

Solving problems for our customers worldwide

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PPG

About PPG

A diversified global manufacturer, PPG Industries is a leading supplier of products for manufacturing, building, processing and numerous other world industries. Established in 1883, the Pittsburgh-based company makes decorative and protective coatings, flat glass and fabricated glass products, continuous-strand fiber glass, and industrial and specialty chemicals.

PPG operates 72 major manufacturing facilities in Canada, China, France, Germany, Italy, Mexico, the Netherlands, Spain, Taiwan, the United Kingdom and the United States. To benefit its customers through leadership in technology, the Company conducts research and development at 11 facilities worldwide.



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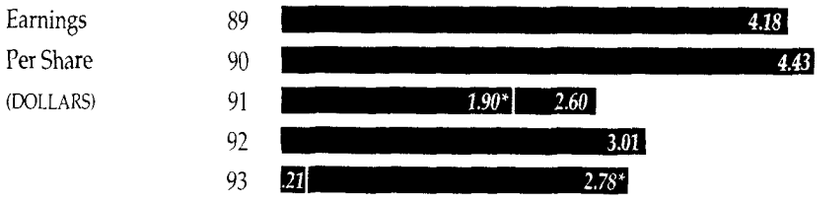
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AVERAGE SHARES OUTSTANDING AND ALL DOLLAR AMOUNTS EXCEPT PER SHARE DATA ARE IN MILLIONS		1993	CHANGE	1992
For the Year	Net sales	$ 5,754	-1%	$ 5,814
	Income before effect of accounting changes	$ 295	-8%	$ 319
	Net income	$ 22	-93%	$ 319
	Earnings per share before effect of accounting changes	$ 2.78	-8%	$ 3.01
	Earnings per share	$ .21	-93%	$ 3.01
	Dividends per share	$ 2.08	11%	$ 1.88
	Earnings as percent of average shareholders' equity (Return on Equity, or ROE)	10.7%*	-9%	11.8%
	Operating cash flow	$ 741	11%	$ 670
	Capital spending	$ 293	4%	$ 283
	Research and development	$ 218	-1%	$ 221
	Average shares outstanding	106.3	—	106.1
	Average number of employees	31,400	-3%	32,300
At Year End	Working capital	$ 745	7%	$ 698
	Shareholders' equity	$ 2,473	-8%	$ 2,699
	Shareholders (at Jan. 31, '93, '94)	33,909	-5%	35,644









*Excludes effect of accounting changes.

sheet. Debt was reduced, bringing our ratio of debt to total capital below our target of 33% — to 31%.

of employee-owners.

Vin also was instrumental in developing and implementing PPG's Blueprint for the Decade, 1985-1994, which set ambitious goals for our company. Among the achievements stemming from that strategic plan was a return on equity, excluding the effect of the 1993 accounting changes, that averaged 16% for the nine-year period, up from 13% in the previous decade. In addition, PPG's productivity gain averaged 5% yearly, versus the goal of 3%. I am pleased that Vin will remain a member of our board so that we can continue to benefit from his good judgment and broad business perspective.

In 1993 two members retired from the board—Douglas D. Danforth, retired chairman and CEO of Westinghouse Electric Corp., who had served since 1981, and John W. Morrison, retired chairman and CEO of Norwest Corp., who had been a director since 1983. They gave us valuable service as part of a skilled and dedicated board.

From a personal standpoint, I was delighted to assume the stewardship of a strong and well-run organization with a solid blue-chip heritage. PPG is a 110-year-old company with a valued reputation for integrity, dedication to the customer, technical innovation and quality. It is a company that has been on the Fortune magazine "500" list since the list's inception in 1955, and a Fortune "100" company for 27 of the 39 years the list has been compiled.

Moreover, PPG has increased shareholder dividends for the past 22 consecutive years, and has paid them without interruption since 1899. By any standard, that is a remarkable record of consistent achievement.

New "Blueprint" Set for Unveiling

Indeed, there is much my predecessors can be justly proud of having accomplished. But, today, we are faced with a complex and ever-changing business environment. As a result, we have reexamined our goals and strategies as expressed in PPG's Blueprint for the Decade.

These guidelines have served us well, but it is again time to look forward. Our new Blueprint for the Future will not differ radically from the present plan but will build on it. As would be expected, our new document will stress the PPG Quality Process, which is the underpinning of the Company, and unswerving dedication to our customers. As we approach the end of the 20th century, we see particular opportunities to build on our existing technologies and strengthen marketing in our existing businesses.

All Major Groups Provide Solid Operating Earnings

All three of our major businesses made solid contributions to our operating earnings in 1993. Once again, the Coatings & Resins Group led the way. Business improved in original automotive coatings, auto refinishes and industrial coatings. In addition, in early 1994, we acquired the European original automotive coatings business of Netherlands-based Akzo. This acquisition strengthens our business in Germany, where we had a somewhat limited presence, and expands our overall European leadership in automotive finishes.

In the Glass Group, the process of consolidation and of improving our productivity continues. In addition, although fiber glass remains affected by weak worldwide economic conditions, both sales and profits rose in 1993.

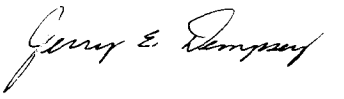
For the Chemicals Group, rising raw material and energy costs continue to affect the chlor-alkali business. However, thanks to productivity improvements and efficiencies resulting from the ambitious modernization program of the 1980s, our chlor-alkali business generated respectable earnings, given that 1993 was a low point in its business cycle. At the same time, our expanding line of specialty chemicals, and particularly the newest generation of *Transitions* lenses for prescription eyewear, has been performing very well.

Early in the fourth quarter, we announced our intention to sell our medical electronics business, which we had assembled in the mid-1980s. In December, a letter of intent was signed for the sale of all of the business except for the blood gas sensor operation, which is headquartered in La Jolla, Calif. The medical electronics business no longer fits our strategies and objectives, and we decided to concentrate our resources on our successfully established core businesses.

Financial Results Should Improve in '94

And what of 1994? We expect the recovery in North America to continue at a modest rate, and are confident that we will continue to perform well in that economic environment. In Europe, the prognosis is for little or no economic improvement for much of the year.

On the whole, however, it appears that 1994 will be a year of steadily improving performance for your company. There are 31,400 PPG people around the world dedicated to making it so, and I am confident that they will.



Jerry E. Dempsey
Chairman of the Board
and Chief Executive Officer
January 20, 1994

Customer Focus Marks Our '93 Performance

We concentrated our energies in 1993 on strengthening the Company's competitive posture. Toward that goal, our 31,400 people worldwide worked through the PPG Quality Process to supply our customers with products that met their needs exactly and lowered the cost of supplying these products. Through their efforts, we improved quality and reduced manufacturing and distribution costs.

The PPG Quality Process calls for the contributions of all of our people, in every job around the world, to focus on our customers and conform to their requirements, to look continually for improvements and to do things right the first time, every time.

Contributing to our preparations for the future were activities to broaden our diversity. Toward that end, we strengthened our standing in markets beyond North America and achieved greater penetration of automotive aftermarkets for replacement glass and refinishes.

PPG Continues "Blueprint" Progress

With respect to PPG's Blueprint for the Decade, 1985-1994, which outlines our objectives and strategies, our numerical goals compared with results for 1993 and the nine-year period are as follows.

- Attain an average return on equity, over the long-term business cycle, of 18%. Our ROE was 10.7% in 1993, excluding the effects of accounting changes. The average for the nine Blueprint years amounted to 16.3%.
- Increase the productivity of each employee by at least 3% a year. Productivity increased 7% for the year, with a nine-year average of 5%.
- Produce real sales volume growth of 4% yearly. For 1993 real sales volume growth totaled 4%, and for the entire Blueprint period it averaged 2% per year.

In addition, the performance of our stock has continued to surpass the leading industrial indices. In 1993 the aggregate return for PPG stock, consisting of reinvested dividends and appreciation, totaled 19%, compared with 10% for the Standard & Poor's index of 500 publicly traded stocks.

Investment in Technology Remains High

Toward our goal of leadership in technology, the Company spent $218 million on research and development in 1993. Our emphasis, once more, was on improving process efficiency. However, product development also continues to receive funding as required by changing customer needs.

Among products that were introduced in 1993 or that achieved broader customer acceptance were the environmentally compatible *Envirobase* waterborne base coats for autos and the economical, high-quality *Omnicoat* automotive refinishes. Also included were *Intercept* energy-efficient glass units, for which PPG licenses the technology to window manufacturers, new-generation *Sungate* 500 coated low-emissivity glass for residential buildings, energy-saving *Solargreen* tinted glass and *Solarcool* coated *Azurlite* glass for commercial buildings, as well as *GL-20* solar privacy glass for vans and minivans. For recycling of laser-printed paper, the *Sanshik* de-inking system, which was introduced several years ago, continues to achieve growing use.

Global Expansion Provides Needed Diversity

Opportunities for profitable growth continue to be identified, and in 1993 we undertook a number of important actions. In our coatings business, we entered a joint venture in Portugal to supply coatings to the Ford-Volkswagen minivan facility. Additionally, during the year, we acquired the coil coatings business of ICI of the United Kingdom and, in early 1994, the European original automotive coatings business of Netherlands-based Akzo.

In our glass business, we are building a joint-venture float glass plant in China, with production to begin in early 1995.

In chemicals, we are building a facility in Ireland to produce *Transitions* Comfort Lenses, which are experiencing high sales growth. Further, we announced plans to build a second joint-venture facility for silicas production in China.

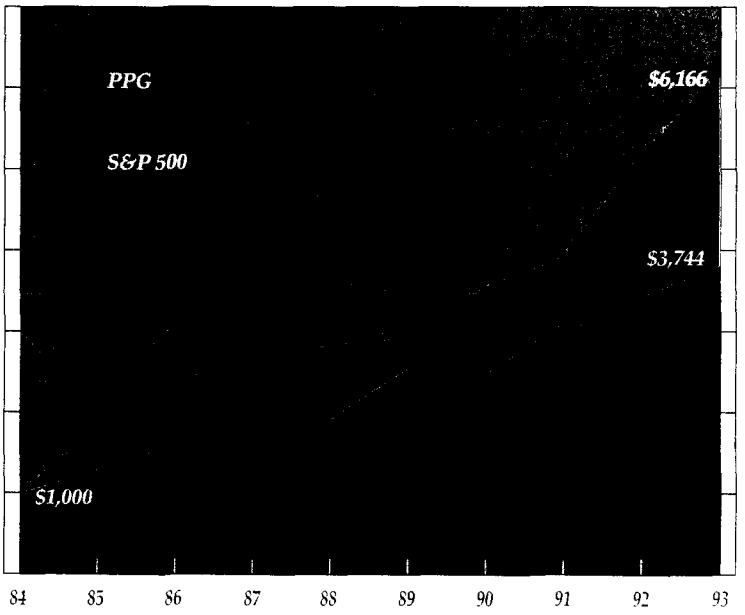
Environmental Priority Yields Results

Our work on environmental protection continues to receive high priority in each of our business units, and the Company recorded significant progress from this effort. In 1992, the last full year reported, PPG's North American facilities generated 33,000 fewer tons of waste than in the prior year, including everything from trash to process residues. Furthermore, the amount of waste generated per unit of production dropped 17.8%. PPG's long-standing commitment to waste minimization also covers voluntary participation in the U.S. Environmental Protection Agency's industrial toxics reduction program. The program's goal is to cut the waste generated from the use of designated materials by 50% from 1988 to the end of 1995, and we had achieved a 66% reduction by the end of 1992.

Our operating groups — Coatings & Resins, Glass and Chemicals — and corporate staff also are focusing a high level of activity on the *Responsible Care* initiative developed by the Chemical Manufacturers Association. The initiative calls for constant progress in waste reduction as well as in environmental, health and safety performance. We are continuing to improve our performance with respect to all facets of the initiative, and will publish, as for the previous year, a 1993 environmental, health and safety annual report.

'94 Will See Ongoing Customer Focus, Productivity Gains

We have planned for additional actions in 1994 and following years to meet our customers' changing needs and to achieve higher productivity in all of our major product lines. Our overriding goal is to position PPG to achieve excellent financial performance in relation to other companies in the industries we serve, regardless of the state of world economies.

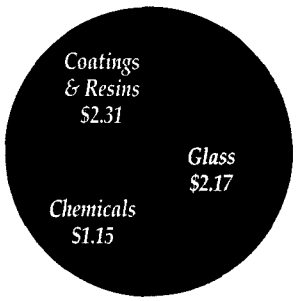


Stock appreciation and dividend reinvestment for PPG vs. Standard & Poor's index of 500 publicly traded stocks at year-end, based on investment of $1,000 in 1984.

