam, Erroll B. Davis Jr., Charles E. Bunch, Victoria F. Haynes, James G. Berges, Thomas J. Usher and Robert Ripp.

JAMES G. BERGES, 58, is retired president of Emerson Electric Co., a global manufacturer of products, systems and services for industrial automation; process control; heating, ventilating and air conditioning; electronics and communications; and appliances and tools. A PPG director since 2000, he is also a director of MKS Instruments. [1, 2]

CHARLES E. BUNCH, 56, is chairman and chief executive officer of PPG Industries. A PPG director since 2002, he is also a director of H.J. Heinz Company and a director and chairman of the Federal Reserve Bank of Cleveland.

ERROLL B. DAVIS JR., 61, is chancellor, University System of Georgia, and former chairman of the board and chief executive officer of Alliant Energy, a global energy service provider. A PPG director since 1994, he is also a director of BP plc. and Union Pacific Corp. [1, 3]

HUGH GRANT, 47, is chairman of the board, president and chief executive officer of Monsanto Company, a global provider of technology-based solutions and agricultural products that improve farm productivity and food quality. He was elected a PPG director in September 2005. [2, 3]

VICTORIA F. HAYNES, 58, is president and chief executive officer of Research Triangle Institute, which performs scientific research and development in advanced technologies, public policy, environmental protection, and health and medicine. A PPG director since 2003, she is also a director of Lubrizol Corporation, Nucor Corporation and Ziptronix. [2, 3]

MICHELE J. HOOPER, 54, is former president and chief executive officer of Voyager Expanded Learning Inc., a developer and provider of learning programs and teacher training for public schools. A PPG director since 1995, she is also a director of AstraZeneca plc. [1, 2]

ROBERT MEHRABIAN, 64, is chairman of the board, president and chief executive officer of Teledyne Technologies Inc., a provider of sophisticated electronic components, instruments and communication products; systems engineering solutions; aerospace engines and components; and on-site gas and power generation systems. A PPG director since 1992, he is also a director of Teledyne Technologies Inc. and Mellon Financial Corporation. [1, 4]

ROBERT RIPP, 64, is chairman of Lightpath Technologies, a manufacturer of optical lens and module assemblies for the telecommunications sector, and former chairman and chief executive officer of AMP Incorporated, an electrical products company. A PPG director since 2003, he is also a director of insurance company ACE Limited and Safeguard Scientific, Inc. [1, 4]

THOMAS J. USHER, 63, is chairman of the board for Marathon Oil Corporation and former chairman of the board for United States Steel Corporation, a major producer of metal products. A PPG director since 1996, he is also a director of The PNC Financial Services Group, Inc., and H.J. Heinz Company. [3, 4]

DAVID R. WHITWAM, 64, is retired chairman of the board and chief executive officer of Whirlpool Corporation, a manufacturer and distributor of household appliances and related products. A director of PPG since 1991, he is also a director of Convergys Corporation. [2, 4]

[1] Audit Committee
[2] Nominating and Governance Committee
[3] Investment Committee
[4] Officers-Directors Compensation Committee

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2005 Commission File Number 1-1687

PPG INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania (State or other jurisdiction of incorporation or organization)	25-0730780 (I.R.S. Employer Identification No.)
One PPG Place, Pittsburgh, Pennsylvania (Address of principal executive offices)	15272 (Zip code)
Registrant's telephone number, including area code:	412-434-3131

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock – Par Value $1.66⅔	New York Stock Exchange Pacific Stock Exchange Philadelphia Stock Exchange
Preferred Share Purchase Rights	New York Stock Exchange Pacific Stock Exchange Philadelphia Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. YES ☒ NO ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ☐ NO ☒

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the Registrant is a shell company (as defined by Rule 12b-2 of the Act). YES ☐ NO ☒

The aggregate market value of common stock held by non-affiliates as of June 30, 2005, was $10,646 million.

As of January 31, 2006, 165,332,997 shares of the Registrant's common stock, with a par value of $1.66⅔ per share, were outstanding. As of that date, the aggregate market value of common stock held by non-affiliates was $9,823 million.

DOCUMENTS INCORPORATED BY REFERENCE

Document	Incorporated By Reference In Part No.
Portions of PPG Industries, Inc. Proxy Statement for its 2006 Annual Meeting of Shareholders	III

PPG INDUSTRIES, INC.
AND CONSOLIDATED SUBSIDIARIES

As used in this report, the terms "PPG," "Company," and "Registrant" mean PPG Industries, Inc. and its subsidiaries, taken as a whole, unless the context indicates otherwise.

TABLE OF CONTENTS

Note on Incorporation by Reference

Throughout this report, various information and data are incorporated by reference to the Company's 2005 Annual Report (hereinafter referred to as "the Annual Report"). Any reference in this report to disclosures in the Annual Report shall constitute incorporation by reference only of that specific information and data into this Form 10-K.

Part I

Item 1. Business

PPG Industries, Inc., incorporated in Pennsylvania in 1883, is comprised of three basic business segments: coatings, glass and chemicals. Within these business segments, PPG has focused resources on industrial, aerospace, packaging, architectural, automotive original and refinish coatings; performance glazings (flat glass), automotive original and replacement glass, and continuous-strand fiber glass; and chlor-alkali and specialty chemicals. Each of the businesses in which PPG is engaged is highly competitive. However, the diversification of product lines and worldwide markets served tend to minimize the impact on PPG's total sales and earnings of changes in demand for a particular product line or in a particular geographic area. Reference is made to Note 22, "Business Segment Information," under Item 8 of this Form 10-K for financial information relating to business segments.

Coatings

PPG is a major global supplier of protective and decorative coatings. The coatings business involves the supply of protective and decorative finishes for industrial equipment, appliances and packaging; factory-finished aluminum extrusions and steel and aluminum coils; aircraft; automotive original equipment; and other industrial and consumer products. In addition to supplying finishes to the automotive original equipment market, PPG supplies automotive refinishes to the aftermarket. PPG is also using its product knowledge and experience to provide services to certain of its customers that extend beyond the sale of PPG products. PPG revenues from these service solutions, excluding the related sale of PPG products, were small in 2005 but are expected to be a source of future growth. The coatings industry is highly competitive and consists of a few large firms with global presence and many smaller firms serving local or regional markets. PPG competes in its primary markets with the world's largest coatings companies, most of which have global operations, and many smaller regional coatings companies. Product development, innovation, quality and technical and customer service have been stressed by PPG and have been significant factors in developing an important supplier position by PPG's coatings business.

In the industrial and automotive original equipment portions of the coatings business, PPG sells directly to a variety of manufacturing companies. Industrial and automotive original equipment coatings are formulated specifically for the customer's needs and application methods. PPG also supplies adhesives and sealants for the automotive industry and metal pretreatments and related chemicals for industrial and automotive applications. The packaging portion of the coatings business supplies coatings and inks for aerosol, food and beverage containers for consumer products to the manufacturers of those containers. The automotive refinish business produces coatings products for automotive/fleet repair and refurbishing, light industrial coatings and specialty coatings for signs. Its products are sold primarily through distributors. The aerospace business primarily supplies coatings, sealants and cockpit transparencies for commercial, military, regional jet and general aviation aircraft, as well as sealants for architectural insulating glass units. The aerospace business distributes products directly to aircraft manufacturers, maintenance and aftermarket customers around the world. Product performance, technology, quality and technical and customer service are major competitive factors in these coatings businesses.

The architectural finishes business consists primarily of coatings used by painting and maintenance contractors and by consumers for decoration and maintenance. PPG's products are sold through company-owned service centers, home centers, mass merchandisers, paint dealers, independent distributors, and directly to customers. Price, quality, distribution and brand recognition are key competitive factors in the architectural finishes market. The architectural finishes business operates 378 company-owned service centers, which represents an increase of 68 over the prior year, including 42 service centers acquired from Iowa Paint Manufacturing in late 2005.

The coatings businesses operate production facilities around the world. North American production facilities consist of 23 plants in the United States, two in Canada and one in Mexico. The three largest facilities in the United States are the Delaware, Ohio, plant, which primarily produces automotive refinishes; the Oak Creek, Wis., plant, which primarily produces industrial coatings; and the Cleveland, Ohio, plant, which primarily produces automotive original coatings. Outside North America, PPG operates five plants in Italy, three plants each in China, Germany and Spain, two plants each in Brazil, England and France, and one plant each in Argentina, Australia, Malaysia, the Netherlands, Singapore, Thailand and Turkey. We also have formed an alliance with Kansai Paint for the sale of automotive coatings to global original equipment manufacturers. The venture, known as PPG Kansai Automotive Finishes, is owned 60% by PPG and 40% by Kansai Paint. The initial focus of the venture is Japanese-based automotive original equipment manufacturers in North America and Europe. In addition, PPG and Kansai Paint are developing technology jointly, benefiting customers worldwide. PPG owns equity interests in operations in Canada, India, Japan and South Korea. Additionally, the automotive coatings business operates seven service centers in the United States, two each in Mexico and Poland, and one each in Canada, France, Japan and Portugal to provide just-in-time delivery and service to selected automotive assembly plants. Thirteen training centers in the United States, 15 in Europe, 10 in Asia, three in South America, two in Canada, and one in Mexico are in operation. These centers provide training for automotive aftermarket refinish customers. The aerospace business operates a global network of 14 application support centers strategically located close to our customers around the world that provide technical support and just-in-time delivery of customized solutions to improve customer efficiency and productivity. Also, several automotive original coatings application centers throughout the world that provide testing facilities for customer paint processes and new products are in operation. The average number of persons employed by the coatings segment during 2005 was 15,800.

Glass

PPG is a leading producer of flat and fabricated glass in North America and a major global producer of continuous-strand fiber glass. PPG's major markets are commercial and residential construction, the furniture and electronics industries, automotive original equipment, automotive replacement and other markets. Most glass products are sold directly to manufacturing companies, although in many instances products are sold directly to independent distributors and through PPG distribution outlets. PPG manufactures flat glass by the float process and fiber glass by the continuous-strand process. PPG also provides claims processing services to the insurance and vehicle fleet segments.

The bases for competition are price, quality, technology and customer service. The Company competes with six major producers of flat glass, six major producers of fabricated glass and three major producers of fiber glass throughout the world. In certain glass and fiber glass markets, there is increasing competition from other producers in low labor cost countries.

PPG's principal glass production facilities are in North America and Europe. Fourteen plants operate in the United States, of which six produce automotive original and replacement glass products, five produce flat glass, and three produce fiber glass products. There are three plants in Canada, two of which produce automotive original and replacement glass products and one which produces flat glass. One plant each in England and the Netherlands produces fiber glass. PPG owns equity interests in operations in China, Mexico, Taiwan, the United States and Venezuela and a majority interest in a glass distribution company in Japan. In 2005, PPG entered into a definitive agreement with Sinoma Jinjing Fiber Glass in Zibo, China to form a joint venture, further expanding our manufacturing capabilities in China for fiber glass reinforcements. The transaction is expected to close in early 2006. Additionally, there are four satellite operations in the United States, two in Canada and one in Mexico that provide limited fabricating or assembly and just-in-time product delivery to selected automotive customer locations, one satellite coating facility in the United States for flat glass products and one satellite tempering and fabrication facility in the United States for flat glass products. There are also three claims management centers. The average number of persons employed by the glass segment during 2005 was 9,600.

Chemicals

PPG is a major producer and marketer of chlor-alkali chemicals and a supplier of specialty chemicals. The primary chlor-alkali products are chlorine, caustic soda, vinyl chloride monomer, chlorinated solvents, chlorinated benzenes, calcium hypochlorite and phosgene derivatives. Most of these products are sold directly to manufacturing companies in the chemical processing, rubber and plastics, paper, minerals, metals, and water treatment industries. The primary products of PPG's specialty chemicals businesses are *Transitions*® lenses; optical materials; amorphous precipitated silicas for tire, battery separator, and other end-use markets and *Teslin*® synthetic printing sheet used in such applications as waterproof labels, e-passports and identification cards; and advanced intermediates and bulk active ingredients for the pharmaceutical industry. *Transitions*® lenses are manufactured and distributed by PPG's 51%-owned joint venture with Essilor International.

PPG competes with six other major producers of chlor-alkali products. Price, product availability, product quality and customer service are the key competitive factors. In the specialty chemicals area, PPG's market share varies greatly by business; product quality and performance and technical service are the most critical competitive factors.

The chemicals businesses operate production facilities around the world including six plants in the United States and one each in Canada and Mexico. The two largest facilities, located in Lake Charles, La., and Natrium, W. Va., primarily produce chlor-alkali products. Outside North America, PPG operates one plant each in Australia, Brazil, France, Ireland, the Netherlands, Taiwan, Thailand and the Philippines. PPG owns equity interests in operations in the United States. The average number of persons employed by the chemicals segment during 2005 was 4,200.

Raw Materials and Energy

The effective management of raw materials and energy is important to PPG's continued success. Prices of many of our raw materials, energy and transportation rose in 2005, and we expect this trend to continue at a slower rate in 2006. In addition, the growth of global industrial production, particularly in China and the United States, and a slowing in the rate at which our suppliers have added production capacity in North America have resulted not only in upward pressure on price, but also increased the importance of managing our supply chain.

The Company's most significant raw materials are titanium dioxide and epoxy and other resins in the coatings segment; and sand, soda ash and polyvinyl butyral in the glass segment. Energy is a significant production cost in the chemicals and glass segments. Most of the raw materials and energy used in production are purchased from outside sources, and the Company has made, and plans to continue to make, supply arrangements to meet the planned operating requirements for the future. Supply of critical raw materials and energy is managed by establishing contracts, multiple sources, and identifying alternative materials or technology, whenever possible. In addition, we have initiatives underway to evaluate the reformulation of certain of our products as part of a product renewal and global sourcing strategy to evaluate alternative sources of supply and alternative materials.

On Nov. 17, 2005 the European Parliament completed its first reading of a proposed new European Union regulatory framework for chemicals known as "REACH", the Registration, Evaluation and Authorization of Chemicals. Once enacted, REACH will apply to all existing and new chemical substances produced in or imported into the European Union in quantities greater than one metric ton a year. REACH is expected to come into effect in 2007. As currently envisaged, the legislation allows for a multi-year phased implementation. It is expected that REACH will result in incremental costs to PPG and other companies relating to the registration and testing of chemicals sold in and imported into Europe. Also it is expected that suppliers of covered chemicals will incur registration costs and that use of some chemicals may be regulated or restricted. At this time it is not possible to quantify the potential impact of REACH on PPG's businesses. PPG will continue to monitor the development of the proposed legislation and assess its potential impact.

Research and Development

Research and development costs, including depreciation of research facilities, during 2005, 2004 and 2003 were $325 million, $321 million and $306 million, respectively. PPG owns and operates several research and development facilities to conduct research and development involving new and improved products and processes. Additional process and product research and development work is also undertaken at many of the Company's manufacturing plants. As part of our ongoing efforts to manage our costs effectively, we have opened a laboratory in China, entered into an outsourcing arrangement with a laboratory in the Ukraine and have been actively pursuing government funding of a small, but growing portion of our research efforts.

Patents

PPG considers patent protection to be important. The Company's business segments are not materially dependent upon any single patent or group of related patents. PPG received $38 million in 2005, $40 million in 2004 and $29 million in 2003 from royalties and the sale of technical know-how.

Backlog

In general, PPG does not manufacture its products against a backlog of orders. Production and inventory levels are geared primarily to projections of future demand and the level of incoming orders.

Non-U.S. Operations

PPG has a significant investment in non-U.S. operations, and as a result we are subject to certain inherent risks, including economic and political conditions in international markets and fluctuations in foreign currency exchange rates. While approximately 90% of sales and operating income is generated by products sold in the United States, Canada and Western Europe, our remaining sales and operating income are generated in developing regions, such as Asia, Eastern Europe and South America.

Employee Relations

The average number of persons employed worldwide by PPG during 2005 was 30,800. The Company has numerous collective bargaining agreements throughout the world and believes it will be able to renegotiate all such agreements on satisfactory terms. The Company believes it has good relationships with its employees.

Environmental Matters

Like other companies, PPG is subject to existing and evolving standards relating to protection of the environment. Capital expenditures for environmental control projects were $18 million, $11 million and $9 million in 2005, 2004 and 2003, respectively. It is expected that expenditures for such projects in 2006 will approximate $25 million. Although future capital expenditures are difficult to estimate accurately because of constantly changing regulatory standards and policies, it can be anticipated that environmental control standards will become increasingly stringent and costly.

Additionally, about 20% of our chlor-alkali production capacity currently utilizes mercury cell technology. These cells are operated in accordance with applicable laws and regulations and are reviewed at least annually by state authorities. The U.S. Environmental Protection Agency ("USEPA") has issued new regulations imposing significantly more stringent requirements on mercury emissions. These new rules are scheduled to take effect in December 2006. In order to meet the USEPA's new air quality standards, in July 2005, a decision was made to replace the existing mercury cell production unit at our Lake Charles, LA chemicals plant with newer membrane cell technology. The Louisiana Department of Environmental Quality has granted a one year extension to meet the new requirements on mercury emissions. This capital project began this year and will continue through mid-2007. We do not expect the project to materially increase PPG's total capital spending over this three year period.

PPG is negotiating with various government agencies concerning 95 current and former manufacturing sites and offsite waste disposal locations, including 22 sites on the National Priority List. The number of sites is comparable with the prior year. While PPG is not generally a major contributor of wastes to these offsite waste disposal locations, each potentially responsible party may face governmental agency assertions of joint and several liability. Generally, however, a final allocation of costs is made based on relative contributions of wastes to the site. There is a wide range of cost estimates for cleanup of these sites, due largely to uncertainties as to the nature and extent of their condition and the methods that may have to be employed for their remediation. The Company has established reserves for those sites where it is probable that a liability has been incurred and the amount can be reasonably estimated. As of Dec. 31, 2005 and 2004, PPG had reserves for environmental contingencies totaling $94 million and $81 million, respectively. Pretax charges against income for environmental remediation costs in 2005, 2004 and 2003 totaled $27 million, $15 million and $21 million, respectively. Cash outlays related to such environmental remediation aggregated $14 million, $26 million and $16 million in 2005, 2004 and 2003, respectively.

The Company's experience to date regarding environmental matters leads PPG to believe that it will have continuing expenditures for compliance with provisions regulating the protection of the environment and for present and future remediation efforts at waste and plant sites. Management anticipates that such expenditures will occur over an extended period of time. Over the past 15 years the pretax charges against income have ranged between $10 million and $49 million per year. We currently expect that charges against income for environmental remediation in 2006 will be within that range; however, it is possible that technological, regulatory and enforcement developments, the results of environmental studies and other factors, particularly as the work at a former chromium manufacturing plant site located in Jersey City, NJ and at the Calcasieu River estuary continues to progress, could alter this expectation and result in higher charges in 2006. In management's opinion, the Company operates in an environmentally sound manner, is well positioned, relative to environmental matters, within the industries in which it operates, and the outcome of these environmental contingencies will not have a material adverse effect on PPG's financial position or liquidity; however, any such outcome may be material to the results of operations of any particular period in which costs, if any, are recognized. See Note 13, "Commitments and Contingent Liabilities," under Item 8 of this Form 10-K for additional information related to environmental matters.

Internet Access

The Web site address for the Company is *www.ppg.com*. The Company's recent filings on Forms 10-K, 10-Q and 8-K and any amendments to those documents can be accessed without charge on that Web site under Financial, SEC Filings.

Item 1a. Risk Factors

As a global manufacturer of coatings, glass and chemicals products, we operate in a business environment that includes risks that are not unlike the risks we have faced in years past. Each of the risks described in this section could adversely affect our operating results and financial condition. While the factors listed here are considered to be the more significant factors, no such list should be considered to be a complete statement of all potential risks and uncertainties. Unlisted factors may present significant additional obstacles which may adversely affect our business.

- Our operating results are significantly affected by the cost of raw materials and energy, including natural gas. We may not be able to fully offset the impact of higher raw materials and energy costs through price increases or productivity improvements.
- Growing competition from companies in certain regions of the world, including Asia, Eastern Europe and South America, where energy and labor costs are lower than the U.S. could reduce demand for our products.
- Our facilities are subject to various environmental laws and regulations. Remediation at certain facilities is an ongoing operating cost, as pretax charges against income over the last 15 years for environmental remediation have ranged between $10 million and $49 million annually. We have accrued $94 million for estimated remediation costs that are probable at Dec. 31, 2005. 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. Such unreserved losses are reasonably possible but are not currently considered to be probable of occurrence.
- We are involved in a number of lawsuits and claims, both actual and potential, in which substantial monetary damages are sought. The unpredictability of existing and possible future litigation could have an adverse impact on our operating results.
- For over thirty years, we have been a defendant in lawsuits involving claims alleging personal injury from exposure to asbestos. Most of our potential exposure relates to allegations by plaintiffs that PPG should be liable for injuries involving asbestos-containing thermal insulation products manufactured by a 50% owned joint venture, Pittsburgh Corning Corporation. Although we have entered into a settlement arrangement with several parties concerning these asbestos claims as discussed in Note 13, "Commitments and Contingent Liabilities," under Item 8 of this Form 10-K, the arrangement remains subject to court approval and if not approved, the outcome could be material to the results of operations of any particular period.
- We sell products to U.S. automotive original equipment manufacturers and their suppliers. Further deterioration of market conditions could cause certain of our customers to have liquidity problems, potentially resulting in the write-off of amounts due from these customers.
- Because we are a global company, our results are subject to certain inherent risks, including economic and political conditions in international markets and fluctuations in foreign currency exchange rates. While approximately 90% of sales and operating income is generated by products sold in the United States, Canada and Western Europe, our remaining

sales and operating income are generated in developing regions, such as Asia, Eastern Europe and South America.
- Certain raw materials are critical to our production processes. These include titanium dioxide and epoxy and other resins in the coatings segment and sand, soda ash and polyvinyl butyral in the glass segment. The Company has made, and plans to continue to make, supply arrangements to meet the planned operating requirements for the future. However, an inability to obtain these critical raw materials would adversely impact our ability to produce products.
- As a producer of industrial chemicals and coatings, we manufacture and transport certain materials that are inherently hazardous due to their toxic or volatile nature. We have significant experience in handling these materials and take precautions to handle and transport them in a safe manner. However, these materials, if mishandled or released into the environment, could cause substantial property damage or personal injuries resulting in significant legal claims against us.

Item 1b. Unresolved Staff Comments

None.

Item 2. Properties

See "Item 1. Business" for information on PPG's production and fabrication facilities.

Generally, the Company's plants are suitable and adequate for the purposes for which they are intended, and overall have sufficient capacity to conduct business in the upcoming year.

Item 3. Legal Proceedings

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

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

The Company has been named as a defendant, along with various other co-defendants, in a number of antitrust lawsuits filed in federal and state courts. These suits allege that PPG acted with competitors to fix prices and allocate markets in the flat glass and automotive refinish industries. The plaintiffs in these cases are seeking economic and, in certain cases, treble damages and injunctive relief.

Twenty-nine glass antitrust cases were filed in federal courts, all of which have been consolidated as a class action in the U.S. District Court for the Western District of Pennsylvania located in Pittsburgh, Pa. All of the other defendants in the glass class action antitrust case previously settled with the plaintiffs and were dismissed from the case. On May 29, 2003, the Court granted PPG's motion for summary judgment dismissing the claims against PPG in the glass class action antitrust case. The plaintiffs in that case appealed that order to the U.S. Third Circuit Court of Appeals. On Sept. 30, 2004, the U.S. Third Circuit Court of Appeals affirmed in part and reversed in part the dismissal of PPG and remanded the case for further proceedings. PPG petitioned the U.S. Supreme Court for permission to appeal the decision of the U.S. Third Circuit Court of Appeals, however, the U.S. Supreme Court rejected PPG's petition for review.

On Oct. 19, 2005, PPG entered into a settlement agreement to settle the federal glass class action antitrust case 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. Pursuant to the settlement agreement, PPG agreed to pay $60 million and to bear up to $500,000 in settlement administration costs. The U.S. District Court entered an order on Feb. 7, 2006, approving the settlement. This order is subject to a thirty day appeal period. If no appeals are filed, the settlement will become effective at the expiration of the appeal period. PPG has deposited $60 million in an escrow account as of Dec. 31, 2005 pending the settlement becoming effective. As a result of the settlement, PPG will also pay $900,000 pursuant to a pre-existing contractual obligation to a plaintiff that is not participating in the federal glass class action antitrust case. Finally, independent state court cases remain pending in California and Tennessee involving claims that are not included in the settlement of the federal glass class action antitrust case. Notwithstanding that PPG has agreed to settle the federal glass class action antitrust case, PPG's management remains steadfast in its belief that there was no wrongdoing on the part of the Company and also believes that PPG has meritorious defenses to the independent state court cases.

Approximately 60 cases alleging antitrust violations in the automotive refinish industry have been filed in various state and federal jurisdictions. The plaintiffs in these cases have not yet specified an amount of alleged damages. The approximately 55 federal cases have been consolidated as a class action in the U.S. District Court for the Eastern District of Pennsylvania located in Philadelphia, Pa. Certain of the defendants in the federal automotive refinish case have settled. This case is still at an early stage and discovery is continuing with the remaining defendants. The automotive refinish cases in state courts have either been stayed pending resolution of the federal proceedings or have been dismissed. Neither PPG's investigation conducted through its counsel of the allegations in these cases nor the discovery conducted to date has identified a basis for the plaintiffs' allegations that PPG participated in a price-fixing conspiracy in the U.S. automotive refinish industry. PPG's management continues to believe that there was no wrongdoing on the part of the Company and also believes it has meritorious defenses in these automotive refinish antitrust cases. As discovery in the federal class action antitrust case is ongoing, we will continue to evaluate any additional information that becomes available in developing our conclusion on the outcome of this contingent liability. While currently not expected, if future developments in the case are adverse to the company, we could consider a settlement of the automotive refinish antitrust case. We have no present intention of settling any of the automotive refinish antitrust cases.