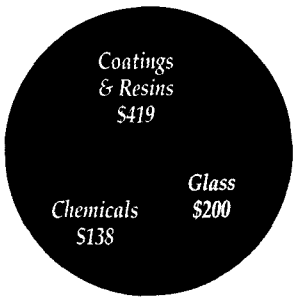
PPG's Business Array

		Business Area Size	*Projected Annual Industry Growth*
Coatings and Resins *Guarding against fire damage is the* Pitt-Char XP *protective coating being applied by Tore Johannson to oil-rig equipment at a shipyard in Stavanger, Norway. The PPG coating swells when exposed to high temperatures and forms a protective char that remains in place under severe conditions.*		$42-44 billion worldwide	1-2%
Glass *Spacious windows by Milgard Windows of Seattle give year-round energy efficiency and a beautiful view for this Sacramento, Calif., home. The insulating glass units contain aqua-blue* Azurlite *glass, which transmits high visible light but restricts infrared heat energy in summer, and* Sungate *500 low-emissivity coated glass, which improves heat retention in winter.*		Flat glass, $10-15 billion worldwide; continuous-strand fiber glass, $3-4 billion worldwide	Flat glass, 2-3%; continuous-strand fiber glass, 4%
Chemicals *Huge bales of laser-printed paper are recycled into fresh sheets such as those held by Mike Zakrzewski, de-ink mill team advisor, left, of Cross Pointe Paper Corp. and PPG's Steve Jose, account representative, at the Park Falls, Wis., paper mill. The* SansInk *chemical de-inking system by PPG makes it possible to remove the laser print.*		$800 billion worldwide	3-4%

Net sales (billions)



*Operating income (millions)**



**Does not include the Biomedical Systems business, real estate activities or the effects of business divestitures and realignments.*

Major Products	*Major Uses*	*Major World Competitors (and Headquarters)*	*PPG's Competitive Position*
Automotive coatings Industrial coatings Architectural finishes Metal pretreatment chemicals Adhesives Sealants	Automotive manufacturing and repair Commercial and residential construction and maintenance Factory finishing of various industrial, construction and consumer products	Akzo (Netherlands) — to become Akzo Nobel in 1994 BASF (Germany) Du Pont (U.S.) Hoechst (Germany) ICI (United Kingdom) Sherwin-Williams (U.S.)	World's leading supplier of automotive and industrial finishes Major supplier of architectural finishes
Flat glass Automotive glass Fabricated aircraft glass Fabricated architectural glass Coated glass products Continuous-strand fiber glass reinforcements and textile yarns Chopped-strand fiber glass Fiber glass mat for *Azdel* sheet composites	Automotive original transparencies Automotive replacement transparencies Aircraft transparencies Glass for commercial and residential construction Glass for industrial markets Furniture and mirrors Fiber glass for transportation, construction, electronics, recreational and industrial markets	*Flat Glass* Asahi Glass (Japan, including AFG Industries in U.S.) Ford Motor Co. Glass Division (U.S.) Guardian Industries (U.S.) Nippon Sheet Glass (Japan) Pilkington Bros. (United Kingdom, including LOF in U.S.) Saint-Gobain (France) *Fiber Glass* Owens-Corning Fiberglas (U.S.) Saint-Gobain (France, including Vetrotex CertainTeed in U.S.)	Among top four global producers of float glass Major global supplier of automotive transparencies World's leading supplier of aircraft transparencies World's second largest producer of continuous-strand fiber glass
Chlorine Caustic soda Chlorine derivatives Precipitated silicas Prescription photochromic lenses Phosgene derivatives Optical resins Sulfur chemicals Swimming-pool chemicals Specialty surfactants Flame-retardant concentrates	Chemical manufacturing Soaps and detergents Pulp and paper Water treatment Ophthalmic lenses Elastomeric compounding Personal-care products Industrial applications	Akzo (Netherlands) — to become Akzo Nobel in 1994 Degussa (Germany) Dow Chemical (U.S.) ICI (United Kingdom) Occidental Petroleum (U.S.) Olin (U.S.) Solvay (Belgium) Vulcan Materials (U.S.)	World's third largest producer of chlorine, caustic soda World's leading producer of optical resins

Coatings Solves Customer Problems, Boosts Efficiency



Scrutinizing the finish on a Mitsubishi Eclipse in a special tunnel of intense lights is Tim Schaefer, production associate, part of the manufacturing inspection team at Diamond-Star Motors' assembly plant in Normal, Ill. PPG supplies the plant with a full line of finishes, including electrodeposition primers, anti-chip coatings, top coats and Diamond Coat *high-gloss clear coating, which resists acid rain.*

Developing and supplying products that solve environmental, cost and performance problems for customers worldwide is at the heart of our strategy for PPG's coatings and resins business. In addition, for further improvements in cost efficiency, we continue to apply the PPG Quality Process to reduce cycle time—the time from receipt of an order to shipment of a product. This allows us to cut costs, reduce inventory and provide faster service to our customers. In some of our plants, cycle time has been reduced as much as 70%.

Auto Finishes Expand in Europe

Global market penetration was the focus of our automotive finishes activity in 1993. In Portugal, PPG formed a majority-owned venture with Bollig & Kemper of Germany to become the single-source coatings supplier and manage the paint shop for the Ford and Volkswagen partnership to produce minivans. Scheduled for production in late 1994, the minivan plant will build about 180,000 units annually.

In addition, in January 1994, we acquired the European original automotive coatings business of Akzo of the Netherlands. The acquisition expands PPG's position as the largest producer of automotive finishes in Europe, in addition to the United States. A priority for 1994 is to integrate the business into our existing automotive finishes structure.

Early in 1994, we will begin operation of the first phase of a new coatings plant in San Juan del Rio, Mexico, which eventually will replace our facility in a suburb of Mexico City. Initial production will consist of electrodeposition primer coatings and waterborne base coats for the automotive market. About 90 miles northeast of Mexico City, the advanced-technology facility is closer to our customers and provides ample room for expansion.

Also noteworthy in 1993, we strengthened our manufacturing position in waterborne base coats, which will become more critical to our customers as environmental regulations continue to tighten. At the Clarkson, Ontario, Canada, plant, a new unit completed its first year of operation to make *Envirobase* waterborne base coats. The coatings are being supplied to General Motors' Oshawa, Ontario, assembly plant for pickup trucks and to the GM Saturn plant in Spring Hill, Tenn. PPG also makes waterborne base coats at its Cleveland plant.

Refinishes Aim for High-Volume Markets

Our activities in automotive refinishes focused on working in partnership with our distributors to service the needs of collision-repair centers and assist them in becoming more productive and cost-effective. In addition, we are concentrating on expansion in the promising fleet finishes segment. Our product focus in these coatings is on durability, color matching, compliance with environmental standards and customer support.

For the economy portion of the market, PPG introduced *Omnicoat* refinishes. The coatings provide good value along with a superior finish.

In an expansion of customer support, we opened three new training centers for automotive refinishers — in Hartford, Conn., Toronto and San Francisco. This brings the total to 37 centers globally.

Technology Permits Custom Industrial Coatings

In industrial coatings, PPG is working to tailor its coatings to meet the specific needs of each customer. This is possible because we have established a strong position in all major technologies: liquid coatings, electrodeposition, powder coatings and radiation-cured coatings. The coatings are applied to such diverse products as appliances, cans, railway cars, metal coils for building panels, and fabricated metal and wood components for various end products.

During the year, as well, we purchased the European coil coatings business of United Kingdom-based ICI. The purchase, which did not include any facilities, allows the Company to expand support activities for customers and to prepare to meet their future needs.

Architectural Finishes Record Strong Upturn

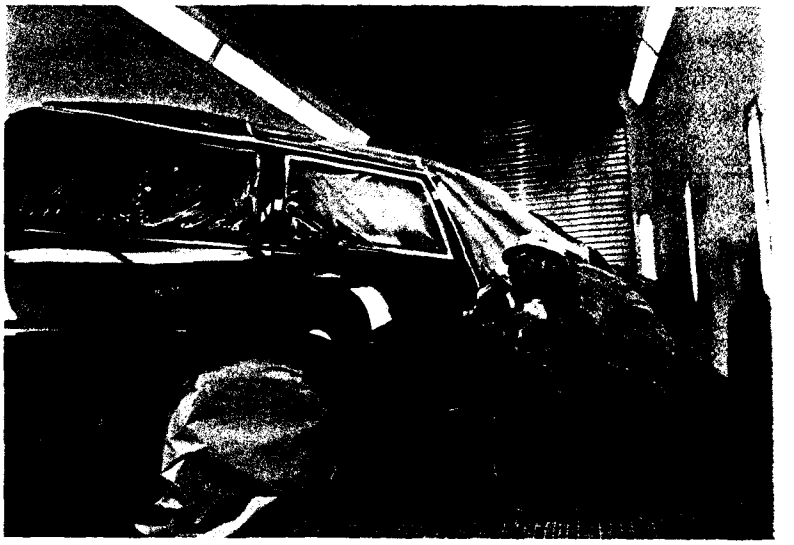
A dramatic earnings turnaround was accomplished during the year in PPG's architectural finishes. The gain resulted in part from our work to reposition the product lines with respect to the market. *Pittsburgh* paints are being marketed as a premium label for independent dealers, while *Lucite* finishes are being distributed through home centers. Regaining market leadership were *Olympic* stains, which are distributed through all channels, with significant penetration in home centers. In addition, we have restructured and consolidated our manufacturing, marketing and distribution, which has reduced costs significantly.

In 1993, as well, PPG introduced an innovative program to enhance opportunities for high-volume sales of *Pittsburgh* paints through independent dealers. Established initially for 50 dealers, the Access program provides for cost-competitive pricing for sales to larger painting contractors.



Blue coatings enhance the appearance of beverage bottles produced at the Vitro Envases Norteamerica plant in Monterrey, Mexico. The PPG colored coatings are supplied by Brandt Technologies of Windsor, N.Y., which also provided much of the plant's coating equipment. Coating the bottles rather than using tinted glass reduces cost and allows for easier recycling.

Among the first European facilities to use waterborne refinishes, in early 1994, will be the Werner Müller automotive repair center at Burgebrach, Germany, near Nurnberg, where master painter Harald Hoffmann sprays on a PPG finish. The waterborne refinishes will help operations to comply with increasingly stringent environmental regulations.

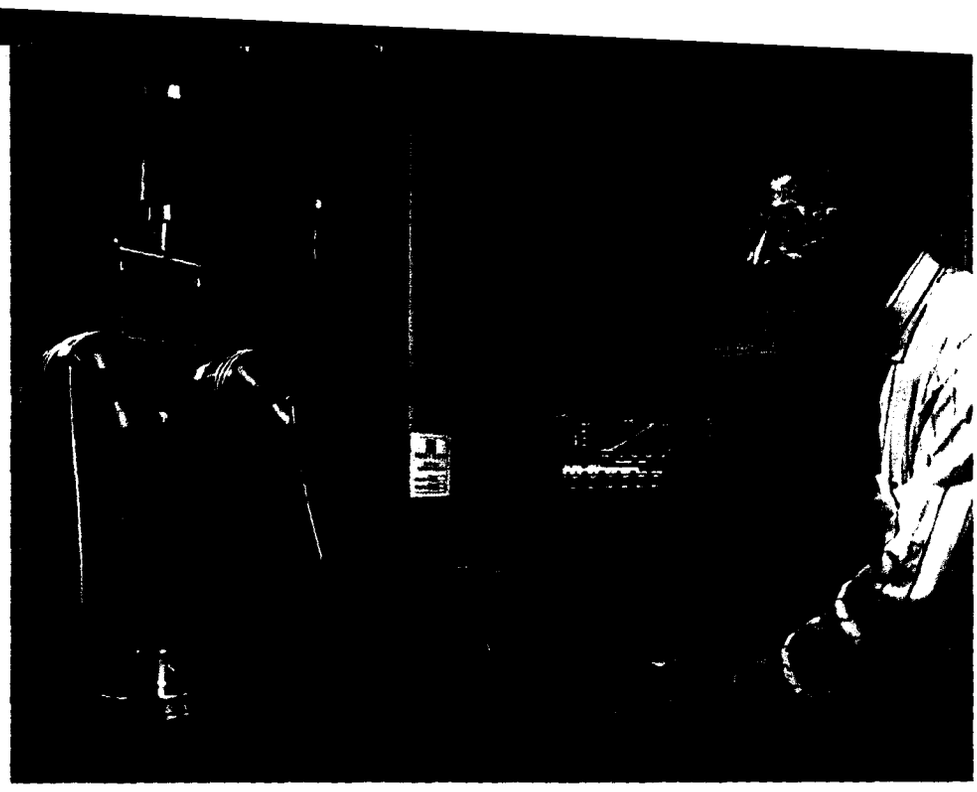


Global Integration, Expansion Top '94 Goals

In the coming year, our coatings and resins business will focus on three critical undertakings. The first is to continue the integration of our units in France, Germany, Italy, Spain and the United Kingdom in order to operate more effectively on a pan-European basis, for improved productivity and other benefits, while maintaining customer orientation on a national basis. Our second most important endeavor is to expand our coatings operations in the Asia-Pacific region. We are far along in establishing a manufacturing venture in China and are exploring business ventures in other countries in the region. As our third major goal, we intend to achieve additional sales and earnings growth in architectural finishes during 1994.