For over thirty 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 PPG Settlement Arrangement announced, May 14, 2002, see Note 13, "Commitments and Contingent Liabilities," under Item 8 of this Form 10-K.

Over the past several years, the Company and others have been named as defendants in several cases in various jurisdictions claiming damages related to exposure to lead and remediation of lead-based coatings applications. PPG has been dismissed as a defendant from most of these lawsuits and has never been found liable in any of these cases.

A Notice of Violation ("NOV") and notice of intent to issue a further NOV have been received from the State of North Carolina Department of Environment and Natural Resources by PPG's Shelby, North Carolina fiber glass plant. The NOVs related to non-compliant stack air emissions tests in 2005 conducted under the requirements of the Clean Air Act Title V Regulations. In PPG's experience, matters such as these often can be resolved with penalty amounts below $100,000. However, PPG cannot predict the amount, if any, of any civil penalty that may be assessed for either of these matters.

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

None.

Part II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The information required by Item 5 regarding market information, including stock exchange listings and quarterly stock market prices, dividends and holders of common stock is included in Exhibit 99.1 filed with this Form 10-K and is incorporated herein by reference. This information is also included in the PPG Shareholder Information on page 65 of this Annual Report.

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") and, through 2002, the PPG Industries, Inc. Directors' Common Stock Plan ("PPG 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 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). The Directors, as a group, were credited with 10,954, 12,877 and 10,607 Common Stock Equivalents in 2005, 2004 and 2003, respectively, under this plan. The values of the Common Stock Equivalents, when credited, ranged from $57.85 to $72.95 in 2005, $57.69 to $65.09 in 2004 and $43.47 to $64.02 in 2003.

Under the PPG Directors' Common Stock Plan, each Director who neither is, nor was, an employee of the Company was credited with Common Stock Equivalents worth one-half of the Director's basic annual retainer. Effective Jan. 1, 2003, active Directors no longer participate in the PPG Directors' Common Stock Plan. On that date, the Common Stock Equivalents held in each active Directors' account in the PPG Directors' Common Stock Plan were transferred to their accounts in the PPG Deferred Compensation Plan for Directors. On Dec. 31, 2005, there were only two retired Directors with accounts remaining in the PPG Directors' Common Stock Plan. For one retired Director, the Common Stock Equivalents are converted to cash at the fair market value of the common stock and paid in cash. For the other retired Director, the Common Stock Equivalents are converted into and paid in Common Stock of the Company (and cash as to any fractional Common Stock Equivalent). These Directors, as a group, received 58, 93 and 141 Common Stock Equivalents in 2005, 2004 and 2003, respectively, under this plan. The values of those Common Stock Equivalents, when credited, ranged from $57.85 to $72.95 in 2005, $57.69 to $65.09 in 2004 and $43.47 to $62.74 in 2003.

Issuer Purchases of Equity Securities

The following table summarizes the Company's stock repurchase activity for the three months ended Dec. 31, 2005:

Month	*Total Number of Shares Purchased*	*Average Price Paid per Share*	*Total Number of Shares Purchased as Part of Publicly Announced Programs*	*Maximum Number of Shares that May Yet Be Purchased Under the Programs*(1)
October 2005				
Repurchase program	895,000	$58.89	895,000	10,904,615
Other transactions(2)	5,188	58.51	—	—
November 2005				
Repurchase program	525,000	61.00	525,000	10,379,615
Other transactions(2)	4,394	61.51	—	—
December 2005				
Repurchase program	375,000	58.20	375,000	10,004,615
Other transactions(2)	5,260	57.88	—	—
Total quarter ended Dec. 31, 2005				
Repurchase program	1,795,000	$59.36	1,795,000	10,004,615
Other transactions(2)	14,842	$59.18	—	—

(1) *In January 2005, the Company announced plans to purchase up to $500 million of PPG common stock by year end 2005 under a 10 million share repurchase program approved by PPG's Board of Directors in October 2000. In October 2005, the Company indicated that an additional $100 million of PPG common stock would be repurchased by year end 2005 under the same repurchase program or, if insufficient, under a 10 million share repurchase program approved by PPG's Board of Directors in October 2005.*

(2) *Includes shares withheld or certified to in satisfaction of the exercise price and/or tax withholding obligation by holders of employee stock options who exercised options granted under the PPG Industries, Inc. Stock Plan.*

Item 6. Selected Financial Data

The information required by Item 6 regarding the selected financial data for the five years ended Dec. 31, 2005 is included in Exhibit 99.2 filed with this Form 10-K and is incorporated herein by reference. This information is also reported in the Eleven-Year Digest on page 64 of the Annual Report under the captions net sales, income (loss) before accounting changes, cumulative effect of accounting changes, net income (loss), earnings (loss) per common share before accounting changes, cumulative effect of accounting changes on earnings (loss) per common share, earnings (loss) per common share, earnings (loss) per common share – assuming dilution, dividends per share, total assets and long-term debt for the years 2001 through 2005.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Performance in 2005 Compared with 2004

Performance Overview

Our sales increased 7% to $10.2 billion in 2005 compared to $9.5 billion in 2004. Sales increased 6% due to higher selling prices, primarily in our chemicals and coatings segments, and 1% due to the positive effects of foreign currency translation. The impact of increased volumes in our coatings and glass segments was offset by volume declines in the chemicals segment. The volume decline in the chemicals segment was due in part to lost sales resulting from the impact of Hurricane Rita, as discussed below.

Gross profit increased $214 million due to higher sales. The gross profit percentage decreased slightly to 36.5% for 2005 compared to 36.9% in 2004. Inflation, including higher raw material costs, primarily in our coatings segment, and higher energy costs in our chemicals and glass segments decreased our gross profit. The benefits realized from increased selling prices, along with improved manufacturing efficiencies, primarily in our coatings and glass segments, were all factors which increased our gross profit.

Selling, general and administrative expense declined slightly as a percentage of sales to 17.4% despite increasing by $56 million in 2005. These costs increased primarily due to increased advertising in our optical products business and higher expenses due to store expansions in our architectural finishes business. Interest expense declined $9 million in 2005, reflecting the year over year reduction in the outstanding debt balance of $80 million.

Other charges increased $284 million in 2005 primarily due to pretax charges of $132 million related to the Marvin legal settlement, net of $18 million in insurance recoveries, $61 million for the federal glass class action antitrust legal settlement, $34 million of direct costs related to the impact of hurricanes Rita and Katrina, $27 million for an asset impairment charge in our fine chemicals business, $19 million for debt refinancing costs and an increase of $12 million for environmental remediation costs.

Net income and earnings per share – assuming dilution for 2005 were $596 million and $3.49 respectively, compared to $683 million and $3.95, respectively, for 2004. Net income in 2005 included aftertax charges of $117 million, or 68 cents a share, for legal settlements net of insurance; $21 million, or 12 cents a share for direct costs related to the impact of hurricanes Katrina and Rita; $17 million, or 10 cents a share related to an asset impairment charge related to our fine chemicals business; and $12 million, or 7 cents a share, for debt refinancing costs. The legal settlements net of insurance include aftertax charges of $80 million for the Marvin legal settlement, net of insurance recoveries, and $37 million for the impact of the federal glass class action antitrust legal settlement. Net income for 2005 and 2004 included an aftertax charge of $13 million, or 8 cents a share, and $19 million, or 11 cents a share, respectively, to reflect the net increase in the current value of the Company's obligation under the PPG Settlement Arrangement relating to asbestos claims.

Results of Business Segments

	Net sales		Operating income	
(Millions)	2005	2004	2005	2004
Coatings	$5,566	$5,275	$609	$777
Glass	2,237	2,204	56	169
Chemicals	2,398	2,034	451	291

Coatings sales increased $291 million or 5% in 2005. Sales increased 3% due to higher selling prices across all businesses except automotive; 1% due to improved volumes as increases in our aerospace, architectural and original equipment automotive businesses offset volume declines in automotive refinish and industrial coatings; and 1% due to the positive effects of foreign currency translation. Operating income decreased $168 million in 2005. The adverse impact of inflation totaled $315 million, of which $245 million was attributable to higher raw material costs. Higher year-over-year selling prices increased operating earnings by $169 million. Coatings operating earnings were reduced by the $132 million charge for the cost of the Marvin legal settlement net of insurance recoveries. Other factors increasing coatings operating income in 2005 were the increased sales volumes described above, manufacturing efficiencies, formula cost reductions and higher other income.

Glass sales increased $33 million or 1% in 2005. Sales increased 1% due to improved volumes as increases in our automotive replacement glass, insurance and services and performance glazings (flat glass) businesses offset volume declines in our fiber glass and automotive original equipment glass businesses. The positive effects of foreign currency translation were largely offset by lower selling prices primarily in our automotive replacement glass and automotive original equipment businesses. Operating income decreased $113 million in 2005. The federal glass class action antitrust legal settlement of $61 million, the $49 million impact of rising natural gas costs and the absence of the $19 million gain in 2004 from the sale/leaseback of precious metal combined to account for a reduction in operating earnings of $129 million. The remaining year-over-year increase in glass operating earnings of $16 million resulted primarily from improved manufacturing efficiencies and lower overhead costs exceeding the adverse impact of other inflation.

Our continuing efforts in 2005 to position the fiber glass business for future growth in profitability were adversely impacted by the rise in fourth quarter natural gas prices, slightly lower year-over-year sales, lower equity earnings due to weaker pricing in the Asian electronics market, and the absence of the $19 million gain which occurred in 2004 stemming from the sale/leaseback of precious metals. Despite high energy costs, we expect fiber glass earnings to improve in 2006 because of price strengthening in the Asian electronics market, which began to occur in the fourth quarter of 2005, increased cost reduction initiatives and the positive impact resulting from the start up of our new joint venture in China. This joint venture will produce high labor content fiber glass reinforcement products and take advantage of lower labor costs, allowing us to refocus our U.S. production capacity on higher margin direct process products.

The 2005 operating earnings of our North American automotive OEM glass business declined by $30 million compared with 2004. Significant structural changes continue to occur in the North American automotive industry, including the loss of U.S. market share by General Motors and Ford. This has created a very challenging and competitive environment for all suppliers to the domestic OEMs, including our business. About half of the decline in earnings resulted from the impact of rising natural gas costs, particularly in the fourth quarter, combined with the traditional adverse impact of year-over-year sales price reductions producing a decline in earnings that exceeded our successful efforts to reduce manufacturing costs. The other half of the 2005 decline was due to lower sales volumes and mix and higher new program launch costs. The challenging competitive environment and high energy prices will continue in 2006. Our business is working in 2006 to improve its performance through increased manufacturing efficiencies, structural cost reduction initiatives, focusing on profitable growth opportunities and improving our sales mix.

Chemicals sales increased $364 million or 18% in 2005. Sales increased 21% due to higher selling prices, primarily for chlor-alkali products, and 1% due to the combination of an acquisition in our optical products business and the positive effects of foreign currency translation. Total volumes declined 4% as volume increases in optical products were more than offset by volume declines in chlor-alkali and fine chemicals. Volume in chlor-alkali products and silicas were adversely impacted in the third and fourth quarters by the hurricanes. Operating income increased $160 million in 2005. The primary factor increasing operating income was the record high selling prices in chlor-alkali. Factors decreasing operating income were higher inflation, including $136 million due to increased energy and ethylene costs; $34 million of direct costs related to the impact of the hurricanes; $27 million due to the asset impairment charge related to our fine chemicals business; lower sales volumes; higher manufacturing costs and increased environmental expenses. The increase in chemicals operating earnings occurred primarily through the first eight months of 2005. The hurricanes hit in September impacting volumes and costs in September through November and contributing to the rise in natural gas prices which lowered fourth quarter chemicals earnings by $58 million, almost 57% of the full year impact of higher natural gas prices.

The damage caused by Hurricane Rita resulted in the shutdown of our Lake Charles, LA chemical plant for a total of eight days in September and an additional five days in October. On Sept. 26, 2005, following Hurricane Rita, PPG declared force majeure for products produced at the Lake Charles facility. On Oct. 6, 2005, the facility resumed production at reduced operating rates, and returned to full production capability in mid-November. PPG has recorded a pretax charge in the amount of $34 million in 2005 for direct costs primarily related to hurricane damage to the Lake Charles facility. This charge is included in "Other charges" in the statement of income under Item 8 of this Form 10-K. The Company also estimates that pretax earnings were reduced by approximately $27 million in 2005 due to lower sales volumes resulting from Hurricane Rita. The Company is engaged in discussions with its insurance providers and is in the process of evaluating whether these losses will result in insurance recoveries.

Market conditions, such as fewer new drug approvals, product withdrawals, excess production capacity and increasing share of generic drugs, have continued to put pressure on the pharmaceutical industry and have created a challenging environment for our fine chemicals business, which is included in our chemicals segment. These conditions have produced an operating performance in our fine chemicals business in 2005 that has been disappointing. As a result, in the fourth quarter, the Company evaluated our fine chemicals business for impairment in accordance with SFAS No. 144, "Accounting for the Impairment of Long-Lived Assets", and determined that indicators of impairment were present for certain long-lived assets at our manufacturing plant in the United States. In measuring the fair value of these assets, the Company utilized an expected cash flow methodology to determine that the carrying value of these assets exceeded their fair value by $24 million. We have also decided to sell a small fine chemical facility in France and have written the related assets down to their estimated net realizable value. Due to these developments, the Company has recorded an asset impairment charge related to these fine chemicals assets of $27 million pretax, which is included in "Other charges" in the statement of income.

Other Significant Factors

The Company's pension and other postretirement benefit costs for 2005 were $12 million lower than in 2004. This decrease represents the impact of market driven growth in pension plan assets that occurred in 2004 and an increased benefit provided by the subsidy offered pursuant to the Medicare Prescription Drug, Improvement Act of 2003 (the "Medicare Act") in 2005, offset in part by a decrease in the discount rate. The majority of the Company's defined benefit plans continued to be underfunded on an accumulated benefit obligation ("ABO") basis at Dec. 31, 2005. The underfunded amount increased in 2005, resulting in an increase in the minimum pension liability and a decrease in shareholders' equity through a decrease in accumulated other comprehensive income of $173 million, aftertax. This increase in the underfunded amount reflects a reduction of 40 basis points in the discount rate and the impact of a change in the mortality assumption for the U.S. plans used to calculate the ABO. See Note 12, "Pension and Other Postretirement Benefits," under Item 8 of this Form 10-K for additional information.

In October 2004, the American Jobs Creation Act of 2004 ("AJCA 2004") was signed into law. Among its many provisions, the AJCA 2004 provided a limited opportunity through 2005 to repatriate the undistributed earnings of non-U.S. subsidiaries at a U.S. tax cost that could be lower than the normal tax cost on such distributions. During 2005, we repatriated $114 million of dividends under the provisions of AJCA 2004 resulting in income tax expense of $9 million. In the absence of AJCA 2004, the Company estimates the tax cost to repatriate these dividends would have been $23 million higher.

The effective tax rate for 2005 was 29.8% compared to 30.3% for the 2004. The 2005 rate is comprised of a tax benefit of 39% on the $132 million charge for the Marvin legal settlement net of insurance recoveries, the $61 million settlement of the federal glass class action antitrust case, the $27 million asset impairment charge related to our fine chemicals business, the $19 million charge for debt refinancing costs and the adjustment to increase the current value of the Company's obligation related to asbestos litigation under the PPG Settlement Arrangement, as discussed in Note 13, "Commitments and Contingent Liabilities" under Item 8 of this Form 10-K. The effective tax rate also includes tax expense of $9 million related to dividends repatriated under the AJCA 2004 and tax expense of 31.0% on the remaining pretax earnings. The 2005 effective rate also includes the benefit of the U.S. manufacturing deduction, which was created by AJCA 2004. The 2004 rate is comprised of a tax benefit of 39% on the adjustment to increase the current value of the Company's obligation related to asbestos litigation under the PPG Settlement Arrangement and tax expense of 30.5% on the remaining pretax earnings. Our current estimate of the effective tax rate for 2006 is 31.5%.

Outlook

In 2005, growth in the U.S. economy moderated throughout the year due, in part, to rising interest rates and higher energy, fuel and other raw material costs. Industrial production, which grew at a rate of about 4% in the beginning of the year, slowed in the second half of the year resulting in a full year growth rate of approximately 3%. Industrial production remains the economic metric that most positively correlates with our volume growth because it reflects activity in PPG's broad end-use markets. The commercial construction sector grew at a rate of 2% for the entire year, but showed signs of further improvement during the second half of the year. Housing starts in the U.S. were strong all year. For the full year, North American production of light vehicles was flat with 2004, while European automotive production was slightly down. Inflation remained at low levels overall and the U.S. equity markets ended the year flat.

The European economy grew in 2005 at a rate of just under 2%, but industrial production in Europe grew only 0.5% for the year. Western European light vehicle production was down slightly year-over-year.

Growth in Asia was stronger in 2005 than in other parts of the world with GDP, industrial production and light vehicle production posting gains in the range of 6%-9%.

Entering 2006, most economists predict continued North American growth, but at a slower pace. Once again, inflation is expected to remain relatively low despite historically high energy costs and raw material prices. This anticipated low level of inflation is due to the impact of increased globalization and productivity. Interest rates are expected to peak this year, with some economists predicting a decline later in the year.

Worldwide economic growth is expected to continue in 2006, with all four of the major economies expanding. The Western European economy began to show some positive signs at the end of 2005 and that will likely carry forward into early 2006, at low, but positive levels. Growth in Eastern Europe is expected to continue.

In Japan, several economic indicators show that the economic environment has rebounded into positive territory for the first time in several years. Meanwhile, the emerging Asian economies are expected to continue to post high growth rates, especially in both China and India. China's infrastructure growth is expected to continue to impact the overall global economy via increased demand for basic goods and commodities. Additionally, China and other low production cost countries will continue to put downward pressure on worldwide pricing of consumer goods. As has been our experience the past few years, we expect China's expansion to benefit demand for our coatings, fiber glass and optical businesses, while requiring our glass and commodity chemicals businesses to continue their ongoing focus on reducing costs.

In 2006, we will continue our commitment to our heritage values of serving our customers, introducing new technologies and achieving operational excellence through our continuing focus on reducing costs. The outlook for the global economic environment should support our efforts to deliver sales growth in 2006 throughout our businesses. We also expect to face continued cost pressures in 2006 from pensions, healthcare, natural gas and raw materials.

The cost pressures that we face in 2006 mean that we will supplement our ongoing initiatives to lower our manufacturing and overhead costs through continuous improvement with additional actions to reduce our workforce and consolidate facilities. We are in the process of finalizing our plans and expect to record pretax charges in the first quarter 2006 in the range of $50 million to $70 million.

Our pension and post retirement benefit costs totaled $234 million in 2005 reflecting a decline of $12 million from 2004; however, these costs remain well above their 2000 level as a result of subpar investment returns over this time period, particularly the negative investment returns in the equity market in 2001 and 2002, a reduction in our expected future rate of return on pension plan assets, a lower discount rate environment and rising retiree medical costs, particularly for prescription drugs. Based on our current estimates, our pension and other postretirement benefits costs are expected to rise in 2006 by $40 million.

All-time high natural gas costs in North America were detrimental to our 2005 earnings, and these costs rose abruptly following the severe hurricanes that impacted the U.S. Gulf Coast in the third quarter. Changes in natural gas prices have a significant impact on the operating performance of our chemicals and glass segments. Each one-dollar change in the price of natural gas per million British thermal units ("mmbtu") would have a direct impact of approximately $60 million to $70 million on our annual operating costs. It remains difficult to predict future natural gas prices, which continue to be high and volatile as we begin 2006. In order to reduce the risks associated with volatile prices, we use a number of techniques, which include reducing consumption through improved manufacturing processes, switching to alternative fuels and hedging. We currently estimate our average cost for natural gas in the first quarter of 2006 will be at about $10.00 per mmbtu, or $3.50 per mmbtu higher than the first quarter of 2005. This represents an increase of over 50% year-over-year.

Beginning in the second half of 2004 and continuing throughout 2005, we have experienced increases in the prices we pay for raw materials used in many of our businesses, particularly in our coatings businesses. These increases have resulted from the industrial expansion, supply/demand imbalance and increases in supplier costs for oil and other inputs. Year-over-year coatings raw material costs rose by $245 million in 2005 and, while the pace has slowed, we expect to see a further year-over-year increase in 2006. We plan to continue to combat the impact of these rising costs by seeking alternate and global supply sources for our raw materials, reformulating our products, improving our production processes and raising our selling prices.

These same factors, along with high capacity utilization and industry related hurricane outages, resulted in tight supplies of chlor-alkali products. This led to record ECU pricing during all of 2005, with increases recognized throughout the year. ECU prices in the fourth quarter 2005 were up 35% versus the fourth quarter of 2004. We expect these market conditions to continue as we enter 2006, but they may moderate at some point during the year.

Significant structural changes continue to occur in the North American automotive industry, including the loss of U.S. market share by General Motors and Ford. This has created a very challenging and competitive environment for all suppliers to this industry. These OEMs are also faced with funding substantial pension and post-retirement medical liabilities that place stress on their financial condition. Our 2005 sales in the U.S. and Canada to General Motors, Ford and the automotive tiered suppliers whose Standard & Poor's credit rating was BB or lower at Dec. 31, 2005 totaled approximately 5% of our total global sales. These sales were made under normal credit terms and we expect to collect substantially all of the amounts due from these customers at Dec. 31, 2005 during the first quarter of 2006; however, we have increased our focus on the management of this credit risk.

We have been working for the past year on a major business process redesign project in our European coatings business with the objectives of improving our competitiveness, supporting our initiatives to grow the business and increasing our margins. The project will standardize our business processes throughout the region on a common IT application platform in a newly defined business model that includes establishing a new European headquarters in Switzerland. We will reach the first key milestone in this project as we move our European refinish business to the new business model over the first half of 2006. The net cost savings in 2006 will not be significant but will increase as project activities continue through 2008.

A sharp focus on our capital spending and working capital has enabled us to continue along our track of strong cash generation, as evidenced by the $5 billion in cash generated from operating activities over the 2001-2005 time period. We have continued to fund our portfolio of businesses and prudently manage capital spending while at the same time continuing our trend of increasing dividend payments to shareholders for 34 consecutive years and reducing our debt by $1.7 billion over the past five years. Additionally, we repurchased $100 million of PPG common stock in 2004 and completed another $600 million in purchases of PPG common stock in 2005.

We remain confident that PPG is well positioned to benefit from the expected worldwide economic growth in 2006.

Accounting Standard Adopted in 2005

In March 2005, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation ("FIN") No. 47, "Accounting for Conditional Asset Retirement Obligations, an interpretation of FASB Statement No. 143". FIN No. 47 clarifies the term conditional asset retirement obligation as used in SFAS No. 143, "Accounting for Asset Retirement Obligations", and provides further guidance as to when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation.

Effective Dec. 31, 2005, PPG adopted the provisions of FIN No. 47. Our only conditional asset retirement obligation relates to the possible future abatement of asbestos contained in certain PPG production facilities. The asbestos in our production facilities arises from the application of normal and customary building practices in the past when the facilities were constructed. This asbestos is encapsulated in place and, as a result, there is no current legal requirement to abate it. Inasmuch as there is no requirement to abate, we do not have any current plans or an intention to abate and therefore the timing, method and cost of the future abatement, if any, are not known. In accordance with the provisions of FIN No. 47, the Company has not recorded an asset retirement obligation associated with asbestos abatement, given the uncertainty concerning the timing of future abatement, if any.

The adoption of FIN No. 47 on Dec. 31, 2005 did not result in any impact to our results of operations or financial position for the year ended Dec. 31, 2005, and we do not expect the adoption to have a material impact on the Company's future results of operations, financial position or liquidity.

Accounting Standards to be Adopted in Future Years

In November 2004, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 151, "Inventory Costs, an Amendment of ARB No. 43, Chapter 4." SFAS No. 151 requires the exclusion of certain costs from inventories and the allocation of fixed production overheads to inventories to be based on the normal capacity of the production facilities. The provisions of this Statement are effective for costs incurred after Dec. 31, 2005. We have evaluated the effect the adoption of this standard will have on PPG, and we do not expect it to have a material effect on PPG's consolidated results of operations or financial position.

In December 2004, the FASB issued a revision to SFAS No. 123, "Share-Based Payments" which now requires that stock options be expensed based on their fair value. In April 2005, the Securities and Exchange Commission announced that the effective date of the revised SFAS No. 123 was delayed to years beginning after June 15, 2005. As discussed in Note 1, "Summary of Significant Accounting Policies," under Item 8 of this Form 10-K, PPG began expensing stock options effective Jan. 1, 2004, and consequently our adoption of this revised Statement in 2006 is not expected to have a material impact on the Company's results of operations or financial position.

Performance in 2004 Compared with 2003

Overall Performance

Our sales increased 9% to $9.5 billion in 2004 from $8.8 billion in 2003. Sales increased 7% due to improved volumes across all of our business segments and 3% due to the positive effects of foreign currency translation, primarily from our European operations. These sales increases were offset by a 1% decline due to lower selling prices.