Additionally, PPG's coatings are official products of the 1994 World Cup soccer championship series, being held for the first time in the United States. The events will support our marketing efforts for coatings in the increasingly important European community.

Glass Keys on Customers, Technology, Cost, Safety



Test of strength of HercuFlex *fiber glass strand is the drum clamp apparatus employed by Mikhail Girgis, staff scientist, at PPG's O'Hara Township, Pa., research and development center. The material's high tensile strength, up to twice that of conventional fiber glass, makes it desirable for such uses as reinforcing fiber optic and copper telephone cables.*

Serving our customers, developing needed process and product technology, being a low-cost producer and focusing constantly on safety remain at the core of our Glass Group business strategy. In 1993 we made considerable progress in each of these areas.

The financial performance of our glass and fiber glass businesses also was aided by a solid recovery in major North American markets, with additional gains in market strength expected in 1994. For Europe, we do not foresee a market recovery until 1995.

Productivity Gains Aid Fiber Glass Performance

Our fiber glass business improved in North America, although it was disappointing in Europe. Nevertheless, European operations were profitable — a significant accomplishment in view of the recency of our investment there. In both Europe and North America, operating results were higher than in 1992 as the productivity and assets-reduction programs initiated over the past two years bore fruit. Included was extremely tight inventory control in North America, with a similar undertaking being pursued in Europe.

In addition, we improved our supply position with key compounders of reinforced plastics in Europe and North America. The materials are used in automotive and other vehicles, shelters and numerous other products.

Also contributing to higher results was an initiative to encourage broad-based employee involvement at our Lexington, N.C., plant, which yielded an average of well over one suggestion for improvement per person in 1993. A similar initiative has begun at the Shelby, N.C., facility.

In preparation for market rebounds, we continued strong research and development programs. Among products introduced in 1993 was a new generation of fine yarns that improve the quality of thin, multilayer printed circuit boards for electronic applications. Additionally, products developed during the past several years are finding growing applications, including *HercuFlex* high-strength fiber glass reinforcement. The product is receiving wide use to strengthen plastic supports for optical and telephone cables.

Automotive Glass Stresses Quality, Cycle-Time Cuts

In our automotive glass business, for both original and replacement products, we have embarked on a process called Value Focus, which is designed to improve the business unit's performance dramatically. It includes attention to enhancing product quality and to reducing cycle time — the time from receiving an order to shipping the product — to achieve cost savings.

In automotive replacement glass, efficient distribution is becoming the hallmark of our success. In North America, we have developed a highly efficient distribution system consisting of 125 branches—more than any competitor. Our branches enable us to provide overnight delivery, even of low-demand products, to hold down inventory costs for installers, who give PPG their top rating.

Additionally, we created a majority-owned company, LYNX Services from PPG, to simplify access to the insurance market for automotive replacement glass installers. Starting up in January 1994, the nationwide sales and marketing organization will call on insurance companies on behalf of the installers, and will provide an electronic connection for prompt invoicing and payment. Installers will receive marketing services for insurance accounts, trainin

and certification, electronic data processing services, and computer software options to facilitate claims submission and billing.

Flat Glass Highlights Expansion, Low Cost

In our flat glass segment, cost competitiveness is critical, and through the PPG Quality Process we achieved outstanding improvements in productivity. Over the past three years, productivity has risen by an average of 14%, and overhead costs have been reduced to 1987 levels. Costs also are being reduced, in the United States, through improved packaging, especially through use of returnable racks.

Advances in product technology also played a major role in our performance. The technology for fabricating *Intercept* insulating glass units, for example, has received broad success with window makers. Introduced in 1992, the units have a unique spacer between the glass panes to reduce heat loss and condensation at the window's edges. Thirty-four window manufacturing lines in the United States now use the PPG-licensed technology to fabricate insulating units.

Products introduced in 1993 for the construction market included energy-efficient *Sungate* 500 coated low-emissivity glass for residential buildings and *Solargreen* tinted glass, a replacement for *Solex* green-tinted glass designed to block more of the sun's heat and ultraviolet light.

For commercial buildings, we introduced *Solarcool* coated *Azurlite* glass. This product combines a durable light- and heat-reflective coating for high energy efficiency, especially in warmer climates, with an aquamarine base glass, which is favored by many architects.

An improved glass for windows in vans and minivans also was introduced during the year. The new *GL-20* solar privacy glass reduces interior and exterior reflectance while providing the traditional visual security and comfort of privacy glazing. Introduced on a variety of 1994 vehicles, the neutral, charcoal-gray glass blocks 85% of the sun's total energy to reduce the air-conditioning load.

With respect to facilities, construction progressed on our joint-venture float glass plant in Dalian, China, which is expected to begin operations in early 1995.

Productivity Gains at Heart of '94 Plans

With the expectation of continued slow growth in world markets, overall, in 1994, we have targeted additional productivity improvements in our lines of business. We will continue to utilize the PPG Quality Process to improve our product quality and service toward our ultimate goal of total customer satisfaction.



Expanding service to customers is the aim of PPG's growing network of auto replacement glass distribution centers. At Reading, England, Nick Woodstock, left, and Viv Gosden load the latest, specially equipped truck designed for safe and efficient transportation of auto glass.



A variety of 1994 vans and minivans have windows fabricated from new GL-20 solar privacy glass by PPG. At the Company's Harmarville, Pa., glass technology center, Research Project Engineer Larry Shelestak compares standard privacy glass, at right, with this aesthetically pleasing, high-performance glass, which enhances passenger comfort by reducing the effect of the sun's total energy.

Chemicals Unveils Vision 2000 Goals



Growth in specialty products and expansion in promising geographic regions set the foundation for our chemicals business strategy. By the turn of the century, we intend to have more than one-half of our sales come from specialty chemicals, which currently account for about one-third. Sales outside North America should account for about 15% of the total, up from 7% in 1993.

To reach our goals, we continue to apply the PPG Quality Process, providing our people with the tools and other resources to get things done.

Our new Vision 2000 plan for PPG's Chemicals Group includes the following goals.

- Increase our real sales in excess of the corporate goal.
- Increase productivity to meet or exceed the corporate goal.
- Maintain a high level of personal contact with our customers.
- Focus on Greater China for profitable growth.
- Develop an incident-free operating climate for safety and the environment.

Also an integral part of our strategy is to participate in the *Responsible Care* initiative of the Chemical Manufacturers Association. Among our major environmental undertakings in line with this initiative, we began operation of a $30 million-plus wastewater treatment plant at our Lake Charles, La., chemicals complex.

Transitions Lenses Record Dramatic Gains

Our most exciting chemicals business in terms of growth is Transitions Optical, Inc., a joint venture of PPG and Essilor International of France. The new *Transitions* variable-tint plastic prescription lenses have been well received worldwide, and sales increased dramatically throughout 1993. Transitions Optical has become the world's leading supplier of variable-tint plastic lenses for prescription eyewear.

A multimillion-dollar facility for production of *Transitions* lenses is being built in Tuam, Ireland, near Galway, with operation scheduled for mid-1994. The new production facility will improve our service to customers in the European market.

For enhanced consumer awareness, especially in the European market, *Transitions* lenses, in addition to PPG's coatings, are official products of the 1994 World Cup soccer championships.

Global Expansion Strong for Silicas

Expansion of global operations was especially strong in the silicas business during 1993. The fine grades we produce are used primarily in rubber components of athletic shoes to enhance color, wear and traction. Other major uses for PPG specialty silicas include automotive tires and separators for storage-battery cells.

In late 1993, we began operation of a new silicas facility in Delfzijl, the Netherlands, to accelerate growth in the European market. PPG's first silicas plant in Europe, the facility can produce 10,000 metric tons annually.

To stimulate consumer awareness, Transitions Optical, a PPG joint venture, produced limited-edition sunglasses with Transitions *SunLenses for the World Cup USA 1994 soccer championships. As with prescription* Transitions *Comfort Lenses, the sunglasses darken when exposed to sunlight. At the U.S. team's training facility in Mission Viejo, Calif., are Defender Paul Caligiuri (No. 20), Goalkeeper Brad Friedel and Midfielder Janusz Michallik (No. 3).*

In Nanchang, southern China, PPG increased its ownership of a silicas manufacturing and marketing operation to majority interest, and expanded production capacity by 50%. A second joint-venture facility will be built in the northern Jiangsu Province near the Yellow Sea at Lianyungang, with operation planned for late 1994. The two facilities will provide the geographic spread needed to serve customers in the entire country.

Surfactants, Other Specialty Products Show Growth

Surfactants continue to find more applications as versatile facilitators of manufacturing processes in the food, personal-care, coatings and process-chemical industries. We are committed to ongoing product research and development in surfactants, a business in which a large portion of the products have a two-to-three-year life cycle.

At our Gurnee, Ill., surfactants plant, an integrated computer system being developed for operation in 1994 will tie together the entire process — from customer order through production to delivery — to improve efficiency, reduce costs and meet tighter specifications. The system will control scheduling, inventories, purchasing, financial processes and manufacturing.

We will apply what we learn at Gurnee to other chemicals facilities and businesses.

Concerning other specialty chemicals, PPG has concentrated its calcium hypochlorite manufacturing on treatments for industrial water and well water. Calcium hypochlorite also is growing in use as a replacement for chlorine in agricultural uses.

Growing in applications, as well, is the *SansInk* de-inking system for recycling laser-printed paper. The system was introduced commercially in 1992.

Low Cost Highlights Basic Chemicals

Our strategy in commodity chlor-alkali chemicals — chlorine, caustic soda and chlorine derivatives — centers on sustaining our position as a low-cost producer, based on modern energy-efficient manufacturing facilities, and on providing the best customer service. During 1993, increasing demand for chlorine created an imbalance in the supply of its co-product, caustic soda. Despite this imbalance, however, caustic soda demand remained relatively strong. In this market environment, the flexibility of our worldwide marketing system allowed PPG to set chlor-alkali production records for the eighth consecutive year.

In chlor-alkalies, high operating rates and attention to promising end-use markets have served us well. The best opportunity is presented by vinyl chloride monomer, which is the principal ingredient in polyvinyl chloride, or PVC plastic. More than one-third of our chlorine production goes to the PVC industry.

Other promising markets for our chlorine include titanium dioxide, phosgene derivatives and epichlorohydrin, an ingredient in coatings. Chlorinated solvents are being targeted as feedstocks for the new hydrofluorocarbons (HFCs), which are replacing chlorofluorocarbons (CFCs) in refrigeration and cooling systems. Unlike CFCs, HFCs do not deplete atmospheric ozone.

'94 Focus on Productivity, Customer Needs

For the year ahead and into the future, we are committed to achieving the goals of the Vision 2000 plan for chemicals. Toward those aims, we will be working continuously to improve productivity, understand our markets, anticipate customer requirements, and focus our joint research and development and manufacturing teams on adding value for our customers.



Expansion of PPG's global silicas operation includes a new facility in Delfzijl, the Netherlands, where Paul van Nijen assists in a pre-operational review. The plant, which started up in late 1993, supplies fine-grade silicas for athletic shoes, auto tires, battery separators and other uses.



Computer room controls the production and distribution of electricity and steam for manufacturing processes at PPG's Lake Charles, La., chemicals complex. Operators Babs Russell and Adam Malveaux work with the computer-integrated system to monitor energy demand and optimize the supply and cost of energy from PPG's three powerhouses and the local public utility. As a result, the most cost-efficient source and amount of energy are provided for each manufacturing process.

Independent Auditors' Report

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

We have audited the accompanying balance sheet of PPG Industries, Inc. and subsidiaries as of December 31, 1993 and 1992, and the related statements of income and cash flows for each of the three years in the period ended December 31, 1993. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 financial statements present fairly, in all material respects, the financial position of PPG Industries, Inc. and subsidiaries as of December 31, 1993 and 1992, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1993 in conformity with generally accepted accounting principles.

As discussed in Note 2 to the financial statements, effective January 1, 1993, the Company changed its methods of accounting for income taxes, postretirement benefits other than pensions and postemployment benefits. Also as discussed in Note 2 to the financial statements, as of January 1, 1991, the Company changed its method of accounting for the costs of rebuilding glass and fiber glass melting facilities.

Deloitte + Touche

Deloitte & Touche
Pittsburgh, Pennsylvania
January 20, 1994

Management Statement

Responsibility for Preparation of the Financial Statements

The management of PPG Industries, Inc. is responsible for the preparation of the financial statements included in this Annual Report.

To ensure the reliability of financial data, PPG has established, and maintains, an internal control system. We believe the internal controls in use give reasonable assurance that financial reports do not contain any material misstatement.

We believe that the financial statements and related notes in this report are accurate in all material respects, and that they were prepared according to generally accepted accounting principles.

We believe, further, that the other financial information contained in this Annual Report is consistent with the financial statements.