Gross profit increased $279 million while the gross profit percentage remained steady at 36.9% in 2004 and 2003. The sales volume increase, favorable impact of currency, improved manufacturing efficiencies, higher selling prices in our chemicals segment and lower pension and other postretirement benefit costs across all of our business segments increased our gross profit. Lower selling prices in our glass and coatings segments and higher natural gas, energy, raw material and labor costs lowered our gross profit.

Selling, general and administrative expense, depreciation and research and development costs declined slightly as a percentage of sales to 25% despite increasing $142 million in 2004. These costs increased in part to support sales volume growth in 2004 and also because of the impact of foreign currency, inflation and our decision to begin expensing stock options in 2004.

Interest expense was $17 million less in 2004 than in 2003 reflecting the year over year reduction in debt of $316 million. Other charges declined $30 million in 2004 due to a combination of lower environmental remediation, legal and workers compensation expenses and the absence of certain 2003 charges. Other earnings were $28 million higher in 2004 due primarily to higher earnings from our equity affiliates.

The effective tax rate for 2004 was 30.29% compared to 34.76% for the full year 2003. The reduction in the rate for 2004 reflects the benefit of the subsidy offered pursuant to the Medicare Act not being subject to tax, the continued improvement in the geographical mix of non-U.S. earnings and the favorable resolution during 2004 of matters related to two open U.S. federal income tax years.

Net income in 2004 totaled $683 million, an increase of $189 million over 2003, and earnings per share – diluted increased $1.06 to $3.95 per share.

Results of Business Segments

	Net sales		*Operating income*	
(Millions)	2004	2003	2004	2003(1)
Coatings	$5,275	$4,835	$777	$719
Glass	2,204	2,150	169	71
Chemicals	2,034	1,771	291	228

(1) *Operating income by segment for 2003 has been revised to reflect a change in the allocation method for certain pension and other postretirement benefit costs in 2004 (See Note 22, "Business Segment Information", under Item 8 of this Form 10-K).*

Coatings sales increased $440 million or 9% in 2004. Sales increased 6% from improved volumes across all our coatings businesses and 4% due to the positive effects of foreign currency translation, primarily from our European operations. Sales declined 1% due to lower selling prices, principally in our automotive business. Operating income increased $58 million in 2004. Factors increasing operating income were the higher sales volume ($135 million) and the favorable effects of currency translation described above and improved manufacturing efficiencies of $20 million. Factors decreasing operating income were inflationary cost increases of $82 million and lower selling prices.

Glass sales increased $54 million or 3% in 2004. Sales increased 6% from improved volumes primarily from our performance glazings (flat glass), fiber glass, and automotive original equipment businesses net of lower volumes in our automotive replacement glass business. Sales also increased 2% due to the positive effects of foreign currency translation, primarily from our European fiber glass operations. Sales declined 5% due to lower selling prices across all our glass businesses. Operating income in 2004 increased $98 million. Factors increasing operating income were improved manufacturing efficiencies of $110 million, higher sales volume ($53 million) described above, higher equity earnings and the gains on the sale/leaseback of precious metals of $19 million. The principal factor decreasing operating income was lower selling prices. Fiber glass volumes were up 15% for the year, although pricing declined. With the shift of electronic printed wiring board production to Asia and the volume and pricing gains there, equity earnings from our joint venture serving that region grew in 2004. These factors combined with focused cost reductions and manufacturing efficiencies to improve the operating performance of this business, as we continue to position it for future growth in profitability.

Chemicals sales increased $263 million or 15% in 2004. Sales increased 10% from improved volumes in our commodity and specialty businesses and 4% due to higher selling prices for our commodity products. Sales also increased 1% due to the positive effects of foreign currency translation, primarily from our European operations. Operating income increased $63 million in 2004. Factors increasing operating income were the higher selling prices for our commodity products and the higher sales volume ($73 million) described above, improved manufacturing efficiencies of $25 million and lower environmental expenses. Factors decreasing 2004 operating income were inflationary cost increases of $40 million and higher energy costs of $79 million.

Other Significant Factors

The Company's pension and other postretirement benefit costs for 2004 were $45 million lower than in 2003. This decrease reflects the market driven growth in pension plan assets that occurred in 2003, the impact of the $140 million in cash contributed to the pension plans by the Company in 2004 and the benefit of the subsidy offered pursuant to the Medicare Act, as discussed in Note 12, "Pension and Other Postretirement Benefits," under Item 8 of this Form 10-K.

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 Item 3, "Legal Proceedings" of this Form 10-K and Note 13, "Commitments and Contingent Liabilities," under Item 8 of this Form 10-K for a description of certain of these lawsuits, including a description of the proposed PPG Settlement Arrangement for asbestos claims announced on May 14, 2002. As discussed in Item 3 and Note 13, 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 PPG Settlement Arrangement described in Note 13 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.

The Company has been named as a defendant, along with various other co-defendants, in a number of antitrust lawsuits filed in federal and state courts. These suits allege that PPG acted with competitors to fix prices and allocate markets in the flat glass and automotive refinish industries.

The plaintiffs in these cases are seeking economic and, in certain cases, treble damages and injunctive relief.

Twenty-nine glass antitrust cases were filed in federal courts, all of which have been consolidated as a class action in the U.S. District Court for the Western District of Pennsylvania located in Pittsburgh, Pa. All of the other defendants in the glass class action antitrust case previously settled with the plaintiffs and were dismissed from the case. On May 29, 2003, the Court granted PPG's motion for summary judgment dismissing the claims against PPG in the glass class action antitrust case. The plaintiffs in that case appealed that order to the U.S. Third Circuit Court of Appeals. On Sept. 30, 2004, the U.S. Third Circuit Court of Appeals affirmed in part and reversed in part the dismissal of PPG and remanded the case for further proceedings. PPG petitioned the U.S. Supreme Court for permission to appeal the decision of the U.S. Third Circuit Court of Appeals, however, the U.S. Supreme Court rejected PPG's petition for review.

On Oct. 19, 2005, PPG entered into a settlement agreement to settle the federal glass class action antitrust case 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. Pursuant to the settlement agreement, PPG agreed to pay $60 million and to bear up to $500,000 in settlement administration costs. The U.S. District Court entered an order on Feb. 7, 2006, approving the settlement. This order is subject to a thirty day appeal period. If no appeals are filed, the settlement will become effective at the expiration of the appeal period. PPG has deposited $60 million in an escrow account as of Dec. 31, 2005 pending the settlement becoming effective. As a result of the settlement, PPG will also pay $900,000 pursuant to a pre-existing contractual obligation to a plaintiff that is not participating in the federal glass class action antitrust case. Finally, independent state court cases remain pending in California and Tennessee involving claims that are not included in the settlement of the federal glass class action antitrust case. Notwithstanding that PPG has agreed to settle the federal glass class action antitrust case, PPG's management remains steadfast in its belief that there was no wrongdoing on the part of the Company and also believes that PPG has meritorious defenses to the independent state court cases.

Approximately 60 cases alleging antitrust violations in the automotive refinish industry have been filed in various state and federal jurisdictions. The plaintiffs in these cases have not yet specified an amount of alleged damages. The approximately 55 federal cases have been consolidated as a class action in the U.S. District Court for the Eastern District of Pennsylvania located in Philadelphia, Pa. Certain of the defendants in the federal automotive refinish case have settled. This case is still at an early stage and discovery is continuing with the remaining defendants. The automotive refinish cases in state courts have either been stayed pending resolution of the federal proceedings or have been dismissed. Neither PPG's investigation conducted through its counsel of the allegations in these cases nor the discovery conducted to date has identified a basis for the plaintiffs' allegations that PPG participated in a price-fixing conspiracy in the U.S. automotive refinish industry. PPG's management continues to believe that there was no wrongdoing on the part of the Company and also believes it has meritorious defenses in these automotive refinish antitrust cases. As discovery in the federal class action antitrust case is ongoing, we will continue to evaluate any additional information that becomes available in developing our conclusion on the outcome of this contingent liability. While currently not expected, if future developments in the case are adverse to the company, we could consider a settlement of the automotive refinish antitrust case. We have no present intention of settling any of the automotive refinish antitrust cases.

The Company had been a defendant since April 1994 in a suit filed by Marvin Windows and Doors ("Marvin") alleging numerous claims, including breach of warranty. All of the plaintiff's claims, other than breach of warranty, were dismissed. However, on Feb. 14, 2002, a federal jury awarded Marvin $136 million on the remaining claim. Subsequently, the court added $20 million for interest bringing the total judgment to $156 million. PPG appealed that judgment and the appeals court heard the parties' arguments on June 9, 2003. On March 23, 2005, the appeals court ruled against PPG. Subsequent to the ruling by the court, PPG and Marvin agreed to settle this matter for $150 million and PPG recorded a charge for that amount in the first quarter of 2005, which is included in "Other charges" in the statement of income under Item 8 of this Form 10-K. PPG paid the settlement on April 28, 2005. In the third quarter of 2005, PPG received $18 million in insurance recoveries related to this settlement. The amount is included in "Other charges" for the year ended Dec. 31, 2005. The Company continues to pursue additional insurance recoveries related to this matter but is unable to estimate the likelihood or amount of any future recoveries.

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. As of Dec. 31, 2005 and 2004, PPG had reserves for environmental contingencies totaling $94 million and $81 million, respectively. Pretax charges against income for environmental remediation costs in 2005, 2004 and 2003 totaled $27 million, $15 million and $21 million, respectively, and are included in "Other charges" in the statement of income. Cash outlays related to such environmental remediation aggregated $14 million, $26 million and $16 million in 2005, 2004 and 2003, respectively.

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 the prior year end. Such unreserved losses are reasonably possible but are not currently considered to be probable of occurrence. Management anticipates that the resolution of the Company's environmental contingencies will occur over an extended period of time. Over the past 15 years the pretax charges against income have ranged between $10 million and $49 million per year. We currently expect that charges against income for environmental remediation in 2006 will be within that range; however, it is possible that technological, regulatory and enforcement developments, the results of environmental studies and other factors, particularly as the work at a former chromium manufacturing plant site located in Jersey City, NJ and at the Calcasieu River estuary continues to progress, could alter this expectation and result in higher charges in 2006. See Note 13, "Commitments and Contingent Liabilities," under Item 8 of this Form 10-K for an expanded description of certain of these environmental contingencies. 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.

Impact of Inflation

In 2005, the increase in our costs due to the negative effects of inflation, including the impact of higher raw material costs in our coatings segment and higher energy costs in our glass and chemicals segments, was more than offset by the impact of higher selling prices in our coatings and chemicals segments and the improved manufacturing efficiencies in our glass and coatings segments. In 2004, the combined impact of lower overall selling prices and higher production costs, due to the negative effects of inflation, including the impact of higher raw material and labor costs across all our segments and higher energy costs in our glass and chemicals segments, was only partially offset through improved manufacturing efficiencies. In 2003, the increase in our costs due to the negative effects of inflation, including the impact of higher energy costs in our glass and chemicals segments, was offset by the impact of higher selling prices in our chemicals segment and the improved manufacturing efficiencies in our coatings and glass segments.

We anticipate that the negative impact of inflation on our costs will be less severe in 2006 than in 2005, particularly with respect to raw material costs in our coatings segment and energy costs in our glass and chemicals segments. We expect the combination of continuing improvements in manufacturing efficiencies and an overall increase in our selling prices in 2006 will enable us to fully recoup the negative impact of inflation, other than natural gas costs. Due to the high volatility of natural gas prices it is difficult to predict the related 2006 costs, but if the prices remain at year end 2005 levels, we may not be able to fully offset these higher costs.

Liquidity and Capital Resources

During the past three years, we had sufficient financial resources to meet our operating requirements, to fund our capital spending, share repurchases and pension plans and to pay increasing dividends to our shareholders.

Cash from operating activities was $1,065 million, $1,018 million and $1,123 million in 2005, 2004 and 2003, respectively. Capital spending was $379 million, $311 million and $220 million in 2005, 2004 and 2003, respectively. This spending related to modernization and productivity improvements, expansion of existing businesses, environmental control projects and business acquisitions, which amounted to $91 million, $67 million and $3 million in 2005, 2004 and 2003, respectively. Capital spending, excluding acquisitions, is expected to be approximately $385 million during 2006.

We have an ongoing process that includes a review of our array of businesses in relation to our overall strategic and performance objectives. As part of this review, we may acquire or divest of certain businesses or enter into joint ventures with other companies. During 2006, we anticipate making acquisitions as part of our strategy for accelerating growth. Any acquisitions would be funded through a combination of cash on hand, cash generated from operations or from the sale of other businesses and, to a lesser extent, external funding sources or the issuance of stock.

Dividends paid to shareholders totaled $316 million, $307 million and $294 million in 2005, 2004 and 2003, respectively. PPG has paid uninterrupted dividends since 1899, and 2005 marked the 34th consecutive year of increased dividend payments to shareholders. Over time, our goal is to sustain our dividends at approximately one-third of our earnings per share.

During 2005, the Company repurchased 9.4 million shares of PPG common stock at a cost of $607 million under previously authorized share repurchase programs. During 2004, the Company repurchased 1.5 million shares of PPG common stock at a cost of $100 million, and during 2003, the Company did not repurchase any shares of its common stock.

During June 2005, the Company completed a debt refinancing consisting of tender offers in the United States to retire outstanding debt combined with the issuance of bonds in Europe. As part of this refinancing, the Company issued €300 million of 3.875% Senior Notes due 2015 (the "Euro Notes"). The proceeds from the Euro Notes were used to repay short-term commercial paper obligations incurred in June 2005 in connection with the purchase of $100 million of 6.5% notes due 2007, $159 million of 7.05% notes due 2009 and $16 million of 6.875% notes due 2012, as well as for general corporate purposes. The Company recorded a second quarter pre-tax charge of approximately $19 million, ($12 million aftertax or 7 cents per share), for debt refinancing costs.

While we have had no mandatory funding contribution required under Pension Benefit Guarantee Corporation or Internal Revenue Service ("IRS") regulations for our U.S. pension plans, we chose to make voluntary contributions of $4 million in 2005 and $100 million in 2004. These pension contributions will allow the

Company more flexibility in determining both the timing and amounts of future mandatory contributions under the complex ERISA and IRS pension funding regulations. These funding regulations are expected to change as a result of pending legislation currently being considered by the U.S. Congress. Notwithstanding the current uncertainty concerning these requirements, we do not expect to have a mandatory contribution in 2006 or 2007. However, the Company may elect to make voluntary contributions to its U.S. pension plans during that time. During 2005, 2004 and 2003, we made contributions to our non-U.S. pension plans totaling $26 million, $40 million and $41 million, respectively. We expect to make mandatory contributions to our non-U.S. plans in 2006 of approximately $20 million.

The ratio of total debt, including capital leases, to total debt and equity increased to 29% at Dec. 31, 2005 from 27% at Dec. 31, 2004. The increase in this ratio is primarily a function of the decline of equity in 2005 which was largely caused by the repurchase of $607 million of PPG common stock.

Cash from operations and the Company's debt capacity are expected to continue to be sufficient to fund capital spending, including acquisitions, share repurchases, dividend payments, contributions to pension plans, amounts due under the proposed PPG Settlement Arrangement and operating requirements, including PPG's significant contractual obligations, which are presented in the following table along with amounts due under the proposed PPG Settlement Arrangement:

		Obligations Due In:			
(Millions)	*Total*	*2006*	*2007-2008*	*2009-2010*	*Thereafter*
Contractual Obligations					
Long-term debt	$1,191	$ 23	$ 62	$115	$ 991
Capital lease obligations	2	1	1	—	—
Operating leases	257	74	100	56	27
Unconditional purchase obligations	736	177	126	79	354
Total	$2,186	$275	$289	$250	$1,372
Asbestos Settlement[(1)]					
Aggregate cash payments	$ 998	$346	$104	$ 64	$ 484
PPG stock and other	126	126	—	—	—
Total	$1,124	$472	$104	$ 64	$ 484

(1) We have recorded an obligation equal to the net present value of the aggregate cash payments, along with the PPG stock and other assets to be contributed to the Asbestos Settlement Trust. However, PPG has no obligation to pay any amounts under this settlement until the Effective Date, as more fully discussed in Note 13, "Commitments and Contingent Liabilities" under Item 8 of this Form 10-K.

The unconditional purchase commitments are principally take-or-pay obligations related to the purchase of certain materials, including industrial gases, natural gas, coal and electricity, consistent with customary industry practice. These also include PPG's commitment to purchase electricity and steam from the RS Cogen joint venture discussed in Note 5, "Investments," under Item 8 of this Form 10-K.

See Note 7, "Debt and Bank Credit Agreements and Leases," under Item 8 of this Form 10-K for details regarding the use and availability of committed and uncommitted lines of credit, letters of credit, guarantees, and debt covenants.

In addition to the amounts available under the lines of credit, 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 in July 1999.

Off-Balance Sheet Arrangements

The Company's off-balance sheet arrangements include the operating leases and unconditional purchase obligations disclosed in the "Liquidity and Capital Resources" section in the contractual obligations table as well as letters of credit and guarantees as discussed in Note 7, "Debt and Bank Credit Arrangements and Leases," under Item 8 of this Form 10-K.

Critical Accounting Estimates

Management has evaluated the accounting policies used in the preparation of the financial statements and related notes presented under Item 8 of this Form 10-K and believes those policies to be reasonable and appropriate. We believe that the most critical accounting estimates used in the preparation of our financial statements relate to accounting for contingencies, under which we accrue a loss when it is probable that a liability has been incurred and the amount can be reasonably estimated, and to accounting for pensions, other postretirement benefits, goodwill and other identifiable intangible assets with indefinite lives because of the importance of management judgment in making the estimates necessary to apply these policies.

Contingencies, by their nature, relate to uncertainties that require management to exercise judgment both in assessing the likelihood that a liability has been incurred as well as in estimating the amount of potential loss. The most important contingencies impacting our financial statements are those related to the collectibility of accounts receivable, environmental remediation, pending, impending or overtly threatened litigation against the Company and the resolution of matters related to open tax years. For more information on these matters, see Note 3, "Working Capital Detail," Note 11, "Income Taxes" and Note 13, "Commitments and Contingent Liabilities" under Item 8 of this Form 10-K.

Accounting for pensions and other postretirement benefits involves estimating the cost of benefits to be provided well into the future and attributing that cost over the time period each employee works. To accomplish this, extensive use is made of assumptions about inflation, investment returns, mortality, turnover, medical costs and discount rates. These assumptions are reviewed annually. See Note 12, "Pensions and Other Postretirement Benefits," under Item 8 of this Form 10-K for information on these plans and the assumptions used.

The discount rate used in accounting for pensions and other postretirement benefits is determined by considering the timing and amount of projected future benefit payments, evaluating market interest rate indices and using an outside advisor to determine the yield on a diversified portfolio of available high quality fixed income securities that matches our projected future benefit payments. The discount rate assumption for 2006 is 5.65% for our U.S. defined benefit pension and other postretirement benefit plans. A reduction in the discount rate of 50 basis points, with all other assumptions held constant, would increase 2006 net periodic benefit expense for our defined benefit pension and other postretirement benefit plans by approximately $9 million and $6 million, respectively.

The expected return on plan assets assumption used in accounting for our pension plans is determined by evaluating the mix of investments that comprise plan assets and external forecasts of future long-term investment returns. For 2005, the return on plan assets assumption for our U.S. defined benefit pension plans was 8.5%. We expect to use the same assumption for 2006. A reduction in the rate of return of 50 basis points, with other assumptions held constant, would increase 2006 net periodic pension expense by approximately $11 million.

Net periodic benefit cost for our U.S. defined benefit pension and other postretirement benefit plans for each of the three years ended Dec. 31, 2005 was calculated using the GAM 83 mortality table, a commonly used mortality table. In 2006, we will begin to use RP 2000, a newer and more relevant mortality table to calculate net periodic benefit costs for these plans. We estimate this change in the mortality assumption in 2006 will increase net periodic benefit costs by approximately $13 million and $4 million for our defined benefit pension and other postretirement benefit plans, respectively.

As discussed in Note 1, "Summary of Significant Accounting Policies," under Item 8 of this Form 10-K, the Company tests goodwill and identifiable intangible assets with indefinite lives for impairment at least annually by comparing the fair value of the reporting units to their carrying values. Fair values are estimated using discounted cash flow methodologies that are based on projections of the amounts and timing of future revenues and cash flows. Based on this testing, none of our goodwill was impaired as of Dec. 31, 2005; however the fair value of our fiber glass business declined during 2005. As a result, some or all of the related goodwill of $49 million is at risk in 2006 for impairment should our projected recovery in the business not occur.

As part of our ongoing financial reporting process, a collaborative effort is undertaken involving PPG managers with functional responsibility for financial, credit, environmental, legal, tax and benefit matters and outside advisors such as consultants, engineers, lawyers and actuaries. The results of this effort provide management with the necessary information on which to base their judgments on these contingencies and to develop the estimates and assumptions used to prepare the financial statements.

We believe that the amounts recorded in the financial statements under Item 8 of this Form 10-K related to these contingencies, pensions, other postretirement benefits, goodwill and other identifiable intangible assets with indefinite lives are based on the best estimates and judgments of the appropriate PPG management, although actual outcomes could differ from our estimates.

Currency

When compared with currency rates of the prior year, on a month to month basis, the U.S. dollar was weaker than the euro and the British pound sterling for most of the first eight months of the year. The U.S. dollar strengthened against these currencies during the last four months of the year. The effects of translating the net assets of our operations denominated in non-U.S. currencies to the U.S. dollar decreased consolidated net assets by $215 million for the year ended Dec. 31, 2005. The effect of currency rate changes over the course of the year resulted in a net favorable impact on 2005 pretax earnings as compared with 2004 of approximately $8 million.

During 2004 and 2003, the U.S. dollar weakened against the currencies of most of the countries in which PPG operates, most notably against the euro, the British pound sterling and the Canadian dollar. The effects of translating the net assets of our operations denominated in non-U.S. currencies to the U.S. dollar increased consolidated net assets by $180 million and $328 million for the years ended Dec. 31, 2004 and 2003, respectively. In addition, the weaker U.S. dollar had a favorable impact on 2004 and 2003 pretax earnings of approximately $35 million and $50 million, respectively.

Research and Development

Innovation and technology have been a hallmark of our Company's success throughout its history. Research and development costs totaled over 3% of sales in each of the past three years, representing a level of expenditure that we expect to continue in 2006. These costs include technology-driven improvements to our manufacturing processes and customer technical service, as well as the costs of developing new products and processes. Because of our broad array of products and customers, we are not materially dependent upon any single technology platform.

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 Annual Report 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. Such factors include 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, 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 such rates, and the unpredictability of existing and possible future litigation, including litigation that could result if PPG's Settlement Agreement for asbestos claims does not become effective. However, 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.

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 and similar risks, any of which could have a material adverse effect on the Company's consolidated financial condition, operations or liquidity.

Item 7a. Quantitative and Qualitative Disclosures About Market Risk

PPG is exposed to market risks related to changes in foreign currency exchange rates, interest rates, natural gas prices and PPG's stock price arising from transactions that are entered into in the normal course of business. The Company may enter into derivative financial instrument transactions in order to manage or reduce this market risk. A detailed description of these exposures and the Company's risk management policies are provided in Note 9, "Derivative Financial Instruments," under Item 8 of this Form 10-K.

The following disclosures summarize PPG's exposure to market risks and information regarding the use of and fair value of derivatives employed to manage our exposure to such risks. Quantitative sensitivity analyses have been provided to reflect how reasonably possible unfavorable changes in market rates can impact PPG's financial results, cash flows and financial condition.

Foreign currency forward and option contracts outstanding during 2005 and 2004 were used to hedge PPG's exposure to foreign currency transaction risk. The fair value of these contracts as of Dec. 31, 2005 and 2004 was not material. The potential reduction in PPG's earnings resulting from the impact of adverse changes in exchange rates on the fair value of its outstanding foreign currency hedge contracts of 10% for European currencies and 20% for Asian and South American currencies would also not have been material.

PPG had non-U.S. dollar denominated debt of $433 million as of Dec. 31, 2005 and $44 million as of Dec. 31, 2004. The increase in these borrowings was primarily due to the issuance of €300 million of notes in June 2005. A weakening of the U.S. dollar by 10% against European currencies and by 20% against Asian and South American currencies would have resulted in unrealized translation losses of approximately $50 million and $11 million as of Dec. 31, 2005 and 2004, respectively.

Interest rate swaps are used to manage a portion of PPG's interest rate risk. The fair value of the interest rate swaps in place as of Dec. 31, 2005 and 2004, was a liability of $7 million and an asset of $4 million, respectively. The fair value of these swaps would have decreased by $3 million and $9 million as of Dec. 31, 2005 and 2004, respectively, if variable interest rates increased by 10%. A 10% increase in interest rates in the U.S., Canada, Mexico and Europe and a 20% increase in interest rates in Asia and South America would have affected PPG's variable rate debt obligations by increasing interest expense by approximately $2 million as of Dec. 31, 2005 and 2004. Further, a 10% reduction in interest rates would have increased the present value of the Company's fixed rate debt by approximately $53 million and $36 million as of Dec. 31, 2005 and 2004, respectively; however, such changes would not have had an effect on PPG's annual earnings or cash flows.

The fair value of natural gas contracts in place as of Dec. 31, 2005 was an asset of $0.3 million. The fair value of natural gas swap contracts in place as of Dec. 31, 2004 was a liability of $2 million. These contracts were entered into to reduce PPG's exposure to rising prices of natural gas. A 10% reduction in the price of natural gas would result in a loss in the fair value of the underlying natural gas swap contracts outstanding as of Dec. 31, 2005 and 2004 of approximately $3 million and $1 million, respectively.