Jerry E. Dempsey

Jerry E. Dempsey
Chairman of the Board and Chief Executive Officer

Raymond W. LeBoeuf

Raymond W. LeBoeuf
Vice President, Finance

STATEMENT OF INCOME

	For the Year		
(Millions, except per share amounts)	**1993**	1992	1991
Net sales	**$5,753.9**	$5,813.9	$5,672.6
Cost of sales	**3,633.3**	3,694.8	3,676.1
Gross profit	**2,120.6**	2,119.1	1,996.5
Other expenses			
Selling, general and administrative	**871.7**	879.8	858.5
Depreciation	**331.1**	351.5	351.2
Research and development—net (See Note 14)	**201.2**	203.0	220.4
Interest	**103.1**	141.0	153.4
Business divestitures and realignments (See Note 3)	**126.4**	10.4	84.3
Other charges	**80.0**	112.0	91.1
Total other expenses	**1,713.5**	1,697.7	1,758.9
Other earnings (See Note 13)	**137.0**	120.4	115.9
Income before income taxes and minority interest	**544.1**	541.8	353.5
Income taxes (See Note 7)	**236.2**	218.4	146.7
Minority interest	**12.9**	4.0	5.4
Income before cumulative effect of accounting changes	**295.0**	319.4	201.4
Cumulative effect of accounting changes (See Note 2)			
Other postretirement and postemployment benefits, net of income taxes of $231.9 million	**(363.2)**	—	—
Income taxes	**90.4**	—	—
Major repairs to glass and fiber glass melting facilities, net of income taxes of $47.8 million	**—**	—	74.8
Net income	**$ 22.2**	$ 319.4	$ 276.2
Earnings per share			
Income before cumulative effect of accounting changes	**$ 2.78**	$ 3.01	$ 1.90
Cumulative effect of accounting changes			
Other postretirement and postemployment benefits	**(3.42)**	—	—
Income taxes	**.85**	—	—
Major repairs to glass and fiber glass melting facilities	**—**	—	.70
Earnings per share	**$ .21**	$ 3.01	$ 2.60
Average shares outstanding	**106.3**	106.1	106.2

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

BALANCE SHEET



(Millions)	December 31 1993	1992
Assets		
Current assets		
Cash and cash equivalents	**$ 111.9**	$ 61.4
Receivables (See Note 4)	**996.7**	1,023.4
Inventories (See Note 4)	**683.3**	742.3
Deferred income taxes (See Note 7)	**147.4**	49.9
Other	**86.6**	73.8
Total current assets	**2,025.9**	1,950.8
Property (See Note 4)	**6,041.9**	6,157.7
Less accumulated depreciation	**3,254.6**	3,186.2
Property—net	**2,787.3**	2,971.5
Investments	**264.5**	233.6
Other assets	**573.8**	505.8
Total	**$ 5,651.5**	$ 5,661.7
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term debt and current portion of long-term debt (See Note 5)	**$ 351.4**	$ 429.2
Accounts payable and accrued liabilities (See Note 4)	**921.2**	809.0
Income taxes (See Note 7)	**4.7**	9.6
Obligations under capital leases (See Note 8)	**3.7**	5.2
Total current liabilities	**1,281.0**	1,253.0
Long-term debt (See Note 5)	**743.9**	870.6
Obligations under capital leases (See Note 8)	**30.1**	34.7
Deferred income taxes (See Note 7)	**268.6**	441.9
Accrued pensions (See Note 9)	**74.9**	105.7
Other postretirement and postemployment benefits (See Note 9)	**530.6**	—
Other	**197.4**	196.6
Minority interest	**51.9**	60.3
Total liabilities	**3,178.4**	2,962.8
Shareholders' equity (See Note 6)		
Common stock	**242.1**	242.1
Additional paid-in capital	**297.5**	232.8
Retained earnings	**3,436.8**	3,631.8
Treasury stock, at cost	**(1,224.7)**	(1,200.3)
Unearned compensation	**(182.5)**	(202.2)
Minimum pension liability adjustment	**(36.1)**	(4.3)
Currency translation adjustment	**(60.0)**	(1.0)
Total shareholders' equity	**2,473.1**	2,698.9
Total	**$ 5,651.5**	$ 5,661.7

Shares outstanding were 106,840,848 and 106,134,687 at Dec. 31, 1993 and 1992, respectively.
Certain amounts in the 1992 balance sheet have been reclassified to be consistent with the 1993 presentation.
The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF CASH FLOWS

(Millions)	*For the Year* 1993	1992	1991
Cash from operations			
Net income	**$ 22.2**	$ 319.4	$ 276.2
Adjustments to reconcile to cash from operations			
Cumulative effect of accounting changes (See Note 2)	**272.8**	—	(74.8)
Depreciation and amortization	**350.2**	373.2	372.8
Business divestitures and realignments	**126.4**	10.4	84.3
Increase in receivables	**(33.7)**	(41.2)	(10.8)
Decrease in inventories	**27.4**	85.1	55.1
Increase (decrease) in accounts payable, accrued liabilities and income taxes payable	**2.5**	(56.1)	(165.3)
Net change in other noncurrent assets and liabilities	**57.4**	(74.2)	(81.0)
Other—net	**(84.5)**	53.6	22.4
Cash from operations	**740.7**	670.2	478.9
Investing activities			
Capital spending			
Additions to property and investments	**(257.6)**	(282.3)	(331.0)
Business acquisitions, net of cash balances acquired	**(35.8)**	(.7)	(4.4)
Proceeds from business divestitures	**4.9**	—	17.8
Reductions of property and investments	**52.0**	26.9	42.7
Cash used for investing activities	**(236.5)**	(256.1)	(274.9)
Financing activities			
Net change in borrowings with maturities of three months or less	**(3.5)**	81.9	(66.9)
Proceeds from other short-term debt	**19.3**	38.8	19.0
Repayment of other short-term debt	**(8.5)**	(10.0)	(17.3)
Proceeds from long-term debt	**9.3**	10.7	299.7
Repayment of long-term debt and capital leases	**(199.4)**	(312.3)	(289.2)
Repayment of loans by employee stock ownership plan	**19.7**	16.4	15.8
Purchase of treasury stock	**(81.2)**	(26.6)	(15.2)
Issuance of treasury stock	**13.2**	11.7	9.8
Dividends paid	**(220.8)**	(199.6)	(182.6)
Cash used for financing activities	**(451.9)**	(389.0)	(226.9)
Effect of currency exchange rate changes on cash and cash equivalents	**(1.8)**	(1.3)	1.2
Net increase (decrease) in cash and cash equivalents	**50.5**	23.8	(21.7)
Cash and cash equivalents, beginning of year	**61.4**	37.6	59.3
Cash and cash equivalents, end of year	**$ 111.9**	$ 61.4	$ 37.6

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

Performance in 1993 Compared with 1992

Overall Performance

Our 1993 and 1992 sales were both $5.8 billion. Higher sales volumes from each of our business segments were offset by the negative effects of currency translation, lower prices in the chemicals and glass segments, and the absence of sales from businesses divested or to be divested in the Biomedicals Systems Division and glass segment.

PPG's gross profit percentage increased to 37% from 36% for the prior year. Lower manufacturing costs and sales mix gains, offset in part by the unfavorable effects of inflation and lower overall sales prices, contributed to the improvement.

Net income for 1993 was $22 million, or $0.21 per share, after a net charge of $273 million, or $2.57 per share, for three accounting changes (see Note 2 to the financial statements). Excluding the one-time net charge for the accounting changes, earnings were $295 million, or $2.78 per share.

Results for 1993 include business divestiture and realignment charges of $126 million ($0.91 per share) and an after-tax gain of $17 million ($0.16 per share) from the sale of an interest in an insurance company. Results were impacted by higher overall sales volumes, lower interest expense and the factors contributing to the higher gross profit percentage.

Prior year net income and per share amounts were $319 million and $3.01 per share, respectively. Included in these results was a charge for a glass technology dispute, which reduced earnings per share by $0.21, and business divestiture and realignment charges of $10 million, or $0.06 per share.

Results of Business Segments

Coatings and resins sales were $2.3 billion for both 1993 and 1992. Operating income for the respective periods was $419 million and $368 million. Higher volumes for North American automotive original products, refinish and industrial coatings and higher prices for worldwide automotive refinish coatings were offset by the negative effects of translating European currencies and lower volumes for most of the segment's European businesses. The increase in operating income was attributable to higher sales volumes, improved sales mix, higher refinish coatings prices, manufacturing efficiencies, and lower raw material and overhead costs. The negative effects of inflation and European currency translation partially offset these improvements.

Glass sales were $2.2 billion for 1993 and 1992, while operating income increased to $200 million from $119 million in 1992. Sales were favorably impacted by higher volumes for most of the segment's North American businesses and higher prices for North American automotive replacement and flat glass. These gains were offset by the negative effects of translating European currencies, lower prices for North American automotive original and fiber glass products and most European businesses. The absence of sales from divested businesses also reduced total sales. The increase in operating income was primarily attributable to higher sales volumes, lower manufacturing costs and the absence of the prior year charge for an award in the glass technology dispute. Lower overall sales prices and the unfavorable effects of inflation partially offset these improvements.

Chemicals sales increased to $1.2 billion from $1.1 billion in 1992, while operating income declined to $138 million from $185 million. Contributing to the sales increase were higher volumes for *Transitions* optical lenses and other specialty chemical products and higher prices for chlorine and most chlorine derivative products. The increases were partially offset by significantly lower caustic soda prices, lower volumes for most chlorine derivative products and lower specialty chemical prices. The decline in operating income was principally due to the lower overall sales prices and the unfavorable effects of inflation, particularly on natural gas costs. Higher overall sales volumes and improved manufacturing efficiencies partially offset these declines.

Other Significant Factors

The decline in interest expense is primarily due to lower average borrowings during 1993 versus 1992 and lower average interest rates in 1993.

The decline in other charges was primarily due to the absence of the prior year's charge for a glass technology dispute.

The increase in other earnings and other unallocated corporate income-net was principally due to the gain on the sale of our interest in the insurance company.

Income tax expense increased to $236 million from $218 million in 1992, principally as a result of an increase in the effective tax rate (see Note 7 to the financial statements).

Included in 1993 results is the cumulative effect to Jan. 1, 1993, of the adoption of Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions"; SFAS No. 109, "Accounting for Income Taxes," and SFAS No. 112, "Employers' Accounting for Postemployment Benefits." SFAS No. 106 requires accrual basis accounting for retiree medical and life insurance benefits over the employees' active years of service. Its adoption resulted in an after-tax charge of $357.1 million, or $3.36 per share. SFAS No. 109, which requires an asset and liability approach to accounting for income taxes, resulted in a one-time gain of $90.4 million, or $0.85 per share. SFAS No. 112 requires an accrual method of recognizing the cost of postemployment benefits, such as disability, severance and workers' compensation benefits. Its adoption resulted in an after-tax charge of $6.1 million, or $0.06 per share. The adoption of the new accounting standards will not affect the Company's cash flows and the ongoing effect of such standards did not significantly impact 1993's net income. (Refer to Note 2, Changes in Methods of Accounting, for further details regarding the three accounting changes.)

PPG received in late July a $28 million judgment in a jury trial against Textron, Inc., and its subsidiary, Avco Corporation, for infringing PPG's patent on a fire-protective coating. The defendants have filed an appeal in this matter. The financial statements do not include any gain related to this matter.

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. Although the amount of any such future costs is uncertain, management believes they will not have a material effect on PPG's consolidated financial position, results of operations, liquidity or competitive position. In management's opinion, the Company operates in an environmentally sound manner and is well positioned, relative to environmental matters, within the industries in which it operates.

Performance in 1992 Compared with 1991

Overall Performance

Our 1992 sales totaled $5.8 billion, up from the prior year's $5.7 billion. Higher sales volumes for the coatings and resins and chemicals segments, including sales from the prior year acquisition of ICI Canada's automotive original coatings business, higher prices in the coatings and resins segment, and the favorable effect of translating European currencies, contributed to the sales improvement. Lower prices in the glass and chemicals segments partially offset these improvements.

Net income of $319 million increased from $276 million in the prior year, while earnings per share increased to $3.01 from $2.60. Excluding the effects of business divestitures and realignments in both periods and a 1991 accounting change (see Note 2 to the financial statements), earnings per share increased $0.71 from the prior year. Higher sales and reduced manufacturing and research and development costs, reflecting operating efficiencies and productivity gains, contributed to the improvement. Partially offsetting these improvements were the negative effects of inflation and a charge recorded for an award to a competitor in a glass technology dispute (which reduced earnings per share $0.21).

The gross profit percentage increased to 36% from 35% for the prior year. Lower manufacturing costs, partially offset by the negative effects of inflation and lower sales prices, contributed to the improvement.