An equity forward arrangement was entered into to hedge the Company's exposure to changes in fair value of its future obligation to contribute PPG stock into an asbestos settlement trust (see Note 9, "Derivative Financial Instruments" and Note 13, "Commitments and Contingent Liabilities," under Item 8 of this Form 10-K). The fair value of this instrument as of Dec. 31, 2005 and 2004 was an asset of $10 million and $19 million, respectively. A 10% decrease in PPG's stock price would have reduced the value of this instrument by $5 million and $6 million, respectively, as of Dec. 31, 2005 and 2004.

Item 8. Financial Statements and Supplementary Data

Internal Controls – Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of PPG Industries, Inc.:

We have audited management's assessment, included in the accompanying Management Report, that PPG Industries, Inc. and subsidiaries (the "Company") maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2005 of the Company and our report dated February 16, 2006 expressed an unqualified opinion on those financial statements and financial statement schedule.

Deloitte & Touche LLP

Deloitte & Touche LLP
Pittsburgh, Pennsylvania
February 16, 2006

Financial Statements – Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of PPG Industries, Inc.:

We have audited the accompanying consolidated balance sheets of PPG Industries, Inc. and subsidiaries (the "Company") as of December 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, comprehensive income and cash flows for each of the three years in the period ended December 31, 2005. Our audits also included the financial statement schedule listed in Item 15(b). These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and the financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of PPG Industries, Inc. and subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 16, 2006 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Deloitte & Touche LLP

Deloitte & Touche LLP
Pittsburgh, Pennsylvania
February 16, 2006

Management Report

Responsibility for Preparation of the Financial Statements and Establishing and Maintaining Adequate Internal Control Over Financial Reporting

We are responsible for the preparation of the financial statements included in this Annual Report. The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America and include amounts that are based on the best estimates and judgments of management. The other financial information contained in this Annual Report is consistent with the financial statements.

We are also responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system is designed to provide reasonable assurance concerning the reliability of the financial data used in the preparation of PPG's financial statements, as well as to safeguard the Company's assets from unauthorized use or disposition.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement presentation.

We conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of December 31, 2005. In making this evaluation, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control - Integrated Framework*. Our evaluation included reviewing the documentation of our controls, evaluating the design effectiveness of our controls and testing their operating effectiveness. Based on this evaluation we believe that, as of December 31, 2005, the Company's internal controls over financial reporting were effective and provide reasonable assurance that the accompanying financial statements do not contain any material misstatement.

Deloitte & Touche LLP, an independent registered public accounting firm, has issued their report on our evaluation of PPG's internal control over financial reporting. Their report appears on page 28 of this Annual Report.

CBunch

Charles E. Bunch
Chairman of the Board
and Chief Executive Officer

William H. Hernandez

William H. Hernandez
Senior Vice President, Finance
February 16, 2006

Statement of Income

(Millions, except per share amounts)	For the Year 2005	2004	2003
Net sales	$10,201	$9,513	$8,756
Cost of sales	6,473	5,999	5,521
Gross profit	3,728	3,514	3,235
Other expenses (earnings)			
Selling, general and administrative	1,771	1,715	1,578
Depreciation	340	357	365
Research and development - net (See Note 20)	309	303	290
Interest	81	90	107
Amortization (See Note 6)	32	31	29
Asbestos settlement - net (See Notes 9 and 13)	22	32	38
Business restructuring (See Note 2)	—	—	4
Other charges (See Notes 2, 7 and 13)	338	54	84
Other earnings (See Note 17)	(112)	(131)	(103)
Total other expenses - net	2,781	2,451	2,392
Income before income taxes, minority interest and cumulative effect of accounting change	947	1,063	843
Income tax expense (See Note 11)	282	322	293
Minority interest	69	58	50
Income before cumulative effect of accounting change	596	683	500
Cumulative effect of accounting change, net of tax (See Note 1)	—	—	(6)
Net income	$ 596	$ 683	$ 494
Earnings per common share (See Note 10)			
Income before cumulative effect of accounting change	$ 3.51	$ 3.98	$ 2.94
Cumulative effect of accounting change, net of tax	—	—	(0.03)
Earnings per common share	$ 3.51	$ 3.98	$ 2.91
Earnings per common share - assuming dilution (See Note 10)			
Income before cumulative effect of accounting change	$ 3.49	$ 3.95	$ 2.92
Cumulative effect of accounting change, net of tax	—	—	(0.03)
Earnings per common share - assuming dilution	$ 3.49	$ 3.95	$ 2.89

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

Balance Sheet

(Millions)	December 31 2005	2004
Assets		
Current assets		
Cash and cash equivalents	$ 466	$ 659
Short-term investments	—	50
Total cash, cash equivalents and short-term investments	466	709
Receivables (See Note 3)	1,871	1,797
Inventories (See Note 3)	1,119	1,076
Deferred income taxes (See Note 11)	345	306
Other	218	166
Total current assets	4,019	4,054
Property (See Note 4)	7,802	7,855
Less accumulated depreciation	5,498	5,384
Property – net	2,304	2,471
Investments (See Note 5)	311	298
Goodwill (See Notes 1 and 6)	1,166	1,216
Identifiable intangible assets (See Notes 1 and 6)	488	497
Other assets (See Note 12)	393	396
Total	$ 8,681	$ 8,932
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term debt and current portion of long-term debt (See Note 7)	$ 101	$ 166
Asbestos settlement (See Note 13)	472	404
Accounts payable and accrued liabilities (See Note 3)	1,776	1,651
Total current liabilities	2,349	2,221
Long-term debt (See Note 7)	1,169	1,184
Asbestos settlement (See Note 13)	385	440
Deferred income taxes (See Note 11)	90	145
Accrued pensions (See Note 12)	561	337
Other postretirement benefits (See Note 12)	587	556
Other liabilities (See Note 12)	379	381
Total liabilities	5,520	5,264
Commitments and contingent liabilities (See Note 13)		
Minority interest	108	96
Shareholders' equity (See Note 14)		
Common stock	484	484
Additional paid-in capital	352	249
Retained earnings	7,057	6,776
Treasury stock, at cost	(3,984)	(3,455)
Unearned compensation (See Note 16)	(37)	(47)
Accumulated other comprehensive loss (See Note 15)	(819)	(435)
Total shareholders' equity	3,053	3,572
Total	$ 8,681	$ 8,932

Shares outstanding were 165,277,290 and 172,001,795 as of Dec. 31, 2005 and 2004, respectively.
The accompanying notes to the financial statements are an integral part of this consolidated statement.

Statement of Shareholders' Equity

(Millions)	*Common Stock*	*Additional Paid-In Capital*	*Retained Earnings*	*Treasury Stock*	*Unearned Compensation (See Note 16)*	*Accumulated Other Comprehensive (Loss) Income (See Note 15)*	*Total*
Balance, Jan. 1, 2003	$484	$126	$6,197	$(3,471)	$(85)	$(1,101)	$2,150
Net income	—	—	494	—	—	—	494
Other comprehensive income, net of tax	—	—	—	—	—	459	459
Cash dividends	—	—	(294)	—	—	—	(294)
Issuance of treasury stock	—	32	—	43	—	—	75
Repayment of loans by ESOP	—	—	—	—	25	—	25
Other	—	—	2	—	—	—	2
Balance, Dec. 31, 2003	484	158	6,399	(3,428)	(60)	(642)	2,911
Net income	—	—	683	—	—	—	683
Other comprehensive income, net of tax	—	—	—	—	—	207	207
Cash dividends	—	—	(307)	—	—	—	(307)
Purchase of treasury stock	—	—	—	(100)	—	—	(100)
Issuance of treasury stock	—	63	—	73	—	—	136
Grant of stock options	—	28	—	—	—	—	28
Repayment of loans by ESOP	—	—	—	—	13	—	13
Other	—	—	1	—	—	—	1
Balance, Dec. 31, 2004	484	249	6,776	(3,455)	(47)	(435)	3,572
Net income	—	—	596	—	—	—	596
Other comprehensive income, net of tax	—	—	—	—	—	(384)	(384)
Cash dividends	—	—	(316)	—	—	—	(316)
Purchase of treasury stock	—	—	—	(607)	—	—	(607)
Issuance of treasury stock	—	75	—	78	—	—	153
Grant of stock options	—	28	—	—	—	—	28
Repayment of loans by ESOP	—	—	—	—	10	—	10
Other	—	—	1	—	—	—	1
Balance, Dec. 31, 2005	$484	$352	$7,057	$(3,984)	$(37)	$ (819)	$3,053

Statement of Comprehensive Income

	For the Year		
(Millions)	2005	2004	2003
Net income	$ 596	$683	$494
Other comprehensive (loss) income, net of tax (See Note 15)			
Unrealized currency translation adjustment	(215)	180	328
Minimum pension liability adjustment (See Note 12)	(173)	33	147
Unrealized gains (losses) on marketable equity securities	1	(3)	6
Reclassification adjustment – marketable equity securities	—	—	(9)
Net change – derivatives (See Note 9)	3	(3)	(13)
Other comprehensive (loss) income, net of tax	(384)	207	459
Comprehensive income	$ 212	$890	$953

The accompanying notes to the financial statements are an integral part of these consolidated statements.

Statement of Cash Flows

(Millions)	For the Year 2005	2004	2003
Operating activities			
Net income	$ 596	$ 683	$ 494
Adjustments to reconcile to cash from operations			
Cumulative effect of accounting change (See Note 1)	—	—	6
Asbestos settlement, net of tax	13	19	23
Depreciation and amortization	372	388	394
Asset impairment (See Note 2)	27	—	—
Business restructuring	—	—	4
Restructuring cash spending	(4)	(3)	(33)
Bad debt expense	24	9	13
Equity affiliate loss (earnings) net of dividends	6	(14)	7
Reclassification adjustment – marketable equity securities	—	—	(9)
Increase (decrease) in net accrued pension benefit costs	72	(10)	102
Increase in receivables	(144)	(134)	(58)
(Increase) decrease in inventories	(59)	(45)	11
(Increase) decrease in other current assets	(14)	(25)	2
Increase in accounts payable and accrued liabilities	191	111	66
(Increase) decrease in noncurrent assets	(81)	(2)	39
Increase in noncurrent liabilities	7	50	49
Other	59	(9)	13
Cash from operating activities	1,065	1,018	1,123
Investing activities			
Purchases of short-term investments (See Note 1)	(1,990)	(4,718)	—
Proceeds from sales of short-term investments (See Note 1)	2,040	4,668	—
Capital spending			
Additions to property and investments	(288)	(244)	(217)
Business acquisitions, net of cash balances acquired	(91)	(67)	(3)
Reductions of other property and investments	31	51	54
Deposits held in escrow	(67)	—	—
Cash used for investing activities	(365)	(310)	(166)
Financing activities			
Net change in borrowings with maturities of three months or less	9	11	(252)
Proceeds from other short-term debt	91	27	10
Repayment of other short-term debt	(56)	(18)	(77)
Proceeds from long-term debt	360	7	3
Repayment of long-term debt	(486)	(339)	(69)
Repayment of loans by employee stock ownership plan	10	13	25
Purchase of treasury stock	(607)	(100)	—
Issuance of treasury stock	138	121	61
Dividends paid	(316)	(307)	(294)
Cash used for financing activities	(857)	(585)	(593)
Effect of currency exchange rate changes on cash and cash equivalents	(36)	37	18
Net (decrease) increase in cash and cash equivalents	(193)	160	382
Cash and cash equivalents, beginning of year	659	499	117
Cash and cash equivalents, end of year	$ 466	$ 659	$ 499

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

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

Principles of consolidation

The accompanying consolidated financial statements include the accounts of PPG Industries, Inc. ("PPG" or the "Company"), and all subsidiaries, both U.S. and non-U.S., that we control. We own more than 50% of the voting stock of the subsidiaries that we control. Investments in companies in which we own 20% to 50% of the voting stock and have the ability to exercise significant influence over operating and financial policies of the investee are accounted for using the equity method of accounting. As a result, our share of the earnings or losses of such equity affiliates is included in the accompanying statement of income and our share of these companies' shareholders' equity is included in the accompanying balance sheet. Transactions between PPG and its subsidiaries are eliminated in consolidation.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of income and expenses during the reporting period. Actual outcomes could differ from those estimates.

Revenue recognition

Revenue from sales is recognized by all business segments when goods are shipped and title to inventory and risk of loss passes to the customer or when services have been rendered.

Shipping and handling costs

Amounts billed to customers for shipping and handling are recorded in "Net sales" in the accompanying statement of income. Shipping and handling costs incurred by the Company for the delivery of goods to customers are included in "Cost of sales" in the accompanying statement of income.

Selling, general and administrative costs

Amounts presented as "Selling, general and administrative" in the accompanying statement of income are comprised of selling, customer service, distribution and advertising costs, as well as the costs of providing corporate-wide functional support in such areas as finance, law, human resources, and planning. Distribution costs pertain to the movement and storage of finished goods inventory at company-owned and leased warehouses, terminals and other distribution facilities. Certain of these costs may be included in cost of sales by other companies, resulting in a lack of comparability between our gross profit and that of other companies.

Legal costs

Legal costs are expensed as incurred.

Foreign currency translation

For all significant non-U.S. operations, the functional currency is their local currency. Assets and liabilities of those operations are translated into U.S. dollars using year end exchange rates; income and expenses are translated using the average exchange rates for the reporting period. Unrealized currency translation adjustments are deferred in accumulated other comprehensive income (loss), a separate component of shareholders' equity.

Cash equivalents

Cash equivalents are highly liquid investments (valued at cost, which approximates fair value) acquired with an original maturity of three months or less.

Inventories

Most U.S. inventories are stated at cost, using the last-in, first-out ("LIFO") method, which does not exceed market. All other inventories are stated at cost, using the first-in, first-out ("FIFO") method, which does not exceed market. We determine cost using either average or standard factory costs, which approximate actual costs, excluding certain fixed costs such as depreciation and property taxes.

Marketable equity securities

The Company's investment in marketable equity securities is recorded at fair market value in "Investments" in the accompanying balance sheet with changes in fair market value recorded in income for those securities designated as trading securities and in other comprehensive income, net of tax, for those designated as available for sale securities.

Property

Property is recorded at cost. We compute depreciation by the straight-line method based on the estimated useful lives of depreciable assets. Additional expense is recorded when facilities or equipment are subject to abnormal economic conditions or obsolescence. Significant improvements that add to productive capacity or extend the lives of properties are capitalized. Costs for repairs and maintenance are charged to expense as incurred. When property is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any related gains or losses are included in income. Amortization of the cost of capitalized leased assets is included in depreciation expense. Property and other long-lived assets are reviewed for impairment whenever events or circumstances indicate that their carrying amount may not be recoverable.

Goodwill and identifiable intangible assets

Goodwill represents the excess of the cost over the fair value of net tangible and identifiable intangible assets of acquired businesses. Identifiable intangible assets acquired in business combinations are recorded based upon their fair value at the date of acquisition.

The Company tests goodwill of each reporting unit for impairment at least annually in connection with our strategic planning process in the third quarter. The goodwill impairment test is performed by comparing the fair value of the associated reporting unit to its carrying value. The Company's reporting units are the major product lines comprising our reportable business segments. Fair value is estimated using discounted cash flow methodologies and market comparable information.

The Company has determined that our acquired trademarks have indefinite useful lives. The Company tests the carrying value of these trademarks for impairment at least annually in the third quarter by comparing the fair value of each trademark to its carrying value. Fair value is estimated by using the relief from royalty method (a discounted cash flow methodology).

Identifiable intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives (3 to 25 years) and are reviewed for impairment whenever events or circumstances indicate that their carrying amount may not be recoverable.

Stock-based compensation

Effective Jan. 1, 2004, PPG adopted the fair value method of recording stock-based compensation, as defined in SFAS No. 123, "Accounting for Stock-Based Compensation," for stock options awarded to employees after the date of adoption and for previously issued stock options that were not vested as of Jan. 1, 2004, using the modified prospective transition method. The adoption increased "Selling, general and administrative" expense by $20 million ($13 million, aftertax, or $0.07 per share) for the year ended Dec. 31, 2004. This impact reflects the fact that beginning in 2004 stock option grants under the PPG Stock Plan will vest three years after the date of grant. Previously, original grants of stock options under this plan vested after one year. Additionally, under the modified prospective transition method we recorded a deferred tax asset of $8 million and a corresponding increase to additional paid-in capital equal to the deferred tax benefit that would have been recognized in 2003 had compensation expense been recorded under the fair value provisions of SFAS No. 123 for options outstanding at the date of adoption but not fully vested.

Prior to Jan. 1, 2004, we applied Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees" and related interpretations in accounting for our stock options and other stock-based compensation. APB No. 25 required the use of the intrinsic value method, which measured compensation cost as the excess, if any, of the quoted market price of the stock at the measurement date over the amount an employee must pay to acquire the stock. The Company made disclosures of pro forma net earnings and earnings per share as if the fair-value-based method of accounting had been applied as required by SFAS No. 123, and as amended by SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure" (see Note 18).

Employee Stock Ownership Plan

We account for our employee stock ownership plan ("ESOP") in accordance with Statement of Position ("SOP") No. 93-6 for PPG common stock purchased after Dec. 31, 1992 ("new ESOP shares"). As permitted by SOP No. 93-6, shares purchased prior to Dec. 31, 1992 ("old ESOP shares") continue to be accounted for in accordance with SOP No. 76-3. ESOP shares are released for future allocation to participants based on the ratio of debt service paid during the year on loans used by the ESOP to purchase the shares to the remaining debt service on these loans. These loans are a combination of borrowings guaranteed by PPG and borrowings by the ESOP directly from PPG. The ESOP's borrowings from third parties are included in debt in our balance sheet (see Note 7). Unearned compensation, reflected as a reduction of shareholders' equity, principally represents the unpaid balance of all of the ESOP's loans. Dividends received by the ESOP are primarily used to pay debt service.

For old ESOP shares, compensation expense is equal to cash contributed to the ESOP by the Company less the appreciation on the allocated old ESOP shares. Cash contributions to the ESOP were reduced by $18 million, $18 million, and $26 million for the years ended Dec. 31, 2005, 2004 and 2003, respectively, for the appreciation on the old shares allocated to participants' accounts. By Dec. 31, 2008, all old shares are expected to be allocated, after which all unallocated shares will be accounted for under the provisions of SOP No. 93-6. Dividends on old ESOP shares are deducted from retained earnings. Old ESOP shares are considered to be outstanding in computing earnings per common share. For new ESOP shares, compensation expense is equal to the Company's matching contribution (see Note 16). Dividends on released new ESOP shares are deducted from retained earnings, and dividends on unreleased shares are reported as a reduction of debt or accrued interest. Only new ESOP shares that have been released are considered outstanding in computing earnings per common share.

Derivative financial instruments and hedge activities

The Company recognizes all derivative 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 derivative. To the extent that a derivative is effective as a cash flow hedge of an exposure to future changes in value, the change in fair value of the derivative is deferred in accumulated other comprehensive income. Any portion considered to be ineffective will be reported in earnings immediately. 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 will be offset in the 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 accumulated other comprehensive income.

Product warranties
The Company accrues for product warranties at the time the associated products are sold based on historical claims experience. As of Dec. 31, 2005 and 2004, the reserve for product warranties was $4 million and $3 million, respectively. Pretax charges against income for product warranties in 2005, 2004 and 2003 totaled $5 million, $4 million and $5 million, respectively. Cash outlays related to product warranties were $4 million, $4 million and $5 million in 2005, 2004 and 2003, respectively.

Asset Retirement Obligations
Effective Jan. 1, 2003, PPG adopted the provisions of SFAS No. 143, "Accounting for Asset Retirement Obligations." An asset retirement obligation represents a legal obligation associated with the retirement of a tangible long-lived asset that is incurred upon the acquisition, construction, development or normal operation of that long-lived asset. This standard requires the Company to recognize asset retirement obligations in the period in which they are incurred, if a reasonable estimate of fair value can be made. The asset retirement obligation is subsequently adjusted for changes in fair value. The associated estimated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and depreciated over its useful life. PPG's asset retirement obligations are primarily associated with closure of certain assets used in the chemicals manufacturing process.

Adoption of this standard on Jan. 1, 2003 resulted in an increase in noncurrent assets, current liabilities and noncurrent liabilities of $4 million, $1 million and $9 million, respectively, and a cumulative effect adjustment reducing net income by $6 million aftertax, or $0.03 a share – assuming dilution. The change in the asset retirement obligation during 2005 was an increase of approximately $1 million, the change during 2004 was not material and the change during 2003 was a decrease of approximately $1 million.

In March 2005, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation ("FIN") No. 47, "Accounting for Conditional Asset Retirement Obligations, an interpretation of FASB Statement No. 143". FIN No. 47 clarifies the term conditional asset retirement obligation as used in SFAS No. 143, "Accounting for Asset Retirement Obligations", and provides further guidance as to when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation.

Effective Dec. 31, 2005, PPG adopted the provisions of FIN No. 47. Our only conditional asset retirement obligation relates to the possible future abatement of asbestos contained in certain PPG production facilities. The asbestos in our production facilities arises from the application of normal and customary building practices in the past when the facilities were constructed. This asbestos is encapsulated in place and, as a result, there is no current legal requirement to abate it. Inasmuch as there is no requirement to abate, we do not have any current plans or an intention to abate and therefore the timing, method and cost of future abatement, if any, are not known. In accordance with the provisions of FIN No. 47, the Company has not recorded an asset retirement obligation associated with asbestos abatement, given the uncertainty concerning the timing of future abatement, if any.

The adoption of FIN No. 47 on Dec. 31, 2005 did not result in any impact to our results of operations or financial position for the year ended Dec. 31, 2005, and we do not expect the adoption to have a material impact on the Company's future results of operations, financial position or liquidity.

Other new accounting standards
In November 2004, the FASB issued SFAS No. 151, "Inventory Costs, an Amendment of ARB No. 43, Chapter 4." SFAS No. 151 requires the exclusion of certain costs from inventories and the allocation of fixed production overheads to inventories to be based on the normal capacity of the production facilities. The provisions of this Statement are effective for costs incurred after Dec. 31, 2005. We have evaluated the effect the adoption of this standard will have on PPG and we do not expect it to have a material effect on PPG's consolidated results of operations or financial position.

In December 2004, the FASB issued a revision to SFAS No. 123, "Share-Based Payments" which now requires that all stock-based compensation awards be expensed based on their fair value. In April 2005, the Securities and Exchange Commission announced that the effective date of the revised SFAS No. 123 was delayed to years beginning after June 15, 2005. As discussed above, PPG began expensing stock options effective Jan. 1, 2004, and consequently our adoption of this revised Statement in 2006 is not expected to have a material impact on the Company's results of operations or financial position.

Reclassifications
Certain amounts in the 2004 and 2003 financial statements have been reclassified to be consistent with the 2005 presentation, including the classification of our investment in auction rate securities as available for sale investments, which are reported as short-term investments instead of cash equivalents beginning in the first quarter of 2005. We have also made corresponding adjustments to our statement of cash flows to reflect the purchases and sales of these investments as investing activities. These reclassifications had no impact on our previously reported net income, cash flow from operations or changes in shareholders' equity. We believe

auction rate securities are highly liquid investments, and view them as being similar to cash and cash equivalents. We invest in auction rate securities that reset the interest rate every one to three weeks even though the underlying securities have stated maturities in excess of 90 days. Each time the interest rate is reset, we can choose to sell our investment.

2. Acquisitions, Asset Impairment and Business Restructuring

During 2005, 2004 and 2003, the Company made acquisitions at a cost totaling $91 million, $67 million and $3 million, respectively. The amount in 2005 relates primarily to four acquisitions. In the second quarter, the Company acquired the business of International Polarizer Holdings Trust, a privately held polarized film manufacturer for sun lens applications based in Marlborough, Massachusetts. In the third quarter, the Company acquired the business of Crown Coatings Industries, a privately held manufacturer of specialty wood coatings based in Singapore. In the fourth quarter, the Company acquired a network of 42 architectural coatings service centers from Iowa Paint Manufacturing. Also in the fourth quarter, the Company purchased the 30% minority interest in PPG Coatings (Hong Kong), which wholly owns a Chinese automotive and industrial coatings producer. The preliminary purchase price allocation of these acquisitions resulted in an excess of purchase price over the fair value of net assets acquired, which has been reflected as an addition to goodwill.

The amount in 2004 related primarily to the acquisition in the first quarter of the remaining one-third interest in PPG Iberica, S.A., a Spanish automotive and industrial coatings producer, for $61 million. The purchase price allocation resulted in an excess of purchase price over the fair value of net assets acquired, which has been reflected as an addition to goodwill.

Market conditions, such as fewer new drug approvals, product withdrawals, excess production capacity and an increasing share of generic drugs, have continued to put pressure on the pharmaceutical industry, and have created a challenging environment for our fine chemicals business, which is included in our chemicals segment. These conditions have produced an operating performance in our fine chemicals business in 2005 that has been disappointing. As a result, in the fourth quarter, the Company evaluated our fine chemicals business for impairment in accordance with SFAS No. 144, "Accounting for the Impairment of Long-Lived Assets", and determined that indicators of impairment were present for certain long-lived assets at our manufacturing plant in the United States. In measuring the fair value of these assets, the Company utilized an expected cash flow methodology to determine that the carrying value of these assets exceeded their fair value by $24 million. We have also decided to sell a small fine chemical facility in France and have written the related assets down to their estimated net realizable value. Due to these developments, the Company has recorded an asset impairment charge related to these fine chemicals assets of $27 million pretax, which is included in "Other charges" in the accompanying statement of income.