Results of Business Segments

Coatings and resins sales increased to $2.3 billion from $2.2 billion in 1991, while operating income increased to $368 million from $257 million in the prior year. Higher volumes in North American auto original coatings, including sales from the June 1991 acquisition of ICI Canada's automotive original coatings business, and worldwide industrial coatings contributed to the increase. Higher prices in most of the segment's major product lines and the favorable effect of translating European currencies also contributed to the sales improvement. Declines in volumes for United States trade and European automotive original and refinish coatings partly offset these improvements. The increase in operating income was primarily attributable to higher sales prices and lower overhead and material costs.

Glass sales of $2.2 billion were down slightly from the prior year while operating income decreased to $119 million from $125 million. Positively impacting sales were higher volumes for North American flat glass, worldwide fiber glass reinforcements and worldwide auto replacement glass. The favorable effect of translating European currencies also increased sales. Lower prices for worldwide flat glass, fiber glass reinforcement products and North American auto replacement glass, and lower volumes for European flat glass, worldwide fiber glass textile products and automotive original glass, were offsetting factors.

Contributing to the operating income decline were the unfavorable glass technology award, lower overall sales prices and the negative effects of inflation. Lower manufacturing and overhead costs significantly offset these negative factors.

Chemicals sales of $1.1 billion in 1992 were comparable to the prior year while operating income decreased to $185 million from $195 million. The level sales were attributable to higher volumes for performance chemicals, certain chlorine derivatives, and *Transitions* optical lenses and the favorable effect of translating Asia-Pacific currencies, which were offset by price declines for chlorine and caustic soda. The decline in operating income was attributable to lower sales prices and the negative effects of inflation, partially offset by lower manufacturing and overhead costs.

Other Significant Factors

Other charges increased $21 million to $112 million in 1992, which was primarily attributable to the unfavorable glass technology award.

Income tax expense increased to $218 million from $147 million in 1991, primarily as a result of increased pretax earnings.

Business Divestitures and Realignments

PPG's results for 1993, 1992 and 1991 reflect the impact of our programs to divest or realign certain businesses not meeting strategic and performance objectives. These programs resulted in pretax charges of $126 million, $10 million and $84 million in 1993, 1992 and 1991, respectively. The expense impact of the 1993 actions is expected to be recovered through improved pretax earnings in less than three years. Operating income amounts discussed above do not include the impact of these programs. Refer to footnote 2 to the Business Segment Information for information concerning the impact of these programs on industry segment operating income.

Impact of Inflation

PPG's financial statements are prepared on a historical cost basis, which does not completely account for the effects of inflation. Since the cost of most of the Company's inventories is determined using the last-in, first-out (LIFO) method, the cost of sales reported in the financial statements approximates current costs.

In 1993, 1992 and 1991, our operating results were negatively impacted as increased production costs, resulting from inflation, were not fully recovered through price increases. While inflationary pressure on cost is expected to continue, we anticipate that actions already initiated to improve operating efficiencies and reduce overhead costs in each of our business units, as well as increases in selling prices for certain products, will partially offset the negative impact of inflation on 1994 operating income.

Financial Resources, Capital Spending

Over the past three years, we continued to have sufficient financial resources to meet operating requirements, to fund our capital spending and stock repurchase programs, and to pay increased dividends to shareholders. Cash from operations was $741 million in 1993, $670 million in 1992 and $479 million in 1991. Dividends paid to shareholders in 1993 totaled $221 million, up from $200 million in 1992 and $183 million in 1991.

The decrease in long-term debt in 1993 was principally due to the repayment of $112 million of European and $58 million of Canadian obligations, ultimately with cash from operations.

Affecting long-term debt during 1992 was the refinancing or early redemption of approximately $140 million of fixed rate debt, $15 million of fixed rate industrial development bonds and $37 million of variable rate industrial development bonds with short-term variable rate debt or cash from operations. Also, $78 million in New Zealand dollar debt that matured in December 1992 was refinanced with commercial paper.

Capital spending in 1993 totaled $293 million, compared with $283 million in 1992 and $335 million in 1991. This spending related to modernization and productivity improvements, expansion of existing businesses, environmental control projects and, in 1993, 1992 and 1991, business acquisitions totaling $36 million, $1 million and $4 million, respectively. Capital spending of a similar nature, excluding any for major acquisitions, is expected to total about $350 million during 1994.

The ratio of total debt, including capital leases, to total debt and equity was 31% at Dec. 31, 1993, compared with 33% at Dec. 31, 1992. Cash from operations and the Company's debt capacity are expected to continue to be sufficient to fund capital spending, dividend payments and operating requirements.

See Note 5, Debt and Bank Credit Agreements, for details regarding our use and availability of committed and uncommitted lines of credit.

Business Segment Information

(Millions)	**1993**	1992	1991
Industry Segments			
Net sales			
Coatings and Resins	**$2,314**	$2,319	$2,185
Glass	**2,165**	2,168	2,186
Chemicals	**1,150**	1,112	1,100
Other	**125**	215	202
Total	**$5,754**	$5,814	$5,673
Operating income			
Coatings and Resins	**$ 419**	$ 368	$ 257
Glass	**200**	119	125
Chemicals	**138**	185	195
Other[1]	**(11)**	—	(9)
Business divestitures and realignments [2]	**(88)**	(10)	(83)
Total	**658**	662	485
Interest—net	**(88)**	(124)	(131)
Other unallocated corporate income—net	**12**	4	1
Business divestitures and realignments—corporate [2]	**(38)**	—	(1)
Income before income taxes and minority interest	**$ 544**	$ 542	$ 354

(Millions)	*Coatings and Resins*	*Glass*	*Chemicals*	*Other [1]*	*Corporate*	*Total*
1993						
Segment assets [3]	$1,476	$1,939	$1,092	$372	$773	$5,652
Depreciation and amortization	$ 78	$ 165	$ 83	$ 15	$ 9	$ 350
Capital spending	$ 91	$ 95	$ 73	$ 6	$ 28	$ 293
1992						
Segment assets [3]	$ 1,488	$2,153	$ 1,076	$400	$545	$ 5,662
Depreciation and amortization	$ 83	$ 176	$ 83	$ 19	$ 12	$ 373
Capital spending	$ 85	$ 108	$ 70	$ 6	$ 14	$ 283
1991						
Segment assets [3]	$1,612	$2,374	$1,076	$459	$535	$6,056
Depreciation and amortization	$ 79	$ 180	$ 81	$ 21	$ 12	$ 373
Capital spending	$ 92	$ 137	$ 63	$ 12	$ 31	$ 335

(continued on next page)

BUSINESS SEGMENT INFORMATION

(Millions)	1993	1992	1991
Geographic Segments			
Net sales			
United States	$3,924	$3,730	$3,624
Europe	1,254	1,528	1,497
Canada	423	410	408
Other	153	146	144
Total	$5,754	$5,814	$5,673
Operating income			
United States	$ 635	$ 518	$ 391
Europe	37	91	121
Canada	49	38	27
Other	25	25	29
Business divestitures and realignments [2]	(88)	(10)	(83)
Total	658	662	485
Interest—net	(88)	(124)	(131)
Other unallocated corporate expenses—net	12	4	1
Business divestitures and realignments—corporate [2]	(38)	—	(1)
Income before income taxes and minority interest	$ 544	$ 542	$ 354
Segment assets [3]			
United States	$3,154	$3,283	$3,463
Europe	1,307	1,422	1,614
Canada	275	291	322
Other	143	121	122
Corporate	773	545	535
Total	$5,652	$5,662	$6,056

(1) "Other" includes the results of the Company's Biomedical Systems Division for 1991, 1992 and the first nine months of 1993 and its real estate activities for all years.

(2) Pretax gains (charges) from business divestitures and realignments related to the following segments:

	1993	1992	1991
Industry Segments			
Coatings and Resins	$ (5)	$ (9)	$(13)
Glass	(78)	—	(68)
Chemicals	(5)	—	(2)
Other	—	(1)	—
Corporate	(38)	—	(1)
Total	$(126)	$(10)	$(84)

	1993	1992	1991
Geographic Segments			
United States	$ (75)	$ 2	$(80)
Europe	(9)	(8)	(4)
Canada	(4)	(4)	1
Corporate	(38)	—	(1)
Total	$(126)	$(10)	$(84)

(3) Segment assets are the total assets used in the operation of each business segment. Corporate assets are principally cash and cash equivalents, investments, income tax assets and prepaid pensions.

1. Summary of Accounting Policies

Principles of consolidation

The consolidated financial statements include the accounts of PPG Industries, Inc., and all significant subsidiaries, U.S. and non-U.S., of which we own more than 50% of the voting stock. Investments in companies of which we own 20% to 50% of the voting stock are carried at equity, and our share of the earnings or losses of such equity affiliates is included in the statement of income. Transactions between PPG Industries, Inc., and its subsidiaries are eliminated in consolidation.

Foreign currency translation

For all significant non-U.S. operations, the functional currency is the 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. Translation adjustments are deferred as a separate component of shareholders' equity.

Postretirement defined benefits

We determine cost for our pension plans according to Statement of Financial Accounting Standards (SFAS) No. 87 and for our other postretirement benefit plans according to SFAS No. 106. (See Note 2.) We use the projected unit credit actuarial cost method for defined benefit plans. Unrecognized prior service costs are amortized over periods ranging from six to 16 years. Amortization of unrecognized gains and losses is included in income over the estimated future service periods of active employees.

Inventories

Most U.S. and certain non-U.S. inventories are stated at cost, using the last-in, first-out (LIFO) method, which does not exceed market. Other inventories are stated at the lower of cost or 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.

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 depreciation are removed from the accounts and any related gains or losses are included in income.

Cash equivalents

For purposes of the statement of cash flows, cash equivalents are time deposits or short-term investments (valued at cost, which approximates market value) acquired with an original maturity of three months or less.

2. Changes in Methods of Accounting

Effective Jan. 1, 1993, the Company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." This standard requires accrual, during the years that the employee renders the necessary services, of the expected cost of providing postretirement benefits to an employee and the employee's covered dependents. The Company's previous practice was to recognize these costs as benefits were paid. PPG elected to recognize immediately the cumulative effect of this accounting change, which resulted in an after-tax charge of $357.1 million (including $6.4 million for an equity affiliate). The incremental after-tax impact of accruing the cost of these postretirement benefits for 1993 was not material.

The Company also adopted SFAS No. 109, "Accounting for Income Taxes," effective Jan. 1, 1993. This standard requires an asset and liability approach to accounting for income taxes. Deferred income tax liabilities and assets reflect the tax effects of (1) temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and (2) operating loss and tax credit carryforwards. Deferred income tax assets, such as benefits related to net operating loss carryforwards, are recognized to the extent that realization of such benefits is more likely than not. Changes in enacted tax rates or laws result in adjustments to the recorded deferred income tax assets and liabilities in the period that the tax law is enacted.

The $90.4 million cumulative effect of this accounting change as of Jan. 1, 1993, has been credited to income in 1993. The effect of the accounting change on 1993 net income, exclusive of the cumulative effect as of Jan. 1, 1993, was not material. Previously, the Company applied the deferral method specified in Accounting Principles Board Opinion No. 11 to provide for deferred income taxes with respect to timing differences between the recognition of income and expense items for financial reporting purposes and income tax purposes.

Effective Jan. 1, 1993, the Company adopted the provisions of SFAS No. 112, "Employers' Accounting for Postemployment Benefits." This standard requires an accrual method of recognizing the cost of postemployment benefits, such as disability, severance and workers' compensation benefits. Since the Company previously accounted for most of these benefits on an accrual basis, the cumulative after-tax charge as of Jan. 1, 1993, of the accounting change was only $6.1 million. The incremental after-tax impact of accruing the cost of these benefits for 1993 was not material.

Effective Jan. 1, 1991, PPG adopted the capital method of accounting for the cost of rebuilding glass and fiber glass melting facilities. Under this method, costs are capitalized when incurred and depreciated over the estimated useful lives of the rebuilt facilities. Previously, the Company had established a liability for the estimated cost of major repairs to its glass and fiber glass melting facilities through charges against earnings prior to the major repairs. It had become increasingly more difficult to estimate the costs of future repairs because of greater variability in the nature of and in the period between each major repair as a result of our continual efforts to modify and enhance our glass and fiber glass making processes. The change to the capital method for these costs was made because it did

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not require estimating the cost of future repairs, nor the period over which future repairs should be accrued and, as a result, provided for a better matching of expenses with revenue. The change in method also achieved an accounting treatment consistent with that of most of our major competitors. The $74.8 million cumulative after-tax effect of this change as of Jan. 1, 1991, was included in 1991 net income. The effect of the accounting change on 1991 net income, exclusive of such cumulative effect, was not material.

3. Acquisitions, Divestitures and Business Realignments

In 1993 we acquired the 20% minority interest in Industrie Vernici Italiane S.p.A., a coatings and resins subsidiary in Italy, for $34 million.

During 1993, 1992 and 1991, we undertook programs to divest or realign certain businesses and activities not meeting strategic and performance objectives. The programs included the closing, idling, relocation, downsizing or sale of certain businesses or facilities and write-downs for declines in the value of property. These actions resulted in net pretax charges of $126.4 million, $10.4 million and $84.3 million in 1993, 1992 and 1991, respectively.

Included in the 1993 actions was the Company's decision to divest its Biomedical Systems Division, which resulted in a pretax charge of $38 million. Sale of the medical electronics portion of this business is expected to be completed by the end of the first quarter of 1994. The remaining sensors business is expected to be sold by the end of 1994. As of Dec. 31, 1993, the assets and liabilities associated with this division were approximately $190 million and $85 million, respectively.

In 1991 we sold one of our French flat glass installation, fabricating and distribution businesses, our European aviation coatings business, and our United States printing inks business.

4. Balance Sheet Detail

	December 31	
(Millions)	**1993**	1992
Receivables		
Customers	**$ 935.4**	$ 952.7
Other	**86.9**	103.7
Allowance for doubtful accounts	**(25.6)**	(33.0)
Total	**$ 996.7**	$1,023.4
Inventories (1)		
Finished products and work in process	**$ 451.8**	$ 495.8
Raw materials	**117.5**	126.1
Supplies	**114.0**	120.4
Total	**$ 683.3**	$ 742.3
Property (2)		
Land and land improvements	**$ 275.9**	$ 273.8
Buildings	**1,096.1**	1,142.8
Machinery and equipment	**4,324.5**	4,357.4
Other	**236.4**	235.0
Construction in progress	**109.0**	148.7
Total	**$6,041.9**	$6,157.7
Accounts payable and accrued liabilities		
Trade creditors	**$ 436.0**	$ 447.0
Accrued payroll	**163.8**	161.6
Other postretirement and pension benefits	**52.9**	6.3
Business realignments	**62.7**	38.6
Other	**205.8**	155.5
Total	**$ 921.2**	$ 809.0

(1) Inventories valued using the last-in, first-out (LIFO) method comprised 75% and 73% of total gross inventory values at Dec. 31, 1993 and 1992, respectively. If the first-in, first-out (FIFO) method of inventory valuation had been used, inventories would have been $210.1 million and $209.6 million higher at Dec. 31, 1993 and 1992, respectively.

(2) Interest capitalized in 1993, 1992 and 1991 was $6.0 million, $7.4 million and $15.3 million, respectively.

5. Debt and Bank Credit Agreements

	December 31	
(Millions)	1993	1992
9.3% notes, due 1999	$122.6	$122.6
9% non-callable debentures, due 2021	148.0	148.0
ESOP notes [1]		
Weighted average 8.5% fixed rate notes	151.0	151.0
Variable rate notes, 2.71% at Dec. 31, 1993	123.0	123.0
Various other debt, weighted average 4.20%	57.8	58.9
Non-U.S. subsidiary borrowings		
12.65% notes, maturing 1994 to 1999	92.7	106.2
9.03% notes, due 1993 (10.06% effective yield to maturity)	—	58.0
9% borrowings, maturing 1993	—	11.0
Fixed rate notes, weighted average 8.33% at Dec. 31, 1993, maturing 1994 to 1998	19.3	26.7
Variable rate notes, weighted average 8.73% at Dec. 31, 1992, maturing 1994 to 1998	—	100.6
Various other debt, weighted average 8.73% at Dec. 31, 1993	56.0	59.7
Total	770.4	965.7
Less payments due within one year	26.5	95.1
Long-term debt	$743.9	$870.6

(1) See Note 10 discussing ESOP borrowings. $75 million of the fixed rate notes and $22 million of the variable rate notes mature, with bullet payments, in 1996. The remaining fixed and variable rate notes mature in 2009 and require annual payments from 1995 to 2008.

A five-year maturity schedule is as follows (in millions):

1994	1995	1996	1997	1998
$26.5	$44.8	$140.1	$45.4	$48.0

The Company has revolving credit agreements totaling $565 million, of which $275 million will expire each in December 1994 and December 1997. The remaining $15 million will expire in September 1994. Of these lines, $550 million support our commercial paper programs in the United States, Canada and the Netherlands. These committed credit agreements require payment of annual fees that range from 8 to 12.5 basis points on the unused portion of the line of credit. PPG may cancel all or part of these credit agreements at any time without penalty or premium. At Dec. 31, 1993, we had used $12 million of these lines of credit.

Additionally, our non-U.S. operations have uncommitted lines of credit totaling $486 million, of which $79 million was used at Dec. 31, 1993. There are no commitment fees for these lines of credit, and they may be canceled at any time.

In addition to our lines of credit, the Company may issue up to $200 million aggregate principal amount of debt securities under a shelf registration statement filed with the Securities and Exchange Commission.

PPG is in compliance with the restrictive covenants under its various credit agreements, loan agreements and indentures.

The Dec. 31, 1993 and 1992, balances for "short-term debt and current portion of long-term debt" include, respectively, $174 million and $141 million of commercial paper and $151 million and $193 million of short-term notes payable to banks.

Interest payments in 1993, 1992 and 1991 totaled $112 million, $154 million and $163 million, respectively.

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6. Shareholders' Equity

(Dollars in Millions)	Common Stock Shares Issued	Common Stock Par Value	Additional Paid-In Capital	Retained Earnings	Treasury Stock Shares	Treasury Stock Cost	Unearned Compensation (See Note 10)	Minimum Pension Liability Adjustment	Currency Translation Adjustment
Balance, Jan. 1, 1991	**145,286,534**	**$242.1**	**$226.6**	**$3,397.7**	**(39,246,272)**	**$(1,183.3)**	**$(234.4)**	**—**	**$ 97.8**
Net income	—	—	—	276.2	—	—	—	—	—
Cash dividends ($1.72 per share)	—	—	—	(182.6)	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	(285,728)	(15.2)	—	—	—
Issuance of treasury stock	—	—	2.9	—	415,119	12.5	—	—	—
Repayment of loans by ESOP	—	—	—	—	—	—	15.8	—	—
Translation adjustments	—	—	—	—	—	—	—	—	(9.1)
Other	—	—	—	9.8	—	—	—	$(2.3)	—
Balance, Dec. 31, 1991	**145,286,534**	**242.1**	**229.5**	**3,501.1**	**(39,116,881)**	**(1,186.0)**	**(218.6)**	**(2.3)**	**88.7**
Net income	—	—	—	319.4	—	—	—	—	—
Cash dividends ($1.88 per share)	—	—	—	(199.6)	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	(455,316)	(27.0)	—	—	—
Issuance of treasury stock	—	—	3.3	—	420,350	12.7	—	—	—
Repayment of loans by ESOP	—	—	—	—	—	—	16.4	—	—
Translation adjustments	—	—	—	—	—	—	—	—	(89.7)
Other	—	—	—	10.9	—	—	—	(2.0)	—
Balance, Dec. 31, 1992	**145,286,534**	**242.1**	**232.8**	**3,631.8**	**(39,151,847)**	**(1,200.3)**	**(202.2)**	**(4.3)**	**(1.0)**
Net income	—	—	—	22.2	—	—	—	—	—
Cash dividends ($2.08 per share)	—	—	—	(220.8)	—	—	—	—	—
Purchase of treasury stock	—	—	—		(1,133,300)	(81.2)	—	—	—
Issuance of treasury stock	—	—	60.8	—	1,839,461	56.8	—	—	—
Repayment of loans by ESOP	—	—	—	—	—	—	19.7	—	—
Translation adjustments	—	—	—	—	—	—	—	—	(59.0)
Other	—	—	3.9	3.6	—	—	—	(31.8)	—
Balance, Dec. 31, 1993	**145,286,534**	**$242.1**	**$297.5**	**$3,436.8**	**(38,445,586)**	**$(1,224.7)**	**$(182.5)**	**$(36.1)**	**$(60.0)**

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 and 300 million shares are authorized.

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 generally would be 50% of the respective stocks' current fair market value.

7. Income Taxes

As described in Note 2, the Company changed its method of accounting for income taxes in 1993 from the deferred method to the liability method required by SFAS No. 109. As permitted under the new standard, prior years' financial statements were not restated.

The following is a reconciliation of the statutory U.S. corporate federal income tax rate to the effective income tax rate.

	Percent of Pretax Income		
	1993	1992	1991
U.S. federal income tax rate	35.0%	34.0%	34.0%
Changes in tax rate resulting from:			
Taxes on non-U.S. earnings and related tax credits	5.1	.8	4.0
State and local taxes—U.S.	4.9	4.7	3.5
Other	(1.6)	.8	—
Effective income tax rate	43.4%	40.3%	41.5%

The increase in the effective tax rate in 1993 was principally the result of increased losses incurred at European subsidiaries (primarily related to the Biomedical Systems Division), for which we were unable to record any income tax benefit. Partially offsetting this negative impact were the benefits from utilization of net operating loss (NOL) carryforwards for a domestic subsidiary as well as a change under SFAS No. 109 regarding recognition of tax benefits related to our ESOP. Taxes on non-U.S. earnings had a reduced effect in 1992 on our effective tax rate as a result of a greater proportion of the Company's pretax income occurring in the U.S. The greater impact in 1991 was primarily the result of losses incurred at several European subsidiaries for which we were unable to record any income tax benefit. At Dec. 31, 1993, subsidiaries of the Company had available NOL carryforwards of approximately $270 million for income tax purposes along with approximately $3 million of tax credit carryforwards. The NOL carryforwards generally have an indefinite expiration and the tax credits expire by 1996.

The following table gives details of income tax expense in the statement of income. A portion of these taxes will be payable within one year and is therefore shown below as "Current income taxes," while the balance is shown as "Deferred income taxes."

(Millions)	1993	1992	1991
Current income taxes			
U.S. federal	$131.0	$120.4	$ 57.8
Non-U.S.	31.9	42.9	62.0
State and local—U.S.	31.4	36.2	18.5
Total current	194.3	199.5	138.3
Deferred income taxes			
U.S. federal	26.2	23.1	11.6
Non-U.S.	11.8	(4.2)	(3.2)
State and local—U.S.	3.9	—	—
Total deferred	41.9	18.9	8.4
Total	$236.2	$218.4	$146.7

Net deferred income tax assets and liabilities as of Dec. 31, 1993, including the effects of adopting SFAS No. 106, are as follows (in millions):

Deferred income tax assets	
Employee benefits	$ 284.4
Environmental	27.0
Business realignments	41.8
NOL and tax credit carryforwards	109.9
Inventories	29.7
Other	58.7
Valuation allowance	(83.3)
Total	468.2
Deferred income tax liabilities	
Property	457.2
Employee benefits	33.5
Other	85.9
Total	576.6
Deferred income tax liabilities—net	$(108.4)
Classification in the balance sheet	
Current deferred income tax assets	$ 147.4
Other assets	23.5
Accounts payable and accrued liabilities	(10.7)
Noncurrent deferred income tax liabilities	(268.6)
Deferred income tax liabilities—net	$(108.4)

The NOL carryforwards relate primarily to operations of subsidiaries in countries permitting indefinite carryforward of losses. Generally, the valuation allowance has been established for these carryforwards because the ability to utilize them is uncertain. During 1993, the valuation allowance increased by $36 million, primarily due to losses from operations of certain non-U.S. subsidiaries, net of the utilization of NOL carryforwards of a domestic subsidiary.

Under the previous income tax accounting rules, deferred income taxes were provided for significant timing differences in the recognition of revenue and expense for income tax and financial statement purposes. The source of these timing differences and the tax effect of each were:

(Millions)	1992	1991
U.S.—net effect of timing differences		
Depreciation	$(17.0)	$ (2.5)
Business realignments	5.6	(16.6)
Employee benefits	5.9	6.1
Environmental	9.3	4.4
Other	19.3	20.2
Non-U.S.—net effect of timing differences		
Depreciation	2.0	2.1
Other	(6.2)	(5.3)
Total	$ 18.9	$ 8.4

Income (loss) before income taxes resulting from non-U.S. operations for 1993, 1992 and 1991 were $(.8) million, $77.2 million and $132.5 million, respectively.

No deferred U.S. income taxes have been provided on certain undistributed earnings of consolidated non-U.S. subsidiaries that have

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been reinvested indefinitely and amounted to $304 million at Dec. 31, 1993. It is not practicable to determine the deferred tax liability on these earnings.

The Internal Revenue Service has examined our U.S. federal income tax returns through 1985, and we have paid all tax claims.

Income tax payments in 1993, 1992 and 1991 totaled $210 million, $142 million and $231 million, respectively.

8. Lease Arrangements and Rent Expense

We use assets leased under arrangements that qualify as capital leases. The amortization of the cost of these leased assets is included in depreciation expense in the statement of income. Leases that do not qualify as capital leases are classified as operating leases. Rental expense for operating leases was $60.3 million in 1993, $59.4 million in 1992 and $58.5 million in 1991.

The following table sets forth minimum lease commitments at Dec. 31, 1993, for capital and operating leases that have initial or remaining lease terms in excess of one year.