In 2003, the Company recorded a charge of $6 million for restructuring actions related to our coatings and glass segments. This charge was for severance benefits for 93 employees. These actions were completed in 2004. Also in 2003, $2 million of the initial $81 million restructuring charge from 2002 described below, primarily related to the coatings segment, was reversed to income.

In 2002, the Company recorded a charge of $81 million for restructuring and other related activities. The workforce reductions covered by this charge are complete; however, as of Dec. 31, 2005, $5 million of this reserve remained to be spent. This reserve relates to a group of approximately 75 employees in Europe, whose terminations have been concluded under a different social plan than was assumed when the reserve was recorded. Under the terms of this social plan, severance payments will be paid to these 75 individuals through 2008. Additionally, during 2003, we paid $3 million related to remaining lease and other exit costs reserved in 2000 and 1999.

3. Working Capital Detail

(Millions)	2005	2004
Receivables		
Customers	$1,728	$1,675
Equity affiliates	54	34
Other	128	127
Allowance for doubtful accounts	(39)	(39)
Total	$1,871	$1,797
Inventories(1)		
Finished products	$ 667	$ 635
Work in process	111	118
Raw materials	213	192
Supplies	128	131
Total	$1,119	$1,076
Accounts payable and accrued liabilities		
Trade creditors	$ 927	$ 874
Accrued payroll	273	300
Other postretirement and pension benefits	91	97
Income taxes	36	36
Other	449	344
Total	$1,776	$1,651

(1) *Inventories valued using the LIFO method comprised 57% and 55% of total gross inventory values as of Dec. 31, 2005 and 2004, respectively. If the first-in, first-out method of inventory valuation had been used, inventories would have been $203 million and $167 million higher as of Dec. 31, 2005 and 2004, respectively. During the years ended Dec. 31, 2005 and 2004, certain inventories accounted for on the LIFO method of accounting were reduced, which resulted in the liquidation of certain quantities carried at costs prevailing in prior years. The net effect on earnings of these liquidations was not material.*

4. Property

(Millions)	Useful Lives (years)	2005	2004
Land and land improvements	10-30	$ 333	$ 346
Buildings	20-50	1,201	1,224
Machinery and equipment	5-25	5,674	5,707
Other	3-20	452	468
Construction in progress		142	110
***Total*[1]**		$7,802	$7,855

(1) Interest capitalized in 2005 was $5 million, and in both 2004 and 2003 was $3 million.

5. Investments

(Millions)	2005	2004
Investments in equity affiliates	$177	$171
Marketable equity securities		
Trading (See Note 12)	78	76
Available for sale	9	7
Other	47	44
Total	$311	$298

The Company's investments in equity affiliates are comprised principally of fifty-percent ownership interests in a number of joint ventures that manufacture and sell coatings, glass and chemicals products, the most significant of which are located in Asia.

In addition, we have a fifty-percent ownership interest in RS Cogen, L.L.C., which in December 2002 commenced toll production of electricity and steam primarily for PPG and its joint venture partner. The joint venture was formed with a wholly-owned subsidiary of Entergy Corporation 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 a syndicate of banks. PPG's future commitment to purchase electricity and steam from the joint venture approximates $24 million per year subject to contractually defined inflation adjustments for the next seventeen years. The purchases for the years ended Dec. 31, 2005, 2004 and 2003 were $25 million, $25 million and $27 million, respectively.

Summarized financial information of our equity affiliates on a 100 percent basis is as follows:

(Millions)	2005	2004
Working capital	$ 102	$ 146
Property, net	669	673
Short-term debt	(97)	(85)
Long-term debt	(317)	(352)
Other, net	31	12
Net assets	$ 388	$ 394

(Millions)	2005	2004	2003
Revenues	$664	$ 622	$ 632
Net earnings (loss)	$ 28	$ 42	$ (8)

PPG's share of undistributed net earnings of equity affiliates was $71 million and $77 million as of Dec. 31, 2005 and 2004, respectively. Dividends received from equity affiliates were $20 million, $6 million and $3 million in 2005, 2004 and 2003, respectively.

As of Dec. 31, 2005 and 2004, there were unrealized pretax losses of $1 million and $2 million, respectively, and as of Dec. 31, 2003, there were unrealized pretax gains of $3 million recorded in "Accumulated other comprehensive loss" in the accompanying balance sheet related to marketable equity securities available for sale.

During 2005, PPG sold certain of these investments resulting in recognition of pretax gains of $1 million and proceeds of $4 million. During 2004, PPG sold certain of these investments resulting in recognition of pretax gains of $0.3 million and proceeds of $2 million. During 2003, PPG sold certain of these investments resulting in the recognition of pretax gains of $15 million and proceeds of $22 million.

6. Goodwill and Other Identifiable Intangible Assets

The change in the carrying amount of goodwill attributable to each business segment for the years ended Dec. 31, 2005 and 2004 was as follows:

(Millions)	Coatings	Glass	Chemicals	Total
Balance, Jan. 1, 2004	$1,045	$84	$28	$1,157
Goodwill from acquisitions	9	—	—	9
Currency translation	43	5	2	50
Balance, Dec. 31, 2004	1,097	89	30	1,216
Goodwill from acquisitions	14	2	5	21
Currency translation	(60)	(7)	(4)	(71)
Balance, Dec. 31, 2005	$1,051	$84	$31	$1,166

The carrying amount of acquired trademarks with indefinite lives as of Dec. 31, 2005 and 2004 totaled $144 million.

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

	Dec. 31, 2005			Dec. 31, 2004		
(Millions)	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Acquired technology	$362	$(142)	$220	$353	$(123)	$230
Other	225	(101)	124	216	(93)	123
Balance	$587	$(243)	$344	$569	$(216)	$353

Aggregate amortization expense was $32 million, $31 million and $29 million in 2005, 2004 and 2003, respectively. The estimated future amortization expense of identifiable intangible assets during the next five years is (in millions) $34 in 2006, $34 in 2007, $30 in 2008, $29 in 2009 and $28 in 2010.

7. Debt and Bank Credit Agreements and Leases

(Millions)	2005	2004
6 7/8% non-callable debentures, due 2005[1]	$ —	$ 100
6 1/2% notes, due 2007[1]	50	150
7.05% notes, due 2009[1]	116	292
6 7/8% notes, due 2012[1]	71	100
3 7/8% notes, due 2015 (€300)	353	—
7 3/8% notes, due 2016	146	146
6 7/8% notes, due 2017	74	74
7.4% notes, due 2019	198	198
9% non-callable debentures, due 2021	148	148
Impact of derivatives on debt[1]	(1)	19
ESOP notes[2]		
Fixed-rate notes, weighted average 8.5%	16	21
Variable-rate notes, weighted average 3.5% as of Dec. 31, 2005	14	19
Various other U.S. debt, weighted average 4.2% as of Dec. 31, 2005	2	34
Various other non-U.S. debt, weighted average 7.7% as of Dec. 31, 2005	4	10
Capital lease obligations	2	4
Total	1,193	1,315
Less payments due within one year	24	131
Long-term debt	$1,169	$1,184

(1) *PPG entered into several interest rate swaps which have the effect of converting $175 million and $643 million as of Dec. 31, 2005 and 2004, respectively, of these fixed rate notes to variable rates, based on either the three-month or the six-month London Interbank Offered Rate (LIBOR). The weighted average effective interest rate for these borrowings, including the effects of the outstanding swaps was 5.9% and 3.9% for the years ended Dec. 31, 2005 and 2004, respectively. Refer to Notes 1 and 9 for additional information.*

(2) *See Note 1 for discussion of ESOP borrowings. The fixed- and variable-rate notes mature in 2009 and require annual principal payments from 2006 to 2008.*

Aggregate maturities during the next five years are (in millions) $24 in 2006, $57 in 2007, $6 in 2008, $115 in 2009 and $0 in 2010.

In May 2004, the Company renegotiated its U.S. credit agreements. The new facility is a $1 billion revolving credit facility that expires in 2009. The annual facility fee payable on the committed amount is 7 1/2 basis points. This facility is available for general corporate purposes and also to support PPG's commercial paper programs in the U.S. and Europe. As of Dec. 31, 2005, no amounts were outstanding under this facility.

In June 2005, the Company issued €300 million of 3.875% Senior Notes due 2015 (the "Euro Notes"). The proceeds from the Euro Notes were used to repay short-term commercial paper obligations incurred in June 2005 in connection with the purchase of $100 million of 6.5% notes due 2007, $159 million of 7.05% notes due 2009 and $16 million of 6.875% notes due 2012, as well as for general corporate purposes. The Company recorded a second quarter pre-tax charge of approximately $19 million, ($12 million aftertax or 7 cents per share), for debt refinancing costs, which is included in "Other charges" in the accompanying statement of income for the year ended Dec. 31, 2005.

The fixed rate notes that were retired had been converted to variable rate notes using interest rate swaps. As a result, the debt was reflected in the balance sheet at fair value through the inclusion of the impact of these derivatives on the debt. As a result of the early retirement of these debt instruments, $8 million of these fair value adjustments were recognized and included as a net reduction in the debt refinancing costs described above.

Our non-U.S. operations have other uncommitted lines of credit totaling $180 million of which $52 million was used as of Dec. 31, 2005. These uncommitted lines of credit are subject to cancellation at any time and are not subject to any commitment fees.

PPG is in compliance with the restrictive covenants under its various credit agreements, loan agreements and indentures. The Company's revolving credit agreements, under which there are currently no borrowings, and a portion of PPG's ESOP Notes, include financial ratio covenants. The most restrictive of these covenants requires that the amount of long-term senior debt outstanding not exceed 55% of the Company's tangible net assets. As of Dec. 31, 2005, long-term senior debt was 25% of the Company's tangible net assets. In the event of a breach of this covenant, each holder of the ESOP notes would have the right to require the Company to redeem the notes. Additionally, substantially all of our debt agreements contain customary cross-default provisions. Those provisions generally provide that a default on a debt service payment of $10 million or more for longer than the grace period provided (usually 10 days) under one agreement may result in an event of default under other agreements.

None of our primary debt obligations are secured or guaranteed by our affiliates.

As of Dec. 31, 2005 and 2004, the caption "Short-term debt and current portion of long-term debt" includes $77 million and $35 million, respectively, of other short-term borrowings. The weighted-average interest rates of short-term borrowings as of Dec. 31, 2005 and 2004, were 5.1% and 5.6%, respectively.

Interest payments in 2005, 2004 and 2003 totaled $82 million, $101 million and $109 million, respectively.

Rental expense for operating leases was $143 million, $125 million and $134 million in 2005, 2004 and 2003, respectively. Minimum lease commitments for operating leases that have initial or remaining lease terms in excess of one year as of Dec. 31, 2005, are (in millions) $74 in 2006, $58 in 2007, $42 in 2008, $33 in 2009, $23 in 2010 and $27 thereafter, which includes rent of approximately $12 million, per year, through 2010, and $6 million in 2011, related to the July 1999 sale-leaseback of our Pittsburgh headquarters complex.

The Company had outstanding letters of credit of $123 million and guarantees of $53 million as of Dec. 31, 2005. The letters of credit secure the Company's performance to third parties under certain self-insurance programs and other commitments made in the ordinary course of business. The guarantees relate primarily to debt of certain entities in which PPG has an ownership interest and selected customers of certain of our businesses of which a portion is secured by the assets of the related entity. The Company does not believe any loss related to these letters of credit or guarantees is likely.

8. Financial Instruments, Excluding Derivative Financial Instruments

Included in PPG's financial instrument portfolio are cash and cash equivalents, auction rate securities, marketable equity securities, company-owned life insurance and short- and long-term debt instruments. The most significant instrument, long-term debt (excluding capital lease obligations), had carrying and fair values totaling $1,191 million and $1,309 million, respectively, as of Dec. 31, 2005. The corresponding amounts as of Dec. 31, 2004, were $1,311 million and $1,441 million, respectively. The fair values of the other financial instruments approximated their carrying values, in the aggregate.

The fair values of the debt instruments were based on discounted cash flows and interest rates available to the Company for instruments of the same remaining maturities.

9. Derivative Financial Instruments and Hedge Activities

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 borrowings and cash flows denominated in foreign currencies and to translation risk. PPG uses foreign denominated debt to hedge investments in foreign operations. Interest rate swaps are used to manage the Company's exposure to changing interest rates. We also use an equity forward arrangement to hedge a portion of our exposure to changes in the fair value of PPG stock that is to be contributed to the asbestos settlement trust as discussed in Note 13.

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 has not experienced any credit losses on derivatives during the three-year period ended Dec. 31, 2005.

PPG manages its foreign currency transaction risk to minimize the volatility of cash flows caused by currency fluctuations by forecasting foreign currency-denominated cash flows of each subsidiary for a 12-month period and aggregating these cash inflows and outflows in each currency to determine the overall net transaction exposures. Decisions on whether to use derivative financial instruments to hedge the net transaction exposures are made based on the amount of those exposures, by currency, and an assessment of the near-term outlook for each currency. The Company's policy permits the use of foreign currency forward and option contracts to hedge up to 70% of its anticipated net foreign currency cash flows over the next 12-month period. These contracts do not qualify for hedge accounting under the provisions of SFAS No. 133; therefore, the change in the fair value of these instruments is recorded in "Other charges" in the accompanying statement of income in the period of change. The amounts recorded in earnings for the years ended Dec. 31, 2005, 2004 and 2003 were income of $4 million and losses of $1 million and $5 million, respectively. The fair value of these contracts was not material as of Dec. 31, 2005 and 2004.

The sales, costs, assets and liabilities of our non-U.S. operations must be reported in U.S. dollars in order to prepare consolidated financial statements which gives rise to translation risk. The Company monitors its exposure to translation risk and enters into derivative foreign currency contracts to hedge its exposure, as deemed appropriate. This risk management strategy does not qualify for hedge accounting under the provisions of SFAS No. 133; therefore, changes in the fair value of these instruments are recorded in "Other charges" in the accompanying statement of income in the period of change. No derivative instruments were acquired to hedge translation risk during 2005 or 2004. A loss of $1 million was recorded for the year ended Dec. 31, 2003.

In June 2005, the Company issued Euro Notes, as discussed in Note 7, and has designated these notes as a hedge of a portion of our net investment in our European operations. As a result, the change in book value from adjusting these foreign denominated notes to current spot rates at each balance sheet date will be deferred in accumulated other comprehensive income. As of Dec. 31, 2005, the amount recorded in accumulated other comprehensive income from this hedge of our net investment was a deferred gain of $7 million.

In 2004, the Company entered into a foreign currency contract to hedge a portion of a net investment in a foreign operation. An unrealized currency translation adjustment of $5 million from the deferred loss on this contract is recorded in accumulated other comprehensive income.

PPG designates forward currency contracts as hedges against the Company's exposure to variability in exchange rates on short-term intercompany borrowings denominated in foreign currencies. To the extent effective, changes in the fair value of these instruments are deferred in accumulated other comprehensive income and subsequently reclassified to "Other charges" in the accompanying statement of income as foreign exchange gains and losses are recognized on the related intercompany borrowings. The portion of the change in fair value considered to be ineffective is recognized in "Other charges" in the accompanying statement of income. The amounts recorded in earnings for the years ended Dec. 31, 2005, 2004 and 2003, were losses of $6 million, $5 million and $4 million, respectively. The fair value of these contracts was a liability of $5 million and an asset of $2 million as of Dec. 31, 2005 and 2004, respectively.

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% to 50% 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. Currently, these swaps convert $175 million of fixed rate debt to variable rate debt. Swaps converted $643 million of fixed rate debt to variable rate debt as of Dec. 31, 2004. The decline in the notional amount of outstanding swaps from Dec. 31, 2004 to Dec. 31, 2005 was due to the retirement of certain debt instruments, discussed in Note 7. These swaps are designated as fair value hedges. As such, the 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 statement of income, the net of which is zero. The fair value of these contracts was a liability of $7 million and an asset of $4 million as of Dec. 31, 2005 and 2004, 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 twelve 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 accumulated other comprehensive income and reclassified to cost of sales as the natural gas is purchased. The amount of ineffectiveness, which is reported in "Cost of sales" in the accompanying statement of income for the years ended Dec. 31, 2005 and 2004, was $0.2 million and $1 million of expense and for the year ended Dec. 31, 2003 was $1 million of income. The fair value of these contracts was an asset of $0.3 million and a liability of $2 million as of Dec. 31, 2005 and 2004, respectively.

In November 2002, PPG entered into a one-year renewable equity forward arrangement with a bank in order to partially mitigate the impact of changes in the fair value of PPG stock that is to be contributed to the asbestos settlement trust as discussed in Note 13. 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 "Asbestos settlement – net" in the accompanying statement of income. As of Dec. 31, 2005 and 2004, PPG had recorded a current asset of $10 million and $19 million, respectively, and recognized expense of $9 million for the year ended Dec. 31, 2005, and income of $4 million and $14 million for the years ended Dec. 31, 2004 and 2003, respectively.

In accordance with the terms of this instrument the bank had purchased 504,900 shares of PPG stock on the open market at a cost of $24 million through Dec. 31, 2002, and during the first quarter of 2003 the bank purchased an additional 400,000 shares at a cost of $19 million, for a total principal amount of $43 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 will represent 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 market price on the date of settlement.

No derivative instrument initially designated as a hedge instrument was undesignated or discontinued as a hedging instrument during 2005 or 2004. For the year ended Dec. 31, 2005, other comprehensive income included a net gain due to derivatives of $3 million, net of tax. This gain was comprised of realized gains of $1 million and unrealized gains of $4 million. The realized gains related to the settlement during the period of natural gas contracts offset in part by the settlement of interest rate swaps owned by one of the Company's investees accounted for under the equity method of accounting and the settlement of foreign currency contracts. The unrealized gains relate to these same instruments. For the year ended Dec. 31, 2004, other comprehensive income included a net loss due to derivatives of $3 million, net of tax. This loss was comprised of realized gains of $5 million and unrealized gains of $2 million. The realized gains related to the settlement during the period of natural gas and foreign currency contracts offset in part by the settlement of interest rate swaps owned by one of the Company's investees accounted for under the equity method of accounting. The unrealized gains related to these same instruments.

The fair values of outstanding derivative instruments, excluding interest rate swaps, were determined using quoted market prices. The fair value of interest rate swaps was determined using discounted cash flows and current interest rates.

10. Earnings Per Common Share

The earnings per common share calculations for the three years ended Dec. 31, 2005 are as follows:

(Millions, except per share amounts)	2005	2004	2003
Earnings per common share			
Net income	$ 596	$ 683	$ 494
Weighted average common shares outstanding	169.6	171.7	169.9
Earnings per common share	$ 3.51	$ 3.98	$ 2.91
Earnings per common share – assuming dilution			
Net income	$ 596	$ 683	$ 494
Weighted average common shares outstanding	169.6	171.7	169.9
Effect of dilutive securities			
Stock options	0.6	0.7	0.2
Other stock compensation plans	0.7	0.6	0.8
Potentially dilutive common shares	1.3	1.3	1.0
Adjusted weighted average common shares outstanding	170.9	173.0	170.9
Earnings per common share – assuming dilution	$ 3.49	$ 3.95	$ 2.89

There were 3.9 million, 4.7 million and 8.7 million outstanding stock options excluded in 2005, 2004 and 2003, respectively, from the computation of diluted earnings per common share due to their anti-dilutive effect.

11. Income Taxes

The following table presents a reconciliation of the statutory U.S. corporate federal income tax rate to our effective income tax rate:

(Percent of Pretax Income)	2005	2004	2003
U.S. federal income tax rate	35.00%	35.00%	35.00%
Changes in rate due to:			
State and local taxes – U.S.	0.87	1.23	1.10
Taxes on non-U.S. earnings	(3.37)	(3.56)	(1.44)
ESOP dividends	(1.18)	(1.08)	(1.45)
Other	(1.54)	(1.30)	1.55
Effective income tax rate	29.78%	30.29%	34.76%

Since 2003, the trend of our effective income tax rate has been downward reflecting an improvement in the geographical mix of non-U.S. earnings combined with declining non-U.S. statutory income tax rates. Additionally, the reduction in the rate in 2005 and 2004 reflects the benefit of the subsidy offered pursuant to the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Medicare Act") (see Note 12) not being subject to tax. This impact is presented as "other" in the rate reconciliation above.

Income before income taxes of our non-U.S. operations for 2005, 2004 and 2003 was $313 million, $382 million and $327 million, respectively.

The following table gives details of income tax expense reported in the accompanying statement of income.

(Millions)	2005	2004	2003
Current income taxes			
U.S. federal	$ 255	$ 193	$ 178
Non-U.S.	111	114	105
State and local – U.S.	31	34	28
Total current	397	341	311
Deferred income taxes			
U.S. federal	(85)	(16)	(19)
Non-U.S.	(21)	2	8
State and local – U.S.	(9)	(5)	(7)
Total deferred	(115)	(19)	(18)
Total	$ 282	$ 322	$ 293

Income tax payments in 2005, 2004 and 2003 totaled $377 million, $326 million and $289 million, respectively.

Net deferred income tax assets and liabilities as of Dec. 31, 2005 and 2004, are as follows:

(Millions)	2005	2004
Deferred income tax assets related to		
Employee benefits	$584	$431
Contingent and accrued liabilities	409	391
Operating loss and other carryforwards	96	92
Inventories	11	16
Property	5	18
Other	50	40
Valuation allowance	(58)	(63)
Total	1,097	925
Deferred income tax liabilities related to		
Property	393	429
Intangibles	193	185
Employee benefits	40	51
Other	34	46
Total	660	711
Deferred income tax assets – net	$437	$214

As of Dec. 31, 2005, subsidiaries of the Company had available net operating loss carryforwards of approximately $236 million for income tax purposes, of which approximately $207 million has an indefinite expiration. The remaining $29 million expires between the years 2006 and 2021. A valuation allowance has been established for carry-forwards where the ability to utilize them is not likely.

No deferred U.S. income taxes have been provided on certain undistributed earnings of non-U.S. subsidiaries, which amounted to $1,791 million as of Dec. 31, 2005 and $1,601 million as of Dec. 31, 2004. These earnings are considered to be reinvested for an indefinite period of time or will be repatriated when it is tax effective to do so.

It is not practicable to determine the deferred tax liability on these undistributed earnings. In October 2004, the American Jobs Creation Act of 2004 ("AJCA 2004") was signed into law. Among its many provisions, the AJCA 2004 provided a limited opportunity through 2005 to repatriate the undistributed earnings of non-U.S. subsidiaries at a U.S. tax cost that could be lower than the normal tax cost on such distributions. During 2005, we repatriated $114 million of dividends under the provisions of AJCA 2004 resulting in income tax expense of $9 million. In the absence of AJCA 2004, the Company estimates the tax cost to repatriate these dividends would have been $23 million higher.

The determination of annual income tax expense takes into consideration amounts which may be needed to cover exposures for open tax years. In 2004, the Company resolved all matters with the IRS related to its federal income tax returns for the years 1999 and 2000. The Company's federal income tax returns for the years 2001 through 2003 are currently under IRS audit. We expect all matters related to these returns to be resolved in 2006. The Company does not expect any material adverse impact on earnings to result from the resolution of matters related to open tax years, however, actual settlements may differ from amounts accrued.

12. Pensions and Other Postretirement Benefits

We have defined benefit pension plans that cover certain employees worldwide. PPG also sponsors welfare benefit plans that provide postretirement medical and life insurance benefits for certain U.S. and Canadian employees and their dependents. These programs require retiree contributions based on retiree-selected coverage levels for certain retirees and their dependents and provide for sharing of future benefit cost increases between PPG and participants based on management discretion. The Company has the right to modify or terminate certain of these benefit plans in the future. Salaried and certain hourly employees hired on or after Oct. 1, 2004, are not eligible for postretirement medical benefits. Salaried employees hired on or after Jan. 1, 2006, and certain hourly employees hired in 2006 or thereafter are eligible to participate in a defined contribution benefit plan. These employees are not eligible for defined benefit pension plan benefits.

On Dec. 8, 2003, the Medicare Act was signed into law. The Medicare Act introduced a prescription drug benefit under Medicare ("Medicare Part D") that provides several options for Medicare eligible participants and employers, including a federal subsidy payable to companies that elect to provide a retiree prescription drug benefit which is at least actuarially equivalent to Medicare Part D. During the third quarter of 2004, PPG concluded its evaluation of the provisions of the Medicare Act and decided to maintain its retiree prescription drug program and to take the subsidy available under the Medicare Act. The impact of the Medicare Act was accounted for in accordance with FASB Staff Position No. 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" effective Jan. 1, 2004. In addition, the plan was amended Sept. 1, 2004, to provide that PPG will determine the extent to which future increases in the cost of its retiree medical and prescription drug programs will be shared by certain retirees. These changes resulted in a reduction in the accumulated postretirement benefit obligation of $140 million and net periodic other postretirement benefit cost of $19 million, or $0.11 a share, for the year ended Dec. 31, 2004. The service cost, interest cost, amortization of actuarial losses and amortization of prior service cost components of net periodic other postretirement benefit cost were reduced by $3 million, $7 million, $7 million and $2 million, respectively, for the year ended Dec. 31, 2004.

Notes to the Financial Statements

The following table sets forth the changes in projected benefit obligations (as calculated by our actuaries as of Dec. 31), plan assets, the funded status and the amounts recognized in our balance sheet for our defined benefit pension and other postretirement benefit plans:

	Pensions		*Other Postretirement Benefits*	
(Millions)	2005	2004	2005	2004
Projected benefit obligation, Jan. 1	$3,318	$3,065	$ 1,073	$ 1,135
Service cost	64	65	24	22
Interest cost	189	182	63	62
Plan amendments	(13)	2	—	(60)
Actuarial losses (gains)	330	122	41	(2)
Benefits paid	(196)	(178)	(83)	(89)
Foreign currency translation adjustments	(59)	57	1	5
Other	3	3	—	—
Projected benefit obligation, Dec. 31	$3,636	$3,318	$ 1,119	$ 1,073
Market value of plan assets, Jan. 1	$2,782	$2,480		
Actual return on plan assets	211	286		
Company contributions	30	140		
Participant contributions	3	2		
Benefits paid	(174)	(167)		
Plan expenses and other – net	(2)	(3)		
Foreign currency translation adjustments	(38)	44		
Market value of plan assets, Dec. 31	$2,812	$2,782		
Funded status	$ (824)	$ (536)	$(1,119)	$(1,073)
Accumulated unrecognized:				
Actuarial losses	1,512	1,263	505	499
Prior service cost	50	81	(56)	(70)
Net amount recognized	$ 738	$ 808	$ (670)	$ (644)
Amounts recognized in the Balance Sheet consist of:				
Prepaid pension asset	17	129	—	—
Accrued pensions	(564)	(338)	—	—
Other postretirement benefits	—	—	(670)	(644)
Other assets	58	70	—	—
Accumulated other comprehensive loss – pretax	1,227	947	—	—
Net amount recognized	$ 738	$ 808	$ (670)	$ (644)

In 2005 and 2004, we made voluntary contributions to our U.S. defined benefit pension plans of $4 million and $100 million, respectively, and contributions to our non-U.S. defined benefit pension plans of $26 million and $40 million, respectively, some of which were required by local funding requirements. The funding requirements for our U.S. plans are expected to change as a result of pending legislation currently being considered by the U.S. Congress. Despite the current uncertainty concerning these funding requirements, we do not expect to have a mandatory contribution to the U.S. plans in 2006 or 2007. However, we may make voluntary contributions to our U.S. plans and we expect to make mandatory contributions to our non-U.S. plans in 2006 of approximately $20 million.

The estimated pension benefits to be paid under our defined benefit pension plans during the next five years are (in millions) $185 in 2006, $186 in 2007, $187 in 2008, $192 in 2009 and $195 in 2010 and are expected to aggregate $1,070 million for the five years thereafter. The estimated other postretirement benefits to be paid during the next five years are (in millions) $92 in 2006, $89 in 2007, $88 in 2008, $89 in 2009 and $90 in 2010 and are expected to aggregate $460 million for the five years thereafter. These amounts are net of the expected subsidy to be received under the Medicare Act beginning in 2006 which will be between $7 million and $9 million per year.

The accumulated unrecognized actuarial losses for pensions relate primarily to the actual return on plan assets being less than the expected return on plan assets and the decline in the discount rate. The accumulated unrecognized actuarial losses for other postretirement benefits relate primarily to actual healthcare costs increasing at a higher rate than assumed during the 2001-2003 period and the decline in the discount rate. The increase in the accumulated unrecognized actuarial losses for both pension and other postretirement benefits have occurred primarily since 2001. Since the accumulated unrecognized actuarial losses exceed 10% of the higher of the market value of plan assets or the projected benefit obligation ("PBO") at the beginning of the year, amortization of such excess over a period of 6 to 13 years has been included in net periodic benefit costs for pension and other postretirement benefits in each of the last three years.

The PBO is the actuarial present value of benefits attributable to employee service rendered to date, including the effects of estimated future pay increases. The accumulated benefit obligation ("ABO") also reflects the actuarial present value of benefits attributable to employee service rendered to date, but does not include the effects of estimated future pay increases. In order to measure the funded status for financial accounting purposes, the ABO is compared to the market value of plan assets and amounts accrued for such benefits in the balance sheet.

The ABO as of Dec. 31, 2005 and 2004 was $3,361 million and $3,082 million, respectively. The following summarizes the funded status of those pension plans that were under-funded on an ABO basis as of Dec. 31, 2005 and 2004:

(Millions)	2005	2004
PBO	$3.601	$3,074
ABO	3,328	2,851
Market value of plan assets	2,773	2,532

Net periodic benefit cost for the three years ended Dec. 31, 2005, includes the following:

	Pensions			Other Postretirement Benefits		
(Millions)	2005	2004	2003	2005	2004	2003
Service cost	$ 64	$ 65	$ 60	$ 24	$ 22	$ 23
Interest cost	189	182	173	63	62	65
Expected return on plan assets	(223)	(208)	(173)	—	—	—
Amortization of prior service cost	19	20	18	(15)	(6)	1
Amortization of actuarial losses	78	81	98	35	28	26
Net periodic benefit cost	$ 127	$ 140	$ 176	$107	$106	$115

Net periodic benefit cost is included in "Cost of sales," "Selling, general and administrative" and "Research and development" in the accompanying statement of income.

In determining net periodic benefit cost, unrecognized prior service costs are amortized over periods ranging from 6 to 13 years.

The following weighted average assumptions were used to determine the benefit obligations for our defined benefit pension and other postretirement plans as of Dec. 31, 2005 and 2004:

	2005	2004
Discount rate	5.5%	5.9%
Rate of compensation increase	4.1%	4.0%

The following weighted average assumptions were used to determine the net periodic benefit cost for our defined benefit pension and other postretirement benefit plans for the three years ended Dec. 31, 2005:

	2005	2004	2003
Discount rate	5.9%	6.1%	6.5%
Expected return on assets	8.4%	8.4%	8.4%
Rate of compensation increase	4.0%	4.0%	4.1%

These assumptions are reviewed on an annual basis. In determining the expected return on plan asset assumption, the Company evaluates the mix of investments that comprise plan assets and external forecasts of future long-term investment returns. The expected return on plan assets assumption to be used in determining 2006 net periodic pension expense will be 8.5% for the U.S. plans.

As of Dec. 31 2005, the Company began use of a newer and more relevant mortality table, know as RP 2000, in order to calculate its U.S. defined benefit pension and other postretirement liabilities. Previously, the Company had used the GAM 83 mortality table to calculate these liabilities. We estimate that this change in the mortality assumption increased the benefit obligation of our defined benefit pension and other postretirement plans by $86 million and $23 million, respectively, as of Dec. 31, 2005. The Company will also use the RP 2000 mortality assumption to calculate net periodic benefit costs for these plans starting in 2006. We estimate this change in the mortality assumption in 2006 will increase net periodic benefit costs by approximately $13 million and $4 million for our defined benefit pension and other postretirement benefit plans, respectively.

The following summarizes the target pension plan asset allocation as of Dec. 31, 2005, and the actual pension plan asset allocations as of Dec. 31, 2005 and 2004:

	Target Asset Allocation as of	Percentage of Plan Assets	
Asset Category	Dec. 31, 2005	2005	2004
Equity securities	50-75%	69%	69%
Debt securities	25-50%	27%	27%
Real estate	0-10%	4%	4%
Other	0-10%	0%	0%

The pensions plan assets are invested to generate investment earnings over an extended time horizon to help fund the cost of benefits promised under the plans while controlling investment risk.

The weighted-average medical healthcare cost trend rate used was 10.5% for 2005 declining to 4.75% in the year 2010. For 2006, the weighted-average medical healthcare cost trend rate used will be 9.0% declining to 5.0% in the year 2010. These assumptions are reviewed on an annual basis. In selecting rates for current and long-term health care assumptions, the Company takes into consideration a number of factors including the Company's actual health care cost increases, the design of the Company's benefit programs, the demographics of the Company's active and retiree populations and expectations of future medical cost inflation rates. If these 2006 trend rates were increased or decreased by one percentage point per year, such increases or decreases would have the following effects:

	One-Percentage Point	
(Millions)	Increase	Decrease
Increase (decrease) in the aggregate of service and interest cost components	$ 9	$ (7)
Increase (decrease) in the benefit obligation	$101	$(85)

The Company also incurred costs for multi-employer pension plans of $1 million, $1 million, and $2 million in 2005, 2004 and 2003, respectively. Multi-employer healthcare costs totaled $1 million in each of the years 2005, 2004 and 2003.

As of Dec. 31, 2005 and 2004, accruals related to defined contribution pension plans were $5 million and $8 million, respectively.

The Company has a deferred compensation plan for certain key managers which allows them to defer a portion of their compensation in a phantom PPG stock account or other phantom investment accounts. The amount deferred earns a return based on the investment options selected by the participant. The amount owed to participants is an unfunded and unsecured general obligation of the Company. Upon retirement, death, disability or termination of employment, the compensation deferred and related accumulated earnings are distributed in accordance with the participant's election in cash or in PPG stock, based on the accounts selected by the participant.

The plan provides participants with investment alternatives and the ability to transfer amounts between the phantom non-PPG stock investment accounts. To mitigate the impact on compensation expense of changes in the market value of the liability, the Company has purchased a portfolio of marketable securities that mirror the phantom non-PPG stock investment accounts selected by the participants except the money market accounts. The changes in market value of these securities are also included in earnings. Trading will occur in this portfolio to align the securities held with the participant's phantom non-PPG stock investment accounts except the money market accounts.

The cost of the deferred compensation plan, comprised of dividend equivalents accrued on the phantom PPG stock account, investment income and the change in market value of the liability, was expense in 2005, 2004 and 2003 of $7 million, $8 million and $13 million, respectively. These amounts are included in "Selling, general and administrative" in the accompanying statement of income. The change in market value of the investment portfolio in 2005, 2004 and 2003 was income of $6 million, $8 million and $13 million, respectively and is also included in "Selling, general and administrative."

The Company's obligations under this plan, which are included in "Accounts payable and accrued liabilities" and "Other liabilities" in the accompanying balance sheet, were $110 million and $109 million as of Dec. 31, 2005 and 2004, respectively, and the investments in marketable securities, which are included in "Investments" in the accompanying balance sheet, were $78 million and $76 million as of Dec. 31, 2005 and 2004, respectively.

13. 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 product liability, contract, patent, environmental, antitrust and other matters arising out of the conduct of PPG's business. To the extent that these lawsuits and claims involve personal injury and property damage, PPG believes it has adequate insurance; however, certain of PPG's insurers are contesting coverage with respect to some of these claims, and other insurers, as they had prior to the asbestos settlement described below, may contest coverage with respect to some of the asbestos claims if the settlement is not implemented. PPG's lawsuits and claims against others include claims against insurers and other third parties with respect to actual and contingent losses related to environmental, asbestos and other matters.

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

The Company has been named as a defendant, along with various other co-defendants, in a number of antitrust lawsuits filed in federal and state courts. These suits allege that PPG acted with competitors to fix prices and allocate markets in the flat glass and automotive refinish industries. The plaintiffs in these cases are seeking economic and, in certain cases, treble damages and injunctive relief.

Twenty-nine glass antitrust cases were filed in federal courts, all of which have been consolidated as a class action in the U.S. District Court for the Western District of Pennsylvania located in Pittsburgh, Pa. All of the other defendants in the glass class action antitrust case previously settled with the plaintiffs and were dismissed from the case. On May 29, 2003, the Court granted PPG's motion for summary judgment dismissing the claims against PPG in the glass class action antitrust case. The plaintiffs in that case appealed that order to the U.S. Third Circuit Court of Appeals. On Sept. 30, 2004, the U.S. Third Circuit Court of Appeals affirmed in part and reversed in part the dismissal of PPG and remanded the case for further proceedings. PPG petitioned the U.S. Supreme Court for permission to appeal the decision of the U.S. Third Circuit Court of Appeals, however, the U.S. Supreme Court rejected PPG's petition for review.

On Oct. 19, 2005, PPG entered into a settlement agreement to settle the federal glass class action antitrust case 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. Pursuant to the settlement agreement, PPG agreed to pay $60 million and to bear up to $500,000 in settlement administration costs. PPG has recorded a charge for $61 million which is included in "Other charges" in the accompanying statement of income. The U.S. District Court entered an order on Feb. 7, 2006, approving the settlement. This order is subject to a thirty day appeal period. If no appeals are filed, the settlement will become effective at the expiration of the appeal period. PPG has deposited $60 million into an escrow account as of Dec. 31, 2005 pending the settlement becoming effective. This amount is included in "Other current assets" and the corresponding liability is included in "Accounts payable and accrued liabilities" in the accompanying balance sheet. The associated cash outflow is included in "Deposits held in escrow" and has been reflected as cash used for investing activities in the accompanying statement of cash flows. As a result of the settlement, PPG will also pay $900,000 pursuant to a pre-existing contractual obligation to a plaintiff that is not participating in the federal glass class action antitrust case. Finally, independent state court cases remain pending in California and Tennessee involving claims that are not included in the settlement of the federal glass class action antitrust case. Notwithstanding that PPG has agreed to settle the federal glass class action antitrust case, PPG's management remains steadfast in its belief that there was no wrongdoing on the part of the Company and also believes that PPG has meritorious defenses to the independent state court cases.

Approximately 60 cases alleging antitrust violations in the automotive refinish industry have been filed in various state and federal jurisdictions. The plaintiffs in these cases have not yet specified an amount of alleged damages. The approximately 55 federal cases have been consolidated as a class action in the U.S. District Court for the Eastern District of Pennsylvania located in Philadelphia, Pa. Certain of the defendants in the federal automotive refinish case have settled. This case is still at an early stage and discovery is continuing with the remaining defendants. The automotive refinish cases in state courts have either been stayed pending resolution of the federal proceedings or have been dismissed. Neither PPG's investigation conducted through its counsel of the allegations in these cases nor the discovery conducted to date has identified a basis for the plaintiffs' allegations that PPG participated in a price-fixing conspiracy in the U.S. automotive refinish industry. PPG's management continues to believe that there was no wrongdoing on the part of the Company and also believes it has meritorious defenses in these automotive refinish antitrust cases. As discovery in the federal class action antitrust case is ongoing, we will continue to evaluate any additional information that becomes available in developing our conclusion on the outcome of this contingent liability. While currently not expected, if future developments in the case are adverse to the company, we could consider a settlement of the automotive refinish antitrust case. We have no present intention of settling any of the automotive refinish antitrust cases.

The Company had been a defendant since April 1994 in a suit filed by Marvin Windows and Doors ("Marvin") alleging numerous claims, including breach of warranty. All of the plaintiff's claims, other than breach of warranty, were dismissed. However, on Feb. 14, 2002, a federal jury awarded Marvin $136 million on the remaining claim. Subsequently, the court added $20 million for interest bringing the total judgment to $156 million. PPG appealed that judgment and the appeals court heard the parties' arguments on June 9, 2003. On March 23, 2005, the appeals court ruled against PPG. Subsequent to the ruling by the court, PPG and Marvin agreed to settle this matter for $150 million and PPG recorded a charge for that amount in the first quarter of 2005, which is included in "Other charges" in the accompanying statement of income. PPG paid the settlement on April 28, 2005. In the third quarter of 2005, PPG received $18 million in insurance recoveries related to this settlement. The amount is included in "Other charges" for the year ended Dec. 31, 2005. The Company continues to pursue additional insurance recoveries related to this matter but is unable to estimate the likelihood or amount of any future recoveries.

For over thirty years, PPG has been a defendant in lawsuits involving claims alleging personal injury from exposure to asbestos. As of Dec. 31, 2005, PPG was one of many defendants in numerous asbestos-related lawsuits involving approximately 116,000 claims. Most of PPG's potential exposure relates to allegations by plaintiffs that PPG should be liable for injuries involving asbestos-containing thermal insulation products manufactured and distributed by Pittsburgh Corning Corporation ("PC"). PPG and Corning Incorporated are each 50% shareholders of PC. PPG has denied responsibility for, and has defended, all claims for any injuries caused by PC products.

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 aftertax 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 thirty 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 asbestos claims against PPG and PC (the "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 that might arise from PC products or operations (the "Corning Settlement Arrangement").

The terms of the PPG Settlement Arrangement and the Corning Settlement Arrangement have been 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 filed on Aug. 18 and Nov. 20, 2003. Creditors and other parties with an interest in the bankruptcy proceeding were entitled to file objections to the disclosure statement and the plan of reorganization, and a few parties filed objections. On Nov. 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. The Bankruptcy Court established March 2, 2004 as the deadline for receipt of votes. In order to approve the plan, at least two-thirds in amount and more than one-half in number of the allowed creditors in a given class must vote in favor of the plan, and for a plan to contain a channeling injunction for present and future asbestos claims under §524(g) of the Bankruptcy Code, as described below, seventy-five percent of the asbestos claimants voting must vote in favor of the plan. On March 16, 2004, notice was received that the plan of reorganization received the required votes to approve the plan with a channeling injunction. From May 3-7, 2004, 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 plan. At that hearing, creditors and other parties in interest raised objections to the PC plan of reorganization. Following that hearing, the Bankruptcy Court set deadlines for the parties to develop agreed-upon and contested Findings of Fact and Conclusions of Law and scheduled oral argument for contested items on Nov. 9, 2004. Subsequently, the Bankruptcy Court rescheduled such oral argument for Nov. 17, 2004.

The Bankruptcy Court heard oral arguments on the contested items on Nov. 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 Feb. 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 have any applicability to the PC plan of reorganization. The Bankruptcy Court set oral arguments on the briefs for March 16, 2005, but has yet to render any decision. At the status conference on April 15, 2005, the Bankruptcy Court judge stated her intention to rule on the confirmability of the current PC plan of reorganization. Based on remarks made by the Bankruptcy Court judge at a Dec. 13, 2005, omnibus hearing, we currently expect the judge to render her decision concerning the confirmability of the PC plan of reorganization during the first quarter of 2006. PPG currently believes the Third Circuit Court of Appeals' decision should not adversely affect the eventual confirmability of a plan of reorganization for PC incorporating the terms of the PPG Settlement Arrangement.

If the Bankruptcy Court ultimately determines that all requirements to confirm a plan of reorganization for PC have been satisfied, the Bankruptcy Court would enter a confirmation order of the PC plan of reorganization. That order may be appealed to the U.S. District Court located in Pittsburgh, Pa. Assuming that the District Court approves the confirmation order following any such appeal, interested parties could further appeal the District Court's order to the U.S. Third Circuit Court of Appeals and subsequently seek review of any decision of the Third Circuit Court of Appeals by the U. S. Supreme Court. The PPG Settlement Arrangement will not become effective until 30 days after the PC plan of reorganization is finally approved by an appropriate court order that is no longer subject to appellate review (the "Effective Date").

If the PC plan of reorganization incorporating the terms of the PPG Settlement Arrangement and the Corning Settlement Arrangement is approved by the Bankruptcy Court, the Court would enter 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 also prohibit co-defendants in those cases from asserting claims against PPG for contribution, indemnification or other recovery. All such claims would be filed with the Trust and only paid from the assets of the Trust.

The channeling injunction would not extend to claims against PPG alleging injury caused by asbestos on premises owned, leased or occupied by PPG (so called "premises claims"), or claims alleging property damage resulting from asbestos. Approximately 9,000 of the 116,000 claims pending against PPG and its subsidiaries are premises claims. Many of PPG's premises claims have been resolved without payment from PPG. To date, PPG has paid about $7 million to settle approximately 1,100 premises claims, virtually all of which has been covered by PPG's insurers. There are no property damage claims pending against PPG or its subsidiaries. PPG believes that it has adequate insurance for the asbestos claims that would not be covered by any channeling injunction and that any financial exposure resulting from such claims will not have a material effect on PPG's consolidated financial position, liquidity or results of operations.

PPG has no obligation to pay any amounts under the PPG Settlement Arrangement until the Effective Date. PPG and certain of its insurers (along with PC) would then make payments to the Trust, which would provide 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 convey the following assets to the Trust. First, PPG would convey the stock it owns in PC and Pittsburgh Corning Europe. Second, PPG would transfer 1,388,889 shares of PPG's common stock. Third, PPG would make 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 the right, in its sole discretion, to prepay these cash payments to the Trust at any time at a discount rate of 5.5% per annum as of the prepayment date. Under the payment schedule, the amount due June 30, 2003 was $75 million. In addition to the conveyance of these assets, PPG would pay $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 are not participating in the settlement, the rights to which would be assigned to the Trust by PPG.

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

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

The following table summarizes the impact on our financial statements resulting from the initial charge in the second quarter of 2002 for the estimated cost of the PPG Settlement Arrangement which included the net present value as of Dec. 31, 2002, using a discount rate of 5.5%, of the aggregate cash payments of approximately $998 million to be made by PPG to the Trust. That amount also included the carrying value of PPG's stock in Pittsburgh Corning Europe, the fair value as of June 30, 2002 of 1,388,889 shares of PPG common stock and $30 million in legal fees of the Trust to be paid by PPG, which together with the first payment originally scheduled to be made to the Trust on June 30, 2003, were reflected in the current liability for PPG's asbestos settlement in the balance sheet as of June 30, 2002. The net present value of the remaining payments of $566 million was recorded in the noncurrent liability for asbestos settlement. The table also presents the impact of the subsequent changes in the estimated cost of the settlement due to the change in fair value of the stock to be transferred to the asbestos settlement trust and the equity forward instrument (see Note 9) and the increase in the net present value of the future payments to be made to the Trust.

	Balance Sheet			
	Asbestos Settlement Liability		*Equity Forward*	*Pretax*
(Millions)	*Current*	*Long-term*	*(Asset)*	*Charge*
Initial asbestos settlement charge	$206	$566	$ —	$772
Change in fair value: PPG stock	(16)	—	—	(16)
Equity forward instrument	—	—	(1)	(1)
Balance as of and Activity for the year ended Dec. 31, 2002	190	566	(1)	$755
Change in fair value: PPG stock	20	—	—	20
Equity forward instrument	—	—	(14)	(14)
Accretion of asbestos liability	—	32	—	32
Reclassification	98	(98)	—	—
Balance as of and Activity for the year ended Dec. 31, 2003	308	500	(15)	$ 38
Change in fair value: PPG stock	6	—	—	6
Equity forward instrument	—	—	(4)	(4)
Accretion of asbestos liability	—	30	—	30
Reclassification	90	(90)	—	—
Balance as of and Activity for the year ended Dec. 31, 2004	404	440	(19)	$ 32
Change in fair value: PPG stock	(14)	—	—	(14)
Equity forward instrument	—	—	9	9
Accretion of asbestos liability	—	27	—	27
Reclassification	82	(82)	—	—
Balance as of and Activity for the year ended Dec. 31, 2005	$472	$385	$(10)	$ 22

The fair value of the equity forward instrument is included as an other current asset as of Dec. 31, 2005 and 2004 in the accompanying 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 balance sheet as of Dec. 31, 2005, consists of all such payments required through June 2006, the fair value of PPG's common stock and legal fees and expenses. The amount due June 30, 2007, of $76 million and the net present value of the remaining payments is included in the long-term asbestos settlement liability in the accompanying balance sheet. For 2006 accretion expense associated with the asbestos liability will be approximately $6 million per quarter.

Because the filing of asbestos claims against the Company has been enjoined since April 2000, a significant number of additional claims may be filed against the Company if the Bankruptcy Court stay were to expire. If the PPG Settlement Arrangement is not implemented, for any reason, and the Bankruptcy Court stay expires, the Company intends to vigorously defend the pending and any future asbestos claims against it and its subsidiaries. The Company believes that it is not responsible for any injuries caused by PC products, which represent the preponderance of the pending bodily injury claims against it. Prior to 2000, PPG had never been found liable for any such claims, in numerous cases PPG had been dismissed on motions prior to trial, and aggregate settlements by PPG to date have been immaterial. In Jan. 2000, in a trial in a state court in Texas involving six plaintiffs, the jury found PPG not liable. However, a week later in a separate trial also in a state court in Texas, another jury found PPG, for the first time, partly responsible for injuries to five plaintiffs alleged to be caused by PC products. PPG intends to appeal the adverse verdict in the event the settlement does not become effective. Although PPG has successfully defended asbestos claims brought against it in the past, in view of the number of claims, and the questionable verdicts and awards that other companies have experienced in asbestos litigation, the result of any future litigation of such claims is inherently unpredictable.

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. As of Dec. 31, 2005 and 2004, PPG had reserves for environmental contingencies totaling $94 million and $81 million, respectively. Pretax charges against income for environmental remediation costs in 2005, 2004 and 2003 totaled $27 million, $15 million and $21 million, respectively, and are included in "Other charges" in the accompanying statement of income. Cash outlays related to such environmental remediation aggregated $14 million, $26 million and $16 million in 2005, 2004 and 2003, respectively.

Management anticipates that the resolution of the Company's environmental contingencies will occur over an extended period of time. Over the past 15 years the pretax charges against income have ranged between $10 million and $49 million per year. We currently expect that charges against income for environmental remediation in 2006 will be within that range; however, it is possible that technological, regulatory and enforcement developments, the results of environmental studies and other factors, particularly as the work at a former chromium manufacturing plant site located in Jersey City, NJ and at the Calcasieu River estuary continues to progress, could alter this expectation and result in higher charges in 2006. 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.

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 the prior year end. 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, the vast majority relates to three operating PPG plant sites in our chemicals segment; a former chromium manufacturing plant site located in Jersey City, NJ; and the Calcasieu River estuary, located near our Lake Charles, LA chemicals plant. The loss contingencies related to these sites include significant unresolved issues such as the nature and extent of contamination, if any, at these sites and the methods that may have to be employed should remediation be required.

Initial remedial actions are occurring at the three operating plant sites in our chemicals segment. Studies to determine the nature of the contamination at these sites are reaching completion and the need for additional remedial actions, if any, is presently being evaluated.