(Millions)	*Capital Leases*	*Operating Leases*
Year ending December 31		
1994	$ 6.7	$30.2
1995	3.4	23.7
1996	2.6	13.9
1997	2.5	9.2
1998	5.0	3.3
After 1998	30.6	15.3
Total minimum lease payments	50.8	$95.6
Less estimated executory costs	(.3)	
Net minimum lease payments	50.5	
Less amount representing interest	(16.7)	
Present value of net minimum lease payments	$33.8	

9. Pensions and Other Postretirement Benefits

Pension Benefits

We have noncontributory defined benefit pension plans that cover certain employees worldwide. Benefits under these plans are based on years of service and salaries or on stated amounts for each year of service. Our funding policy for all plans is consistent with applicable governmental requirements. We provide for obligations for all plans by depositing funds with trustees, by purchasing insurance policies or by recording financial statement accruals. Pension plan assets held in trust consist of fixed income investments and equity securities.

Net periodic pension cost (credit) includes the following components:

(Millions)	1993	1992	1991
Service cost—benefits earned during the year	$ 24.4	$ 23.7	$ 21.5
Interest cost on projected benefit obligation	115.0	112.0	107.8
Return on assets			
Actual	(154.6)	(69.5)	(223.0)
Deferred gain (loss)	19.4	(68.0)	98.6
Net amortization	4.0	.6	(1.3)
Net periodic pension cost (credit)	$ 8.2	$ (1.2)	$ 3.6

In the determination of net periodic pension cost (credit), the assumed weighted-average long-term rate of return on plan assets was 12% for 1993, 1992 and 1991.

The following table sets forth the combined funded status and amounts recognized in our balance sheet.

	December 31			
(Millions)	1993		1992	
	Plan Assets Exceed ABO	*ABO Exceeds Plan Assets*	*Plan Assets Exceed ABO*	*ABO Exceeds Plan Assets*
Present value of the estimated pension benefits to be paid in the future				
Vested benefit obligation	$(1,064.8)	$(300.4)	$(116.6)	$(1,088.4)
Nonvested benefit obligation	(36.4)	(42.9)	(11.0)	(55.4)
Accumulated benefit obligation (ABO)	(1,101.2)	(343.3)	(127.6)	(1,143.8)
Effect of projected future salary increases	(129.8)	(27.4)	(26.2)	(103.7)
Projected benefit obligation (PBO)	(1,231.0)	(370.7)	(153.8)	(1,247.5)
Amount of assets available for benefits				
Plan assets at fair value	1,159.0	204.7	170.0	1,014.9
(Prepaid) accrued pensions—net	(138.8)	130.0	(39.8)	107.6
Total assets	1,020.2	334.7	130.2	1,122.5
*Assets less than PBO**	$ (210.8)	$ (36.0)	$ (23.6)	$ (125.0)
*Comprised of				
Unamortized net asset (liability) at date of adoption	$ 52.3	$ (5.1)	$ 13.6	$ 41.4
Unrecognized net loss	(271.2)	(76.7)	(31.7)	(174.7)
Unrecognized prior service cost	(10.8)	(13.8)	(5.7)	(19.2)
Minimum liability	18.9	59.6	.2	27.5
Assets less than PBO	$ (210.8)	$ (36.0)	$ (23.6)	$ (125.0)

We determined the projected benefit obligation using weighted-average discount rates of 7.5% at Dec. 31, 1993, and 8.6% at Dec. 31, 1992. For those plans that provide benefits based on salaries in the final years of employment, the assumed long-term rate of increase in salaries was 5.3% at Dec. 31, 1993, and 5.6% at Dec. 31, 1992. The accrued pension liability, reflected in the balance sheet, included $4.0 million and $4.4 million at Dec. 31, 1993 and 1992, respectively, for defined contribution plans.

Pension cost, which includes costs for defined contribution plans and multi-employer defined benefit pension plans in addition to the net periodic pension cost shown above, was $14.4 million, $2.7 million and $8.8 million in 1993, 1992 and 1991, respectively.

In November 1993, the Company contributed 1,450,021 shares of PPG stock to certain qualified U.S. pension plan trusts. The shares had a fair market value on the date of transfer of approximately $101.9 million ($70.25 per share). As of Dec. 31, 1993, the U.S. defined benefit pension plans held 1,456,221 shares of PPG stock, with a cost of $102.2 million and a market value of $110.5 million.

Other Postretirement Benefits

PPG sponsors defined benefit plans that provide medical and life insurance benefits to nearly all of its retired employees in the U.S. and certain retired employees in Canada. These plans also cover the employees' spouse and dependents. The U.S. plans cap the cost of postretirement medical benefits at 1996 levels for most current retirees and certain future retirees covered by bargaining plans, as well as current and future retirees covered by nonbargaining plans. Salaried and certain wage employees hired after Jan. 31, 1993, will not be entitled to such postretirement medical benefits. Many of our plans include cost sharing provisions, such as co-insurance and deductibles, and require participant contributions based upon elected coverage. The plans also coordinate benefits with Medicare for those employees who are age 65 and older. Life insurance benefits for retirees covered by nonbargaining plans are calculated at approximately 50% of the retirees' final base pay. For most bargaining units the benefits are based upon negotiated flat dollar amounts. Our Canadian plans provide postretirement medical and life insurance benefits that supplement benefits provided and paid for under the Canadian health care system. The Company's postretirement medical and life insurance plans are unfunded.

The net periodic postretirement benefit cost for the year ended Dec. 31, 1993, includes the following components (in millions):

Service cost—benefits earned during the year	$ 6.5
Interest cost on accumulated postretirement benefit obligation	44.4
Other	(3.1)
Net periodic postretirement benefit cost	$47.8

The accumulated postretirement benefit obligation of our plans and the liability recognized in the balance sheet as of Dec. 31, 1993, were as follows (in millions):

Accumulated postretirement benefit obligation (APBO)	
Retirees	$120.2
Fully eligible active plan participants	76.2
Other active plan participants	401.9
APBO	598.3
Unrecognized prior service cost	20.5
Unrecognized net loss	(51.8)
Other postretirement benefit liability	$567.0

The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 7.5%. The assumed health care cost trend rate for 1994 is 11.5% and declines ratably over 14 years to 5% thereafter. If these trend rates were increased by one percentage point per year, the accumulated postretirement benefit obligation and the aggregate of the service and interest cost components of the net periodic postretirement benefit cost would increase by approximately 1% and 4%, respectively.

The cash basis expense recognized for these benefits in 1992 and 1991 was $44 million and $39 million, respectively.

10. Employee Stock Ownership Plan

Our employee stock ownership plan (ESOP) covers substantially all U.S. employees. Company matching contributions to the ESOP are based on a participant's savings, subject to certain limitations, and a matching percentage based upon our return on average equity for the previous year.

In January 1989, we sold six million shares of treasury stock to the ESOP at $42 per share. The financing of this transaction along with additional loans to the ESOP totaling $30 million was either guaranteed by or borrowed directly from PPG. ESOP borrowings are reflected as debt on our balance sheet.

The ESOP has repaid $100 million of the loans to PPG, resulting in loans payable by the ESOP totaling $182 million at Dec. 31, 1993. A corresponding amount representing unearned compensation is reflected as a reduction of shareholders' equity. Future Company contributions and dividends on PPG shares held by the ESOP will be used to service the debt of the ESOP.

Contributions committed to be paid to the ESOP are reported as compensation or interest expense. Compensation (credit) expense related to the ESOP for 1993, 1992 and 1991 totaled $(.1) million, $.1 million and $19.4 million, respectively. Interest expense totaled $11 million, $13 million and $16 million for 1993, 1992 and 1991, respectively. Dividends on Company shares held by the ESOP, used for ESOP debt service, totaled $25 million, $27 million and $25 million for 1993, 1992 and 1991, respectively.

11. Stock Option Plan

Under PPG's stock option plan, certain employees of the Company have been granted stock options. The price at which shares of common stock may be purchased upon the exercise of an option may not be less than the fair market value of the shares on the date the option was granted. Options are exercisable beginning from six to 12 months after issuance.

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The following table summarizes stock option activity for the years ended Dec. 31, 1991, 1992 and 1993.

	Number of options	*Per share option price*
Outstanding, Jan. 1, 1991	1,205,189	$18.38-48.25
Granted	447,800	54.50
Exercised	(308,154)	18.38-43.63
Terminated	(20,500)	18.38-54.50
Outstanding, Dec. 31, 1991	1,324,335	18.38-54.50
Granted	1,255,420	58.75-67.63
Exercised	(450,028)	18.38-54.50
Terminated	(5,100)	39.50-58.75
Outstanding, Dec. 31, 1992	2,124,627	18.38-67.63
Granted	909,462	63.25-75.50
Exercised	(503,743)	18.38-67.63
Terminated	(8,000)	58.75-66.00
Outstanding, Dec. 31, 1993	2,522,346	$18.38-75.50
Exercisable, Dec. 31, 1993	1,648,978	$18.38-74.63

Shares available for future grants were 1,063,462 and 903,577 at Dec. 31, 1993 and 1992, respectively.

12. Commitments and Contingent Liabilities

PPG is involved in a number of lawsuits and claims, both actual and potential, including some which it has asserted against others, in which substantial money damages are sought. Management believes that the outcome of such lawsuits and claims, in the aggregate, will not have a material effect on PPG's consolidated financial position, results of operations or liquidity.

Like other companies, PPG is subject to the existing and evolving standards relating to the protection of the environment. PPG is negotiating with various government agencies and other parties concerning various waste sites. Additionally, remediation projects have been or may be undertaken at certain of the Company's current and former plant sites. 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, the determination of the Company's liability, if any, in proportion to that of other parties, the extent to which such costs are recoverable from insurance, and the methods that may have to be employed for their remediation. We established reserves, totaling approximately $90 million at Dec. 31, 1993, and $107 million at Dec. 31, 1992, for those sites where it was probable a liability existed and the amount could be reasonably estimated. Charges against income for environmental remediation projects totaled approximately $23 million in 1993, $16 million in 1992 and $23 million in 1991. In management's opinion, the Company operates in an environmentally sound manner and the outcome of these environmental matters will not have a material effect on PPG's consolidated financial position, results of operations or liquidity.

13. Other Earnings

(Millions)	1993	1992	1991
Interest income	$ 15.2	$ 16.9	$ 22.8
Royalty income	25.3	26.9	29.8
Share of net earnings in equity affiliates	17.3	19.0	9.8
Gain from sale of an interest in an insurance company	27.8	—	—
Other	51.4	57.6	53.5
Total	$137.0	$120.4	$115.9

Undistributed earnings of equity affiliates were $78.7 million and $67.8 million at Dec. 31, 1993 and 1992, respectively. Dividends received from equity affiliates were $9.7 million, $7.8 million and $9.5 million in 1993, 1992 and 1991, respectively.

14. Research and Development

(Millions)	1993	1992	1991
Research and development—total	$217.6	$221.4	$240.3
Less depreciation	16.4	18.4	19.9
Research and development—net	$201.2	$203.0	$220.4

15. Quarterly Financial Information (unaudited)

	Net Sales (Millions)	*Gross Profit (Millions)*	*Income Before Cumulative Effect of Accounting Changes*		*Net (Loss) Income (Millions)*	*(Loss) Earnings Per Share*
			Amount (Millions)	*Per Share*		
1993 quarter ended						
March 31 [1]	$1,446.7	$ 532.7	$110.1	$1.04	$(162.7)	$(1.53)
June 30	1,523.6	557.8	106.2	1.00	106.2	1.00
September 30 [2]	1,405.4	520.5	24.8	.23	24.8	.23
December 31 [3]	1,378.2	509.6	53.9	.51	53.9	.51
Total	$5,753.9	$2,120.6	$295.0	$2.78	$ 22.2	$ .21
1992 quarter ended						
March 31	$1,446.7	$ 535.4	$ 78.8	$ .74	$ 78.8	$ .74
June 30	1,513.1	571.7	106.7	1.01	106.7	1.01
September 30	1,440.8	518.9	66.0	.62	66.0	.62
December 31	1,413.3	493.1	67.9	.64	67.9	.64
Total	$5,813.9	$2,119.1	$319.4	$3.01	$ 319.4	$ 3.01

(1) See Note 2, Changes in Methods of Accounting, for information regarding the effect of accounting changes as of Jan. 1, 1993, including the adoption of SFAS No. 112 in the fourth quarter.

(2) Third quarter earnings were reduced by a pretax charge for business divestitures and realignments of $87.0 million, or $0.49 per share.

(3) Fourth quarter earnings were reduced by a pretax charge for business divestitures and realignments of $38.0 million, or $0.42 per share. Excluding the effects of this charge, we decreased our estimate of the annual effective tax rate by two percentage points which increased fourth quarter earnings per share by 11 cents.