In New Jersey, PPG continues to perform its obligations under an Administrative Consent Order ("ACO") with the New Jersey Department of Environmental Protection ("NJDEP") including an active, ongoing remedial investigation/feasibility study of its former chromium manufacturing location in Jersey City, which is expected to be completed in 2006 or 2007. Since 1990, PPG has remediated 47 of 61 residential and non-residential sites under the ACO. It will take several more years to complete remediation activity on the 14 remaining ACO sites, including the former chromium plant site. In May 2005, the NJDEP filed a complaint against PPG and two other former chromium producers seeking to charge the three companies with the cleanup costs for an additional 53 sites where the source of chromium contamination is not known. This case is in its early stages.

In Lake Charles, the U.S. Environmental Protection Agency has completed investigation of contamination levels in the Calcasieu River estuary and issued a Final Remedial Investigation Report in Sept. 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 are performing a feasibility study under the authority of the Louisiana Department of Environmental Quality ("LDEQ"). A report describing the process by which preliminary remedial action goals will be determined was submitted on March 1, 2005 and approved by LDEQ on Aug. 10, 2005. These goals will more fully define the nature and extent of any potentially required remedial actions. When the results of the feasibility study are known, an evaluation will be made to determine what role PPG would have with respect to future remedial actions. It is expected that submittal of a draft feasibility study to the LDEQ will occur in the second half of 2006.

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 including the formal review by the NJDEP of its chromium cleanup guidelines. In May 2005, a report on this review was issued expressing NJDEP's conclusion that the existing chromium cleanup guidelines are adequate for current remediation activities, but they could change as new information becomes available.

In June 2003, our partner in a fiber glass joint venture in South America filed for bankruptcy. Upon resolution of the bankruptcy proceedings, the partner's ownership interest may transfer to one of its senior secured creditors or be sold. While PPG expects operations at the joint venture to continue, the Company continues to evaluate its options with respect to this venture, which may include the sale or liquidation of the venture. Should liquidation occur, PPG's exposure to loss would be limited to $10 million, which includes a combination of the Company's investment, outstanding receivables and a loan guarantee related to this venture.

14. Shareholders' Equity

A class of 10 million shares of preferred stock, without par value, is authorized but unissued. Common stock has a par value of $1.66⅔ per share; 600 million shares are authorized.

The following table summarizes the shares outstanding for the three years ended Dec. 31, 2005:

	Common Stock	*Treasury Stock*	*ESOP Shares*	*Shares Outstanding*
Balance, Jan. 1, 2003	290,573,068	(120,988,129)	(142,746)	169,442,193
Issuances/releases	—	1,479,576	4,870	1,484,446
Balance, Dec. 31, 2003	290,573,068	(119,508,553)	(137,876)	170,926,639
Purchases	—	(1,507,400)	—	(1,507,400)
Issuances/releases	—	2,577,392	5,164	2,582,556
Balance, Dec. 31, 2004	290,573,068	(118,438,561)	(132,712)	172,001,795
Purchases	—	(9,401,300)	—	(9,401,300)
Issuances/releases	—	2,669,955	6,840	2,676,795
Balance, Dec. 31, 2005	290,573,068	(125,169,906)	(125,872)	165,277,290

ESOP shares represent the unreleased new shares held by the ESOP that are not considered outstanding under SOP 93-6 (see Notes 1 and 16). The number of ESOP shares changes as a result of the purchases of new shares and releases of shares to participant accounts by the ESOP.

PPG has a Shareholders' Rights Plan, under which each share of the Company's outstanding common stock has an associated preferred share purchase right. The rights are exercisable only under certain circumstances and allow holders of such rights to purchase common stock of PPG or an acquiring company at a discounted price, which would generally be 50% of the respective stocks' current fair market value.

Per share cash dividends paid were $1.86 in 2005, $1.79 in 2004 and $1.73 in 2003.

15. Accumulated Other Comprehensive Loss

(Millions)	*Unrealized Currency Translation Adjustment*	*Minimum Pension Liability Adjustment*	*Unrealized Gain (Loss) on Marketable Securities*	*Unrealized Gain (Loss) on Derivatives*	*Accumulated Other Comprehensive Loss*
Balance, Jan. 1, 2003	$(340)	$(775)	$ 5	$ 9	$(1,101)
Net change	328	147	(3)	(13)	459
Balance, Dec. 31, 2003	(12)	(628)	2	(4)	(642)
Net change	180	33	(3)	(3)	207
Balance, Dec. 31, 2004	168	(595)	(1)	(7)	(435)
Net change	(215)	(173)	1	3	(384)
Balance, Dec. 31, 2005	$ (47)	$(768)	$ —	$ (4)	$ (819)

Unrealized currency translation adjustments exclude income tax expense (benefit) given that the earnings of non-U.S. subsidiaries are deemed to be reinvested for an indefinite period of time. The tax benefit (cost) related to changes in the minimum pension liability for the years ended Dec. 31, 2005, 2004 and 2003 was $107 million, $(21) million and $(69) million, respectively. The cumulative tax benefit related to the minimum pension liability at Dec. 31, 2005 and 2004 was $459 million and $352 million, respectively. The tax (cost) benefit related to the change in the unrealized gain (loss) on marketable securities for the years ended Dec. 31, 2005, 2004 and 2003 was $(0.4) million, $2 million and $2 million, respectively. The tax (cost) benefit related to change in the unrealized gain (loss) on derivatives for the years ended Dec. 31, 2005, 2004 and 2003 was $(2) million, $2 million and $8 million, respectively.

The 2003 net change in unrealized gain (loss) on marketable securities includes the reclassification to "Other earnings" in the accompanying statement of income for realized gains of $15 million, $9 million net of tax, related to the sale of these marketable securities.

16. Employee Stock Ownership Plan

Our ESOP covers substantially all U.S. employees. The Company makes matching contributions to the ESOP based upon participants' savings, subject to certain limitations, the matching percentage being based upon our return on average capital for the previous year.

Compensation expense (benefit) related to the ESOP for 2005, 2004 and 2003 totaled $17 million, $11 million and $(0.3) million, respectively. Cash contributions to the ESOP for 2005, 2004 and 2003 totaled $19 million, $13 million and $3 million, respectively. The increase in compensation expense and cash contributions to the ESOP in 2005 was due principally to the increase in the Company's matching percentage and the decrease in the annual debt service. Interest expense totaled $3 million for 2005, 2004 and 2003, respectively. The tax deductible dividends on PPG shares held by the ESOP were $34 million, $36 million and $39 million for 2005, 2004 and 2003, respectively.

Shares held by the ESOP as of Dec. 31, 2005 and 2004, are as follows:

	2005		2004	
	Old Shares	*New Shares*	*Old Shares*	*New Shares*
Allocated shares	12,407,060	3,848,574	11,996,386	3,841,734
Unreleased shares	993,274	125,872	1,403,948	132,712
Total	13,400,334	3,974,446	13,400,334	3,974,446

The fair value of unreleased new ESOP shares was $7 million as of Dec. 31, 2005, and $9 million as of Dec. 31, 2004. The average cost of the unreleased old ESOP shares was $21 per share.

17. Other Earnings

(Millions)	2005	2004	2003
Interest income	$ 13	$ 12	$ 10
Royalty income	38	40	29
Share of net earnings (loss) of equity affiliates (See Note 5)	14	21	(4)
Other	47	58	68
Total	$ 112	$ 131	$ 103

18. Stock-Based Compensation

The Company's long-term incentive program includes stock options and annual grants of contingent shares that are earned based on total shareholder return. Beginning in 2005, restricted stock units ("RSUs") were added to the long-term incentive program. RSUs were granted in 2005 and the number of stock options granted was reduced. In addition, the Company has an incentive compensation plan and a management award plan that pay performance based bonuses to certain members of management. Amounts paid under the Company's incentive compensation and management award plans may be paid partially in PPG common stock. Total compensation cost recognized as expense related to the long-term incentive program and the incentive compensation and management award plans was $75 million, $89 million, and $60 million in 2005, 2004 and 2003, respectively.

PPG has two stock option plans, the PPG Industries, Inc. Stock Plan ("PPG Stock Plan") and the PPG Industries, Inc. Challenge 2000 Stock Plan ("PPG Challenge 2000 Stock Plan"). Prior to Jan. 1, 2004, PPG applied APB Opinion No. 25 in accounting for stock options. Effective Jan. 1, 2004, PPG adopted the fair value method of recording compensation associated with stock options in accordance with SFAS No. 123 for stock options awarded to employees after the date of adoption and for previously issued stock options that were not vested as of Jan. 1, 2004 using the modified prospective transition method. The adoption increased "Selling, general and administrative" expense by $20 million ($13 million after tax, or $0.07 a share) for the year ended Dec. 31, 2004. Additionally, as required under the modified prospective method, PPG has recorded a deferred tax asset of $8 million and a corresponding increase to additional paid-in capital equal to the deferred tax benefit that would have been recognized had compensation expense been recorded for options outstanding at the date of adoption but not fully vested. Effective Jan. 1, 2004, the vesting period for stock options granted after that date under the PPG Stock Plan was increased from one year to three years. Upon exercise of a stock option, shares of Company stock are issued from treasury stock. The PPG Stock Plan includes a restored options provision for options granted prior to Jan. 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. Shares having a market value equal to the optionee's stock option gain are issued. Under this provision, the optionee is granted a restored option to purchase shares equal to the number of shares as to which ownership was certified plus the number of shares withheld to satisfy taxes due on the stock option gain.

Under 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. Shares available for future grants under this plan were 9,557,678 and 10,214,750 as of Dec. 31, 2005 and 2004, respectively.

On July 1, 1998, the Company granted to substantially all active employees of the Company and its majority owned subsidiaries the option to purchase 100 shares of common stock at its then fair market value of $70 per share under the PPG Challenge 2000 Stock Plan. The options became exercisable on July 1, 2003 and expire on June 30, 2008.

In accordance with APB No. 25, no compensation cost for the PPG Stock Plan and PPG Challenge 2000 Stock Plan had been recognized in the accompanying financial statements for the year ended Dec. 31, 2003. Had compensation cost for these PPG stock option plans been determined based upon the estimated fair value at the grant date consistent with the methodology prescribed in SFAS No. 123, net income, earnings per common share and earnings per common share – assuming dilution for 2003 would have been as follows:

(Millions, except per share amounts)	2003
Net income	
Reported net income	$ 494
Impact of expensing stock options	(18)
Pro forma net income	$ 476
Earnings per common share	
Reported earnings	$ 2.91
Impact of expensing stock options	(0.11)
Pro forma earnings per common share	$ 2.80
Earnings per common share – assuming dilution	
Reported earnings	$ 2.89
Impact of expensing stock options	(0.11)
Pro forma earnings per common share – assuming dilution	$ 2.78

The fair value of stock options issued to employees is measured on the date of grant and, beginning Jan. 1, 2004, is recognized over the vesting period. PPG estimates the fair value of stock options using the Black-Scholes option pricing model with the following weighted average assumptions:

	2005	2004	2003
Risk-free interest rate	3.8%	3.2%	3.0%
Expected life of option in years	4.3	4.6	4.8
Expected dividend yield	3.1%	3.2%	3.0%
Expected volatility	26.3%	30.5%	32.0%

The weighted average fair value of options granted was $12.57 per share in 2005, $13.26 per share in 2004 and $11.57 per share in 2003.

The following table summarizes stock option activity under all plans for the three years ended Dec. 31, 2005:

Stock option activity	*Number of shares subject to options*	*Weighted average exercise price per share*
Outstanding, Jan. 1, 2003	14,805,785	$57.25
Granted	2,525,637	49.33
Exercised	(1,810,489)	49.06
Terminated	(831,970)	60.65
Outstanding, Dec. 31, 2003	14,688,963	56.71
Granted	2,792,387	59.74
Exercised	(3,312,822)	52.27
Terminated	(444,414)	64.61
Outstanding, Dec. 31, 2004	13,724,114	58.14
Granted	1,505,015	69.41
Exercised	(3,253,187)	56.21
Terminated	(237,924)	68.42
Outstanding, Dec. 31, 2005	11,738,018	$59.91

The following table summarizes information about stock options outstanding and exercisable as of Dec. 31, 2005:

	Options outstanding			*Options exercisable*	
Range of exercise price per share	*Number of shares*	*Weighted average remaining contractual life (years)*	*Weighted average exercise price per share*	*Number of shares*	*Weighted average exercise price per share*
$42.87-$49.99	1,721,437	6.44	$48.07	1,721,437	$48.07
$50.00-$59.99	4,730,989	5.45	$55.42	4,720,919	$55.42
$60.00-$76.31	5,285,592	3.59	$67.79	4,416,755	$67.33
	11,738,018	4.76	$59.91	10,859,111	$59.10

As of Dec. 31, 2004, options were exercisable for 11.4 million shares at a weighted average exercise price of $57.84 per common share. The corresponding amounts as of Dec. 31, 2003, were 12.2 million and $58.20 per common share, respectively.

Beginning in 2005, comparable long-term incentive value has been delivered to selected key management employees by reducing reliance on stock options and incorporating RSUs, which have either time or performance-based vesting features. Time-based RSUs vest over the three year period following the date of grant, unless forfeited. Performance-based RSUs vest based on achieving specific performance targets for earnings per share growth and cash flow return on capital over a three-year period. Unless forfeited, the performance-based RSUs will be paid out in shares of Company stock at the end of the three-year vesting period if PPG meets the performance targets. If the designated performance targets are not met, no payout will be made on the performance-based RSUs. The fair value of an RSU is equal to the market value of a share of stock on the date of grant. During 2005, the company granted 220,650 performance and 47,185 time-based vesting RSUs with a grant date fair value of $71.51 which is equal to the weighted average fair value of a share of stock on the dates of grant. The actual award for performance-based vesting may range from 0% to 150% of the original grant.

Contingent share grants are made for three-year plan periods and are paid out at the end of the period if the company achieves target performance. Performance is measured by determining the percentile rank of the total shareholder return of PPG Common Stock (stock price plus accumulated dividends) in relation to the total stockholder return of companies comprising the S&P Materials Sector Index. Compensation expense will be recognized over the three-year award period based on the Company's percentile rank of total shareholder return and estimates of the value of compensation to be earned during the award period. Based on the performance of the Company, the payout may range from 0% if the target is not met to 220% if target performance is exceeded. Contingent share awards earn dividend equivalents during the three-year award period, which are credited in the form of Common Stock Equivalents. Any payments made at the end of the award period may be in the form of stock, cash or a combination of both.

19. Advertising Costs

Advertising costs are expensed as incurred and totaled $105 million, $91 million and $81 million in 2005, 2004 and 2003, respectively.

20. Research and Development

(Millions)	2005	2004	2003
Research and development – total	$ 325	$ 321	$ 306
Less depreciation on research facilities	16	18	16
Research and development – net	$ 309	$ 303	$ 290

21. Quarterly Financial Information (unaudited)

	Net Sales (Millions)	*Gross Profit (Millions)*	*Net Income (Millions)*	*Earnings Per Common Share*	*Earnings Per Common Share – Assuming Dilution*
2005 quarter ended					
March 31	$ 2,493	$ 935	$ 95	$ .55	$ .55
June 30	2,656	1,006	231	1.35	1.34
September 30	2,547	933	157	.93	.92
December 31	2,505	854	113	.68	.68
Total	$10,201	$3,728	$596	$3.51	$3.49
2004 quarter ended					
March 31[1]	$ 2,264	$ 826	$119	$ .69	$ .69
June 30[1]	2,429	910	187	1.09	1.08
September 30	2,409	893	194	1.13	1.12
December 31	2,411	885	183	1.07	1.06
Total	$ 9,513	$3,514	$683	$3.98	$3.95

(1) *In the third quarter 2004, a decision was made to take the subsidy available under the Medicare Act (see Note 12). The benefit of this decision was applied retroactively to Jan. 1, 2004. As a result, the first and second quarter 2004 amounts of net income and earnings per share have been increased by $4 million and $0.02 per share, respectively, from the amounts previously reported.*

22. Business Segment Information

Segment Organization and Products

PPG is a multinational manufacturer with three reportable segments: coatings, glass and chemicals. The Company's segments are organized based on differences in products. The glass and fiber glass operations have been aggregated into a single reportable segment. The coatings segment primarily supplies a variety of protective and decorative coatings and finishes along with adhesives, sealants and metal pretreatment products for aerospace, industrial, packaging, architectural, automotive original equipment and aftermarket refinish applications. The glass segment primarily supplies flat glass, fabricated glass and continuous-strand fiber glass for commercial and residential construction, automotive original and replacement markets and industrial applications. The chemicals segment primarily supplies chlor-alkali and specialty chemicals products. The primary chlor-alkali products are chlorine, caustic soda, vinyl chloride monomer, chlorinated solvents, chlorinated benzenes, calcium hypochlorite and phosgene derivatives. The primary specialty chemicals products are Transitions® lenses, optical materials, amorphous precipitated silica products and fine chemicals. Transitions® lenses are manufactured and distributed by PPG's 51%-owned joint venture with Essilor International. Production facilities and markets for the coatings, glass and chemicals segments are predominantly in North America and Europe. Our businesses are also pursuing opportunities to further develop markets in Asia, Eastern Europe and South America. Each of the businesses in which PPG is engaged is highly competitive. However, the diversification of product lines and worldwide markets served tends to minimize the impact on PPG's total sales and earnings of changes in demand for a particular product line or in a particular geographic area.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company allocates resources to segments and evaluates the performance of segments based upon reported segment income before interest expense – net, income taxes and minority interest. Substantially all corporate administrative expenses are allocated to the segments. The portion not allocated to the segments represents the unallocated cost of certain insurance and employee benefit programs and gains and losses related to the disposal of corporate assets and is included in "Other unallocated corporate expense – net." Net periodic pension income and expense is allocated to the segments. Intersegment sales and transfers are recorded at selling prices that approximate market prices.

(Millions) Segments	Coatings[1]	Glass[2]	Chemicals[3]	Corporate[4]	Consolidated Totals
2005					
Net sales to external customers	$5,566	$2,237	$2,398	$ —	$10,201
Intersegment net sales	3	1	7	(11)	—
Total net sales	$5,569	$2,238	$2,405	$ (11)	$10,201
Operating income (loss)	$ 609	$ 56	$ 451	$ (51)	$ 1,065
Asbestos settlement – net (see Note 13)					(22)
Interest – net					(68)
Compensation cost associated with stock options (See Note 18)					(28)
Income before income taxes, minority interest and cumulative effect of accounting change					$ 947
Depreciation and amortization (See Note 1)	$ 158	$ 110	$ 83	$ 21	$ 372
Share of net earnings (loss) of equity affiliates	$ 9	$ 13	$ (8)	$ —	$ 14
Segment assets[5]	$4,537	$1,633	$1,085	$1,426	$ 8,681
Investments in equity affiliates	$ 39	$ 117	$ 6	$ 15	$ 177
Expenditures for long-lived assets	$ 135	$ 97	$ 86	$ 13	$ 331
2004					
Net sales to external customers	$5,275	$2,204	$2,034	$ —	$ 9,513
Intersegment net sales	1	1	14	(16)	—
Total net sales	$5,276	$2,205	$2,048	$ (16)	$ 9,513
Operating income (loss)	$ 777	$ 169	$ 291	$ (44)	$ 1,193
Asbestos settlement – net (see Note 13)					(32)
Interest – net					(78)
Compensation cost associated with stock options (See Note 18)					(20)
Income before income taxes, minority interest and cumulative effect of accounting change					$ 1,063
Depreciation and amortization (See Note 1)	$ 162	$ 121	$ 84	$ 21	$ 388
Share of net earnings (loss) of equity affiliates	$ 4	$ 23	$ (6)	$ —	$ 21
Segment assets[5]	$4,587	$1,569	$1,133	$1,643	$ 8,932
Investments in equity affiliates	$ 30	$ 124	$ 2	$ 15	$ 171
Expenditures for long-lived assets	$ 128	$ 79	$ 64	$ 15	$ 286
2003					
Net sales to external customers	$4,835	$2,150	$1,771	$ —	$ 8,756
Intersegment net sales	1	1	11	(13)	—
Total net sales	$4,836	$2,151	$1,782	$ (13)	$ 8,756
Operating income (loss)[6]	$ 719	$ 71	$ 228	$ (40)	$ 978
Asbestos settlement – net (See Note 13)					(38)
Interest – net					(97)
Income before income taxes, minority interest and cumulative effect of accounting change					$ 843
Depreciation and amortization (See Note 1)	$ 155	$ 125	$ 93	$ 21	$ 394
Share of net earnings (loss) of equity affiliates	$ 1	$ (1)	$ (4)	$ —	$ (4)
Segment assets[5]	$4,385	$1,583	$1,065	$1,391	$ 8,424
Investments in equity affiliates	$ 23	$ 108	$ 8	$ 15	$ 154
Expenditures for long-lived assets	$ 79	$ 71	$ 48	$ 7	$ 205

(continued on next page)

(continued)

(Millions) **Geographic Information**	2005	2004	2003
Net sales[7]			
United States	$ 6,562	$6,029	$5,587
Europe	2,090	2,050	1,879
Other	1,549	1,434	1,290
Total	$10,201	$9,513	$8,756
Operating income			
United States[8]	$ 769	$ 847	$ 668
Europe[9]	195	210	226
Other	152	180	124
Total	$ 1,116	$1,237	$1,018
Interest – net	(68)	(78)	(97)
Asbestos settlement – net (See Note 13)	(22)	(32)	(38)
Compensation cost associated with stock options (See Note 18)	(28)	(20)	—
Other unallocated corporate expense – net	(51)	(44)	(40)
Income before income taxes, minority interest and cumulative effect of accounting change	$ 947	$1,063	$ 843
Long-lived assets[10]			
United States	$ 2,438	$2,512	$2,645
Europe	1,075	1,263	1,203
Other	629	717	657
Total	$ 4,142	$4,492	$4,505
Identifiable assets			
United States[11]	$ 5,422	$5,399	$5,158
Europe	1,878	2,145	2,032
Other	1,381	1,388	1,234
Total	$ 8,681	$8,932	$8,424

(1) Coatings segment operating income includes pretax charges of $132 million related to the Marvin legal settlement net of insurance in 2005 and $2 million for restructuring and other related activities in 2003.

(2) Glass segment operating income includes pretax charges of $61 million for the federal glass class action antitrust settlement in 2005 and $2 million for restructuring and other related activities in 2003.

(3) Chemicals segment operating income includes pretax charges of $34 million due to direct costs of hurricanes and $27 million for the fine chemicals asset impairment in 2005.

(4) Corporate intersegment net sales represent intersegment net sales eliminations. Corporate income (loss) represents unallocated corporate income and expenses.

(5) Segment assets are the total assets used in the operation of each segment. Corporate assets are principally cash and cash equivalents and deferred tax assets.

(6) Prior to 2004, the pension and other postretirement benefit costs for U.S. salaried retirees were allocated to businesses based on their active U.S. salaried payroll dollars. In 2004, the Company revised its allocation method to more appropriately reflect these costs by business based on the salaried retiree's work location at retirement. For comparative purposes, segment operating income for 2003 in the above table has been revised to reflect this change in allocation method, which resulted in an increase in our coatings segment operating income of approximately $12 million, a reduction in our chemicals segment operating income of approximately $4 million and an increase in other unallocated corporate expense – net of approximately $8 million.

(7) Net sales to external customers are attributed to individual countries based upon the location of the operating unit shipping the product.

(8) Includes pretax charges of $132 million related to Marvin legal settlement net of insurance, $61 million for federal glass class action antitrust settlement, $34 million due to direct costs of hurricanes and $24 million for the fine chemicals asset impairment in 2005. Includes pretax charges of $2 million for restructuring and other related activities in 2003.

(9) Includes pretax charges of $3 million for the fine chemicals asset impairment in 2005 and $2 million for restructuring and other related activities in 2003.

(10) Long-lived assets include property, goodwill and identifiable intangible assets, net of accumulated depreciation and amortization, and other assets except for non-current trade and notes receivable and deferred tax assets.

(11) Includes corporate assets which are principally cash and cash equivalents and deferred tax assets.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9a. 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-K, 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.

(b) *Changes in internal control.*
There were no significant 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.

See Management Report on page 29 for management's annual report on internal control over financial reporting. See Report of Independent Registered Public Accounting Firm on page 28 for Deloitte & Touche LLP's attestation report on management's assessment of internal control over financial reporting.

Item 9b. Other Information

On Feb. 15, 2006, the Officers-Directors Compensation Committee of the Company's Board of Directors approved and adopted certain administrative and other technical amendments to the PPG Industries, Inc. Incentive Compensation and Deferred Income Plan for Key Employees, the PPG Industries, Inc. Deferred Compensation Plan and the PPG Industries, Inc. Deferred Compensation Plan for Directors, the primary purpose of which was to conform these plans to the requirements of Section 409A of the Internal Revenue Code as recently enacted. Each of the foregoing plans are filed as Exhibits to this Form 10-K and are incorporated herein by reference in their entirety.

Part III

Item 10. Directors and Executive Officers of the Registrant

The information required by Item 10 and not otherwise set forth below is contained under the caption "Election of Directors" in our definitive Proxy Statement for our 2006 Annual Meeting of Shareholders (the "Proxy Statement") which we anticipate filing with the Securities and Exchange Commission, pursuant to Regulation 14A, not later than 120 days after the end of the Company's fiscal year, and is incorporated herein by reference.

The executive officers of the Company are elected by the Board of Directors. The business experience during the past five years of each Executive Officer as required by Item 10 is set forth below.