NOTES

16. Financial Instruments

Included in PPG's financial instrument portfolio are cash and marketable securities, Company-owned life insurance, deferred compensation liabilities and short- and long-term debt instruments. The most significant instrument, long-term debt, had carrying and fair values totaling $770 million and $850 million, respectively, at Dec. 31, 1993. The corresponding amounts at Dec. 31, 1992, were $966 million and $1.0 billion, respectively. The carrying values of the other instruments approximated their fair values.

The fair values of the instruments were based upon quoted market prices of the same or similar instruments or on the rates available to the Company for instruments of the same remaining maturities.

17. Business Segment Information

Refer to pages 20 and 21 for information on our business segments for 1993, 1992 and 1991.

OFFICER CHANGES

In September 1993, Jerry E. Dempsey succeeded Vincent A. Sarni, who retired, as chairman of the board and chief executive officer. Mr. Dempsey had been senior vice president and a member of the board of WMX Technologies, Inc., and chairman of Chemical Waste Management, Inc., a publicly traded company in which WMX Technologies is a majority shareholder. Before joining WMX Technologies in 1984, he had been president and chief operating officer of Borg-Warner Corp., a firm he served for 28 years.

During the year, as well, Roderick I. A. Watters, who had been vice president, marketing, automotive products, Coatings & Resins Group, became vice president, automotive products, Europe, for the group.

In January 1994, Charles E. Bunch was elected vice president, architectural finishes, Coatings & Resins Group. Mr. Bunch continues as general manager of that function.

Also in January 1994, William H. Hernandez was elected vice president and controller; David R. Wallis, vice president, corporate development, and Richard Zahren, vice president, purchasing and distribution. Mr. Hernandez had been controller and Messrs. Wallis and Zahren had been directors of their functions.

CORPORATE DIRECTORY

DIRECTORS

Jerry E. Dempsey
Chairman of the Board
and Chief Executive Officer,
PPG Industries, Inc.

***†Lucie J. Fjeldstad**
President,
Fjeldstad International

***†Stanley C. Gault**
Chairman of the Board
and Chief Executive
Officer, The Goodyear
Tire & Rubber Company

***‡Allen J. Krowe**
Vice Chairman and
Chief Financial Officer,
Texaco Inc.

†‡Steven C. Mason
Chairman and Chief
Executive Officer,
The Mead Corporation

†‡Harold A. McInnes
Retired Chairman of the Board
and Chief Executive Officer,
AMP Incorporated

***‡Robert Mehrabian**
President,
Carnegie Mellon University

Vincent A. Sarni
Retired Chairman of the Board
and Chief Executive Officer,
PPG Industries, Inc.

***†David G. Vice**
Retired Vice Chairman,
Products and Technology,
Northern Telecom Limited

†‡David R. Whitwam
Chairman and Chief Executive
Officer, Whirlpool Corporation

*Audit Committee

†Officers-Directors
Compensation Committee

‡Nominating Committee

MANAGEMENT COMMITTEE

Jerry E. Dempsey
Chairman of the Board and
Chief Executive Officer

Robert D. Duncan
Group Vice President, Glass

Peter R. Heinze
Group Vice President,
Chemicals

John J. Horgan
Vice President,
Fiber Glass Products

Raymond W. LeBoeuf
Vice President, Finance

Richard M. Rompala
Group Vice President,
Coatings & Resins

Guy A. Zoghby
Vice President and
General Counsel

COATINGS & RESINS GROUP

Charles E. Bunch
Vice President,
Architectural Finishes

Thomas A. Craig
Vice President,
Automotive Refinish

Neil H. Frick
Vice President,
Research and Development

Ernest A. Hahn
Vice President,
Industrial Coatings

Ken Kurahashi
Vice President, Coatings &
Resins, PPG Industries
Asia/Pacific, Ltd.;
President, PPG Japan

E. Kears Pollock
Vice President,
Automotive Products

Arend W. D. Vos
Vice President,
Coatings & Resins, Europe

Roderick I. A. Watters
Vice President, Automotive
Products, Europe

GLASS GROUP

Frank A. Archinaco
Vice President, Automotive
and Aircraft Products

Joseph Cafaro
Vice President,
Flat Glass Products

Stanley C. DeGreve
Vice President, Operations,
Fiber Glass Products

Gary W. Weber
Vice President, Technology

CHEMICALS GROUP

Donald W. Bogus
Vice President,
Specialty Chemicals

Rae R. Burton
Vice President, Chlor-Alkali
and Derivatives

John M. Wilkins
Vice President, Asia/Pacific

CORPORATE FUNCTIONS

L. Blaine Boswell
President, PPG Europe

Paritosh M. Chakrabarti
Vice President,
Science and Technology

James W. Craig
President, PPG Canada Inc.

Russell L. Crane
Vice President,
Human Resources

William H. Hernandez
Vice President and Controller

H. Kennedy Linge
Treasurer

John Maaghul
President, PPG Industries
Asia/Pacific Ltd.;
Vice President, Glass,
Asia/Pacific

Edward J. Mazeski, Jr.
Vice President and Secretary

David W. Smith
Vice President,
Information Technology

David R. Wallis
Vice President,
Corporate Development

Richard Zahren
Vice President,
Purchasing and Distribution

ELEVEN-YEAR DIGEST

	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983
Statement of Income											
Net sales	5,754	5,814	5,673	6,021	5,734	5,617	5,183	4,687	4,346	4,242	3,682
Gross profit (%)	36.9	36.4	35.2	37.8	37.1	39.2	37.8	37.2	35.9	34.1	32.8
Income before income taxes	531	538	348	767	749	779	637	553	537	527	376
Income taxes	236	218	147	292	284	311	260	236	234	224	143
Income before accounting changes	295	319	201	475	465	468	377	316	303	303	233
Cumulative effect of accounting changes [1]	(273)	—	75	—	—	—	—	—	—	—	—
Net income	22	319	276	475	465	468	377	316	303	303	233
Average equity [2]	2,530/2,749	2,701	2,577	2,407	2,220	2,121	2,089	1,838	1,913	1,931	1,777
Return on average equity (%) [2]	.9/10.7	11.8	10.7	19.7	21.0	22.1	18.1	17.2	15.8	15.7	13.1
Earnings per share before accounting changes	2.78	3.01	1.90	4.43	4.18	4.26	3.19	2.66	2.27	2.16	1.67
Cumulative effect of accounting changes on earnings per share	(2.57)	—	0.70	—	—	—	—	—	—	—	—
Earnings per share	.21	3.01	2.60	4.43	4.18	4.26	3.19	2.66	2.27	2.16	1.67
Average number of shares	106.3	106.1	106.2	107.2	111.3	109.8	118.2	118.9	133.4	139.9	139.4
Dividends	221	200	183	176	165	141	132	112	110	98	86
Per share	2.08	1.88	1.72	1.64	1.48	1.28	1.11	.94	.82	.70	.62
Balance Sheet											
Current assets	2,026	1,951	2,173	2,217	2,056	1,899	1,844	1,616	1,370	1,332	1,225
Current liabilities	1,281	1,253	1,341	1,471	1,338	1,264	1,295	976	824	773	738
Working capital	745	698	833	746	718	635	549	640	546	559	487
Property (net)	2,787	2,972	3,183	3,255	3,007	2,758	2,685	2,661	2,479	2,257	2,200
Total assets	5,652	5,662	6,056	6,108	5,645	5,154	5,008	4,641	4,084	3,797	3,615
Long-term debt and lease obligations	774	905	1,190	1,210	1,198	892	917	1,018	1,000	496	568
Shareholders' equity	2,473	2,699	2,655	2,547	2,282	2,243	2,044	1,978	1,705	2,015	1,846
Per share	23.15	25.43	25.00	24.01	20.98	20.47	18.43	16.56	14.39	14.41	13.21
Other Data											
Capital spending	293	283	335	567	671	410	479	497	452	315	450
Depreciation expense	331	352	351	324	292	274	266	242	214	206	185
Quoted market price											
High	76¼	68⅜	59⅜	55¼	46	46⅞	53½	38¾	25⅝	19	18⅝
Low	59⅜	50	41½	34½	37	31¼	27½	22½	16⅜	12⅜	12½
Year-end	75⅞	65⅞	50½	47	39¾	40⅜	33⅛	36⅜	25½	16⅜	17⅜
Price/earnings ratio [3]											
High	27	23	31	12	11	11	17	15	11	9	11
Low	21	17	22	8	9	7	9	8	7	6	8
Average number of employees	31,400	32,300	33,700	35,100	35,500	36,300	36,800	36,500	37,500	37,700	37,000

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

All data was adjusted to reflect the two-for-one stock splits payable on March 12, 1987, and on Sept. 12, 1983.

[1] The 1993 changes in methods of accounting relate to the adoption of SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions"; SFAS No. 109, "Accounting for Income Taxes," and SFAS No. 112, "Employers' Accounting for Postemployment Benefits." The 1991 change in the method of accounting relates to the cost of rebuilding glass and fiber glass melting facilities. The effect of all the changes on net income in the years of change, exclusive of the cumulative effect to Jan. 1 of the year of change, and the pro forma effect on individual prior years' net income, was not material.

[2] Average equity and return on average equity for 1993 were calculated and presented inclusive and exclusive of the cumulative effect of the accounting changes.

[3] The 1993 and 1991 price/earnings ratios were calculated and presented exclusive of the cumulative effect of the accounting changes.

PPG SHAREHOLDER INFORMATION

World Headquarters
[illegible]
[illegible] 15272 U.S.A.

[illegible] 434-3131

Annual Meeting
[illegible] 21, 1994, 2:00 p.m.
[illegible] Penn Hotel
[illegible] Place
[illegible] 15230

[illegible] & Registrar
[illegible]
[illegible] Relations
[illegible]
[illegible]
[illegible] 10249

[illegible] 1-800-648-8160

[illegible] specific questions regarding dividend checks, [illegible] of stock certificates or dividend tax [illegible] contact Chemical Bank—the dividend paying [illegible] investment agent, transfer agent and registrar for [illegible] address. Or, shareholders may contact PPG [illegible] 40N, PPG Industries, One PPG Place, [illegible] 15272, phone (412) 434-3312.

[illegible] Available to Shareholders
[illegible] following publications will be furnished without charge [illegible] request to Corporate Communications, 7W, PPG [illegible] Place, Pittsburgh, PA 15272.

[illegible] Company's Annual Report filed with the Securities [illegible] Commission.

[illegible]—a review of PPG's quarterly financial performance, [illegible] in February, May, August and November.

[illegible] Future—a booklet summarizing PPG's mission, [illegible] and goals.

[illegible] Code of Ethics—an employee guide to corporate [illegible] including those concerning personal conduct, [illegible] customers, suppliers and competitors, protection of [illegible] responsibilities to the public, and PPG as a global [illegible]

[illegible] ment, Health and Safety Policy—a brochure [illegible] Company's commitment, worldwide, to manufacturing, [illegible] marketing products in a manner that is safe and healthful [illegible] neighbors and customers, and that protects [illegible]

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

PPG's *Responsible Care* Commitment—a brochure outlining the Company's voluntary activities under the *Responsible Care* initiative of the Chemical Manufacturers Association for safe and ethical management of chemicals.

Dividend Information

PPG has paid uninterrupted dividends since 1899. The latest quarterly dividend of 54 cents per share, voted by the board of directors on Jan. 20, 1994, results in an annual dividend rate of $2.16 per share.

Stock Exchange Listings

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

Dividend Reinvestment and Stock Purchase Plan

PPG's Dividend Reinvestment and Stock Purchase Plan is offered as a service and convenience to shareholders. The Plan provides for the automatic reinvestment of dividends in shares of PPG stock. Shareholders also may purchase additional stock through cash contributions to the Plan.

A prospectus fully describing the Plan and authorization forms for participation are available from the Company at the address shown under "Investor Relations."

Investor Relations

General information about PPG common stock, debt and the Dividend Reinvestment and Stock Purchase Plan may be obtained from Douglas B. Atkinson, Director of Investor Relations. Phone (412) 434-2120, or write Director, Investor Relations, 40N, PPG Industries, One PPG Place, Pittsburgh, PA 15272.

Quarterly Stock Market Price

	1993			1992		
Quarter Ended	*High*	*Low*	*Close*	*High*	*Low*	*Close*
March 31	$69⅞	$59⅜	$67⅞	$61⅞	$50	$59¾
June 30	75¾	65½	65½	68¼	55	65½
Sept. 30	71¾	64½	65¼	68⅜	58¼	58⅝
Dec. 31	76¼	64¾	75⅞	66⅜	53½	65⅞

The number of holders of record of PPG common stock as of Jan. 31, 1994, was 33,909, as shown on the records of the Company's transfer agent.

Dividends

	1993		1992	
Month of Payment	*Amount (Millions)*	*Per Share*	*Amount (Millions)*	*Per Share*
March	$ 53.0	$ .50	$ 48.9	$ .46
June	53.2	.50	48.8	.46
September	57.3	.54	48.8	.46
December	57.3	.54	53.1	.50
Total	$220.8	$2.08	$199.6	$1.88