Name	Age	Title
Charles E. Bunch (a)	56	Chairman of the Board and Chief Executive Officer since July 2005
James C. Diggs	57	Senior Vice President and General Counsel since July 1997 and Secretary since September 2004
William H. Hernandez	57	Senior Vice President, Finance since January 1995
J. Rich Alexander (b)	50	Senior Vice President, Coatings since May 2005
Garry A. Goudy (c)	58	Senior Vice President, Automotive Aftermarket since May 2005
Victoria M. Holt (d)	48	Senior Vice President, Glass and Fiber Glass since May 2005
Kevin F. Sullivan (e)	54	Senior Vice President, Chemicals since May 2005
William A. Wulfsohn (f)	43	Senior Vice President, Coatings and Managing Director, PPG Europe since May 2005

(a) *Prior to his present position, Mr. Bunch held the positions of President and Chief Operating Officer and Executive Vice President, Coatings.*
(b) *Prior to his present position, Mr. Alexander held the positions of Vice President, Industrial Coatings and Global General Manager, General Industrial Coatings.*
(c) *Prior to his present position, Mr. Goudy held the positions of Vice President, Automotive Aftermarket, Vice President, Automotive Refinish Coatings and Vice President, Automotive Replacement Glass.*
(d) *Prior to her present position, Ms. Holt held the position of Vice President, Fiber Glass. Prior to joining PPG, she held executive positions at Solutia Inc.*
(e) *Prior to his present position, Mr. Sullivan held the positions of Vice President, Chemicals and Vice President, Fiber Glass.*
(f) *Prior to his present position, Mr. Wulfsohn held the position of Vice President, Coatings, Europe, and Managing Director, PPG Europe. Prior to joining PPG, he held executive positions at Honeywell International Inc.*

The information required by Item 405 of Regulation S-K is included in the Proxy Statement under the caption "Miscellaneous – Section 16(a) Beneficial Ownership Reporting Compliance" and is incorporated herein by reference.

The Board of Directors has determined that four members of the Audit Committee, including the Chair of the Audit Committee, Michele J. Hooper, are "audit committee financial experts" within the meaning of Item 401(h) of Regulation S-K. Each member of the Audit Committee is "independent" as that term is used in Item 7(d)(3)(iv) of Schedule 14A under the Exchange Act.

Since 1988, the Company has maintained a Global Code of Ethics applicable to all our employees. The Company has also adopted a Code of Ethics for Senior Financial Officers that is applicable to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of our Global Code of Ethics and our Code of Ethics for Senior Financial Officers, as well as the Company's Corporate Governance Guidelines and the committee charters for each of the committees of the Board of Directors, can be obtained from our Internet Web site at *www.ppg.com* and will be made available to any shareholder upon request. The Company intends to disclose any waivers from, or amendments to, the Code of Ethics for Senior Financial Officers by posting a description of such waiver or amendment on our Internet Web site. However, the Company has never granted a waiver from either the Global Code of Ethics or the Code of Ethics for Senior Financial Officers.

Item 11. Executive Compensation

The information required by Item 11 is contained in the Proxy Statement under the captions "Compensation of Executive Officers" and "Election of Directors – Compensation of Directors" and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by Item 12 is contained in the Proxy Statement under the captions "Voting Securities" and "Equity Compensation Plan Information" and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

The information required by Item 13 is contained in the Proxy Statement under the caption "Election of Directors – Other Transactions" and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information required by Item 14 is contained in the Proxy Statement under the caption "Auditors" and is incorporated herein by reference.

Part IV

Item 15. Exhibits and Financial Statement Schedules

(a) Financial Statements and Reports of Independent Registered Public Accounting Firm (see Part II, Item 8 of this Form 10-K).

The following information is filed as part of this Form 10-K:

(b) Financial Statement Schedule for years ended December 31, 2005, 2004 and 2003.

The following should be read in conjunction with the previously referenced financial statements:

Schedule II – Valuation and Qualifying Accounts

For the Years Ended December 31, 2005, 2004 and 2003

(Millions)	*Balance at Beginning of Year*	*Charged to Costs and Expenses*	*Deductions(1)*	*Balance at End of Year*
Allowance for doubtful accounts:				
2005	$39	$24	$(24)	$39
2004	$45	$ 9	$(15)	$39
2003	$48	$13	$(16)	$45

(1) Notes and accounts receivable written off as uncollectible, net of recoveries, and changes attributable to foreign currency translation.

All other schedules are omitted because they are not applicable.

(c) Exhibits. The following exhibits are filed as a part of, or incorporated by reference into, this Form 10-K.

- 3 PPG Industries, Inc. Restated Articles of Incorporation, as amended, were filed as Exhibit 3 to the Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 1995.
- 3.1 Statement with Respect to Shares, amending the Restated Articles of Incorporation effective April 21, 1998, was filed as Exhibit 3.1 to the Registrant's Annual Report on Form 10-K for the period ended Dec. 31, 1998.
- 3.2 PPG Industries, Inc. Bylaws, as amended on Dec. 11, 2003, were filed as Exhibit 3.2 to the Registrant's Annual Report on Form 10-K for the period ended Dec. 31, 2003.
- 4 Rights Agreement, dated as of Feb. 19, 1998, was filed as Exhibit 4 to the Registrant's Current Report on Form 8-K dated Feb. 19, 1998.
- 4.1 Indenture, dated as of Aug. 1, 1982, was filed as Exhibit 4.1 to the Registrant's Registration Statement on Form S-3 (No. 333-44397) dated Jan. 16, 1998.
- 4.2 First Supplemental Indenture, dated as of April 1, 1986, was filed as Exhibit 4.2 to the Registrant's Registration Statement on Form S-3 (No. 333-44397) dated Jan. 16, 1998.
- 4.3 Second Supplemental Indenture, dated as of Oct. 1, 1989, was filed as Exhibit 4.3 to the Registrant's Registration Statement on Form S-3 (No. 333-44397) dated Jan. 16, 1998.
- 4.4 Third Supplemental Indenture, dated as of Nov. 1, 1995, was filed as Exhibit 4.4 to the Registrant's Registration Statement on Form S-3 (No. 333-44397) dated Jan. 16, 1998.
- 4.5 Indenture, dated as of June 24, 2005, was filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated June 20, 2005.
- *10 PPG Industries, Inc. Nonqualified Retirement Plan dated as of Jan. 1, 1989, as amended Feb. 21, 2002, was filed as Exhibit 10.1 to the Registrant's Annual Report on Form 10-K for the period ended Dec. 31, 2001.
- *10.1 PPG Industries, Inc. Supplemental Executive Retirement Plan II, as amended, was filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the period ended Sept. 30, 1995.
- *10.2 Form of Change in Control Employment Agreement was filed as Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the period ended Sept. 30, 1995.
- *10.3 PPG Industries, Inc. Directors' Common Stock Plan, as amended Feb. 20, 2002, was filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2003.
- †*10.4 PPG Industries, Inc. Deferred Compensation Plan for Directors, as amended Feb. 15, 2006.
- †*10.5 PPG Industries, Inc. Deferred Compensation Plan, as amended Feb. 15, 2006.
- *10.6 PPG Industries, Inc. Executive Officers' Long Term Incentive Plan was filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated Feb. 16, 2005.
- *10.7 PPG Industries, Inc. Long Term Incentive Plan for Key Employees was filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K dated Feb. 16, 2005.
- *10.8 Form of TSR Share Award Agreement was filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K dated Feb. 16, 2005.
- *10.9 Form of Restricted Stock Unit Award Agreement was filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K dated Feb. 15, 2005.
- *10.10 PPG Industries, Inc. Executive Officers' Annual Incentive Compensation Plan, as amended effective Feb. 18, 2004, was filed as Exhibit 10.1 to the Registrant's Annual Report on Form 10-K for the period ended Dec. 31, 2003.
- †*10.11 PPG Industries, Inc. Incentive Compensation and Deferred Income Plan for Key Employees, as amended Feb. 15, 2006.
- *10.12 PPG Industries, Inc. Management Award and Deferred Income Plan was filed as Exhibit 10.1 to the Registrant's Annual Report on Form 10-K for the period ended Dec. 31, 2002.
- *10.13 PPG Industries, Inc. Stock Plan, dated as of April 17, 1997, as amended July 20, 2005, was filed as Exhibit 10.13 to the Registrant's Quarterly Report on Form 10-Q for the period ended Sept. 30, 2005.
- *10.14 Form of Non-Qualified Option Agreement was filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K dated Feb. 15, 2005.
- *10.15 Form of Non-Qualified Option Agreement for Directors was filed as Exhibit 10.4 to the Registrant's Current Report on Form 8-K dated Feb. 15, 2005.
- †*10.16 Summary of Non-Employee Director Compensation and Benefits.
- *10.17 PPG Industries, Inc. Challenge 2000 Stock Plan was filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2003.
- †12 Computation of Ratio of Earnings to Fixed Charges for the Five Years Ended December 31, 2005.
- †21 Subsidiaries of the Registrant.
- †23 Consent of Independent Registered Public Accounting Firm.
- †24 Powers of Attorney.
- †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.
- †99.1 Market Information, Dividends and Holders of Common Stock.
- †99.2 Selected Financial Data for the Five Years Ended December 31, 2005.

† Filed herewith.

* Management contracts, compensatory plans or arrangements required to be filed as an exhibit hereto pursuant to Item 601 of Regulation S-K.

Signatures

Pursuant to the requirements of Section 13 or 15(d) 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 on February 16, 2006.

PPG INDUSTRIES, INC.
(Registrant)

By William H. Hernandez

W. H. Hernandez, Senior Vice President, Finance

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities indicated on February 16, 2006.

Signature.	Capacity
C. E. Bunch	Director, Chairman of the Board and Chief Executive Officer
W. H. Hernandez	Senior Vice President, Finance (Principal Financial and Accounting Officer)
J.G. Berges	Director
E. B. Davis, Jr.	Director
H. Grant	Director
V. F. Haynes	Director
M. J. Hooper	Director
R. Mehrabian	Director
R. Ripp	Director
T. J. Usher	Director
D. R. Whitwam	Director

By William H. Hernandez

W. H. Hernandez, *Attorney-in-Fact*

Certifications

PRINCIPAL EXECUTIVE OFFICER CERTIFICATION

I, Charles E. Bunch, certify that:

1. I have reviewed this annual report on Form 10-K of PPG Industries, Inc. ("PPG");
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of PPG as of, and for, the periods presented in this annual report;
4. PPG's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for PPG and have:
   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to PPG, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) evaluated the effectiveness of PPG's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
   (d) disclosed in this annual report any change in PPG's internal control over financial reporting that occurred during PPG's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, PPG's internal control over financial reporting; and
5. PPG's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to PPG's auditors and the audit committee of PPG's Board of Directors:
   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect PPG's ability to record, process, summarize and report financial information; and
   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in PPG's internal control over financial reporting.

CBunch

Charles E. Bunch
Chairman of the Board and Chief Executive Officer
February 16, 2006

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report on Form 10-K of PPG Industries, Inc. for the period ended December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Charles E. Bunch, Chief Executive Officer of PPG Industries, Inc., certify to the best of my knowledge, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of PPG Industries, Inc.

CBunch

Charles E. Bunch
Chairman of the Board and Chief Executive Officer
February 16, 2006

Certifications

PRINCIPAL FINANCIAL OFFICER CERTIFICATION

I, William H. Hernandez, certify that:

1. I have reviewed this annual report on Form 10-K of PPG Industries, Inc. ("PPG");
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of PPG as of, and for, the periods presented in this annual report;
4. PPG's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for PPG and have:
   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to PPG, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) evaluated the effectiveness of PPG's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
   (d) disclosed in this annual report any change in PPG's internal control over financial reporting that occurred during PPG's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, PPG's internal control over financial reporting; and
5. PPG's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to PPG's auditors and the audit committee of PPG's Board of Directors:
   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect PPG's ability to record, process, summarize and report financial information; and
   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in PPG's internal control over financial reporting.

William H. Hernandez

William H. Hernandez
Senior Vice President, Finance (Principal Financial and Accounting Officer)
February 16, 2006

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report on Form 10-K of PPG Industries, Inc. for the period ended December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William H. Hernandez, Chief Financial Officer of PPG Industries, Inc., certify to the best of my knowledge, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of PPG Industries, Inc.

William H. Hernandez

William H. Hernandez
Senior Vice President, Finance (Principal Financial and Accounting Officer)
February 16, 2006

Stock Exchange Certifications

Pursuant to the listing requirements of the New York, Philadelphia and Pacific Stock Exchanges, each listed company's chief executive officer must annually certify that they are not aware of any violation by the company of the applicable stock exchange's corporate governance listing standards. These certifications are presented below.

NEW YORK STOCK EXCHANGE ANNUAL CEO CERTIFICATION (Section 303A.12(a))

As the Chief Executive Officer of PPG Industries, Inc., and as required by Section 303A.12(a) of the New York Stock Exchange Listed Company Manual, I hereby certify that as of the date hereof I am not aware of any violation by the Company of NYSE's Corporate Governance listing standards, other than has been notified to the Exchange pursuant to Section 303A.12(b) and disclosed as Exhibit H to the Company's Section 303A Annual Written Affirmation.

Charles E. Bunch
President and Chief Executive Officer
May 16, 2005

PHILADELPHIA STOCK EXCHANGE ANNUAL CEO CERTIFICATION PURSUANT TO PHLX RULE 867.12(a)

As the Chief Executive Officer of PPG Industries, Inc., and as required by Philadelphia Stock Exchange ("Phlx") Rule 867.12(a), I hereby certify that as of the date hereof I am not aware of any violation by the Company of Phlx's corporate governance listing standards.

Charles E. Bunch
President and Chief Executive Officer
May 16, 2005

PACIFIC STOCK EXCHANGE ANNUAL CEO CERTIFICATION (RULE 5.3(m))

As the Chief Executive Officer of PPG Industries, Inc., and as required by Rule 5.3(m) of PCX Equities, Inc. ("PCXE"), I hereby certify that as of the date hereof I am not aware of any violation by the Company of PCXE's Corporate Governance listing standards, other than has been disclosed to PCXE pursuant to Rule 5.3(m) and described on Exhibit C to the Company's Rule 5.3(k)(5)(D) Annual Written Affirmation.

Charles E. Bunch
President and Chief Executive Officer
May 16, 2005

Officer Changes

The following are officer changes since March 2005:

Raymond W. LeBoeuf, chairman and chief executive officer, retired July 1, 2005, after nearly 25 years of service with PPG. Charles E. Bunch, president and chief operating officer, was elected president and chief executive officer effective March 31, 2005, and became chairman of the board and chief executive officer effective July 1, 2005.

A series of appointments became effective May 1, 2005. J. Rich Alexander was named senior vice president, coatings, previously having been vice president, industrial coatings. Garry A. Goudy was named senior vice president, automotive aftermarket, previously having been vice president, automotive aftermarket. Victoria M. Holt was named senior vice president, glass and fiber glass, previously having been vice president, fiber glass. Kevin F. Sullivan was named senior vice president, chemicals, previously having been vice president, chemicals. William A. Wulfsohn was named senior vice president, coatings, and managing director, PPG Europe, previously having been vice president, coatings, Europe, and managing director, PPG Europe. Maurice V. Peconi was named vice president, corporate development and services, previously having been vice president, corporate development.

Douglas B. Atkinson, vice president, investor relations, retired July 1, 2005, after more than 41 years of service with PPG. Vincent J. Morales was named director, investor relations, effective Jan. 1, 2005, previously having been director of finance and accounting for glass, fiber glass and chemicals.

Barry J. McGee, vice president, automotive OEM glass, retired effective July 1, 2005, after more than 34 years with PPG. Joseph Stas, previously having been director, strategic operations, fiber glass, was appointed to succeed McGee effective the same date.

David E. Sharick was named director, global finance and business development, automotive aftermarket. He had been vice president, automotive replacement glass.

Trademarks

Responsible Care is a trademark of the American Chemistry Council. *Coatings Care* is a trademark of the National Paint & Coatings Association.

Lucite, which is used under license by PPG, is a trademark of E.I. du Pont de Nemours & Co.

Transitions is a trademark of Transitions Optical, Inc.

LYNX Services is a service mark of LYNX Services, L.L.C.

Dreamliner is a trademark of Boeing.

These trademarks of PPG are used in this report: *CeramiClear, CertifiedFirst, CR39, Iowa, Monarch, Olympic, Pittsburgh, Porter, PPG HPC, PPG logo, PPG PROSTARS, Solarban, Sterling, SunClean, Sungate, Teslin, Trivex.*

Eleven-Year Digest

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Statement of Income											
Net sales	10,201	9,513	8,756	8,067	8,169	8,629	7,995	7,751	7,631	7,466	7,311
Gross profit (%)	36.5	36.9	36.9	37.2	37.1	38.2	38.0	39.1	39.1	38.5	38.9
Income (loss) before income taxes[1]	878	1,005	793	(67)	634	989	945	1,267	1,149	1,215	1,248
Income tax expense (benefit)	282	322	293	(7)	247	369	377	466	435	471	480
Income (loss) before accounting changes[1]	596	683	500	(60)	387	620	568	801	714	744	768
Cumulative effect of accounting changes[2]	—	—	(6)	(9)	—	—	—	—	—	—	—
Net income (loss)[1]	596	683	494	(69)	387	620	568	801	714	744	768
Return on average capital (%)[1][3][4]	13.8	15.7	12.9/13.0	.2/.3	8.4	12.1	12.7	19.6	19.1	20.3	21.6
Return on average equity (%)[1][3]	17.6	21.6	20.2/20.4	(2.5)/(2.2)	12.6	19.7	19.3	29.4	28.8	29.5	28.8
Earnings (loss) per common share before accounting changes[1]	3.51	3.98	2.94	(0.36)	2.30	3.60	3.27	4.52	3.97	3.96	3.80
Cumulative effect of accounting changes on earnings (loss) per common share	—	—	(0.03)	(0.05)	—	—	—	—	—	—	—
Earnings (loss) per common share[1]	3.51	3.98	2.91	(0.41)	2.30	3.60	3.27	4.52	3.97	3.96	3.80
Average number of common shares	169.6	171.7	169.9	169.1	168.3	172.3	173.8	177.0	179.8	187.8	202.0
Earnings (loss) per common share – assuming dilution[1]	3.49	3.95	2.89	(0.41)	2.29	3.57	3.23	4.48	3.94	3.93	3.78
Dividends	316	307	294	287	283	276	264	252	239	237	239
Per share	1.86	1.79	1.73	1.70	1.68	1.60	1.52	1.42	1.33	1.26	1.18
Balance Sheet											
Current assets	4,019	4,054	3,537	2,945	2,703	3,093	3,062	2,660	2,584	2,296	2,275
Current liabilities	2,349	2,221	2,139	1,920	1,955	2,543	2,384	1,912	1,662	1,769	1,629
Working capital	1,670	1,833	1,398	1,025	748	550	678	748	922	527	646
Property (net)	2,304	2,471	2,566	2,632	2,752	2,941	2,933	2,905	2,855	2,913	2,835
Total assets	8,681	8,932	8,424	7,863	8,452	9,125	8,914	7,387	6,868	6,441	6,194
Long-term debt	1,169	1,184	1,339	1,699	1,699	1,810	1,836	1,081	1,257	834	736
Shareholders' equity	3,053	3,572	2,911	2,150	3,080	3,097	3,106	2,880	2,509	2,483	2,569
Per share	18.47	20.77	17.03	12.69	18.28	18.41	17.86	16.46	14.11	13.57	13.23
Other Data											
Capital spending[5]	379	311	220	260	301	676	1,833	877	829	489	454
Depreciation expense	340	357	365	366	375	374	366	354	348	340	332
Quoted market price											
High	74.73	68.79	64.42	62.84	59.75	65.06	70.75	76.63	67.50	62.25	47.88
Low	55.64	54.81	42.61	41.41	38.99	36.00	47.94	49.13	48.63	42.88	34.88
Year end	57.90	68.16	64.02	50.15	51.72	46.31	62.56	58.19	57.13	56.13	45.75
Price/earnings ratio[6]											
High	21	17	22	25	26	18	22	17	17	16	13
Low	16	14	14	17	17	10	15	11	12	11	9
Average number of employees	30,800	31,800	32,900	34,100	34,900	36,000	33,800	32,500	31,900	31,300	31,200

All amounts are in millions of dollars except per share data and number of employees.

(1) *Includes in 2002 an aftertax charge of $484 million, or $2.85 a share, representing the estimated cost of the asbestos settlement.*

(2) *The 2003 change in the method of accounting relates to the adoption of SFAS No. 143, "Accounting for Asset Retirement Obligations." The 2002 change in the method of accounting relates to the adoption of SFAS No. 142, "Goodwill and Other Intangible Assets." Net income and earnings per share prior to the adoption of SFAS No. 142 on Jan. 1, 2002, included amortization of goodwill and trademarks with indefinite lives which, net of tax, was (in millions) $32, $32, $29 and $14 for 2001, 2000, 1999 and 1998, respectively. Excluding these amounts, net income would have been $419 million, $652 million, $597 million and $815 million and earnings per share would have been $2.49, $3.77, $3.40 and $4.55 for 2001, 2000, 1999 and 1998, respectively. Amounts for such amortization in periods prior to 1998 were not material.*

(3) *Return on average capital and return on average equity for 2003 and 2002 were calculated and presented inclusive and exclusive of the cumulative effect of the accounting changes.*

(4) *Return on average capital is calculated using pre-interest, aftertax earnings and average debt and equity during the year.*

(5) *Includes the cost of businesses acquired.*

(6) *Price/earnings ratios were calculated based on high and low market prices during the year and the respective year's earnings per common share. The 2003 and 2002 ratios were calculated and presented exclusive of the cumulative effect of the accounting changes. The 2002 ratio also excludes an aftertax charge of $484 million representing the estimated cost of the asbestos settlement.*

PPG Shareholder Information

World Headquarters
One PPG Place
Pittsburgh, PA 15272, USA
Phone (412) 434-3131
Internet: *www.ppg.com*

Annual Meeting of Shareholders
Thursday, April 20, 2006, 11 A.M.
East Club Lounge, Heinz Field
900 Art Rooney Avenue
Pittsburgh, PA 15212

Transfer Agent & Registrar
Mellon Investor Services, LLC
Newport Office Center VII
480 Washington Blvd.
Jersey City, NJ 07310
PPG-dedicated phone (800)648-8160
E-mail inquiries: shrrelations@mellon.com

As a convenience to our shareholders, by logging on to Investor Service Direct at *www.melloninvestor.com/isd*, individuals can access their account information, view 1099-DIVs, buy or sell shares pursuant to the company's plan, update an address and do more.

Specific questions regarding the transfer or replacement of stock certificates, dividend check replacement, or dividend tax information should be made to Mellon Investor Services directly at (800)648-8160.

Investor Relations

General PPG shareholder information may be obtained from Vince Morales, Director, Investor Relations, by calling (412) 434-3318, or by writing PPG Industries, Investor Relations, One PPG Place, 40E, Pittsburgh, PA 15272.

Publications Available to Shareholders

Copies of the following publications will be furnished without charge upon written request to Corporate Communications, 7W, PPG Industries, One PPG Place, Pittsburgh, PA 15272.

PPG Industries Blueprint – a booklet summarizing PPG's vision, values, strategies and outcomes.

PPG's Global Code of Ethics – an employee guide to corporate conduct policies, including those concerning personal and business conduct; relationships with customers, suppliers and competitors; protection of corporate assets; responsibilities to the public; and PPG as a global organization.

PPG's Code of Ethics for Senior Financial Officers – a supplement to PPG's Global Code of Ethics that is applicable to PPG's principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions.

PPG's Environment, Health and Safety Policy – a statement describing the Company's commitment, worldwide, to manufacturing, selling and distributing products in a manner that is safe and healthful for its employees, neighbors and customers, and that protects the environment.

PPG's Environment, Health and Safety Progress Report – a report of progress during the year with respect to the Company's environment, health and safety commitment.

Dividend Information

PPG has paid uninterrupted dividends since 1899. The latest quarterly dividend of 47 cents per share, voted by the board of directors on Jan. 19, 2006, results in an annual dividend rate of $1.88 per share.

Stock Exchange Listings

PPG common stock is listed on the New York, Pacific and Philadelphia stock exchanges (symbol: PPG).

Direct Purchase Plan with Dividend Reinvestment Option

This plan is offered as a service and convenience to shareholders. It allows purchase of shares of PPG stock directly through the plan, as well as dividend reinvestment, direct deposit of dividends and safekeeping of PPG stock certificates.

For more information, call Mellon Investor Services at (800)648-8160.

Quarterly Stock Market Price

	2005			2004		
Quarter Ended	*High*	*Low*	*Close*	*High*	*Low*	*Close*
March 31	$74.73	$64.58	$71.52	$64.60	$54.81	$58.30
June 30	72.10	62.62	62.76	62.89	56.13	62.49
Sept. 30	66.52	57.41	59.19	62.75	56.20	61.28
Dec. 31	62.19	55.64	57.90	68.79	58.89	68.16

The number of holders of record of PPG common stock as of Jan. 31, 2006, was 23,389, as shown on the records of the Company's transfer agent.

Dividends

	2005		2004	
Month of Payment	*Amount (Millions)*	*Per Share*	*Amount (Millions)*	*Per Share*
March	$ 78	$ .45	$ 75	$ .44
June	81	.47	78	.45
September	79	.47	77	.45
December	78	.47	77	.45
Total	$316	$1.86	$307	$1.79

PPG Industries

PPG Industries, Inc.
One PPG Place
Pittsburgh, PA 15272
USA
412-434-3131
www.ppg.com

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