UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2018

Commission file number 1-04851

THE SHERWIN-WILLIAMS COMPANY

(Exact name of registrant as specified in its charter)

OHIO	**34-0526850**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
101 West Prospect Avenue, Cleveland, Ohio	**44115-1075**
(Address of principal executive offices)	(Zip Code)

(216) 566-2000
Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, Par Value $1.00	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

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

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

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

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

At January 31, 2019 , 92,718,270 shares of common stock were outstanding, net of treasury shares. The aggregate market value of common stock held by non-affiliates of the Registrant at June 30, 2018 was $37,995,087,928 (computed by reference to the price at which the common stock was last sold on such date).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our Annual Report to Shareholders for the fiscal year ended December 31, 2018 (" 2018 Annual Report") are incorporated by reference into Parts I, II and IV of this report.

Portions of our Proxy Statement for the 2019 Annual Meeting of Shareholders ("Proxy Statement") to be filed with the Securities and Exchange Commission within 120 days of our fiscal year ended December 31, 2018 are incorporated by reference into Part III of this report.

THE SHERWIN-WILLIAMS COMPANY

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PART I

ITEM **1. BUSINESS**

Introduction

The Sherwin-Williams Company, founded in 1866 and incorporated in Ohio in 1884, is engaged in the development, manufacture, distribution and sale of paint, coatings and related products to professional, industrial, commercial and retail customers primarily in North and South America with additional operations in the Caribbean region, Europe, Asia and Australia. Our principal executive offices are located at 101 West Prospect Avenue, Cleveland, Ohio 44115-1075, telephone (216) 566-2000. As used in this report, the terms "Sherwin-Williams," "Company," "we" and "our" mean The Sherwin-Williams Company and its consolidated subsidiaries unless the context indicates otherwise.

Available Information

We make available free of charge on or through our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments to these reports, as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the Securities and Exchange Commission. You may access these documents on the "Investor Relations" page of our website at www.sherwin.com.

We also make available free of charge on our website our Corporate Governance Guidelines, our Director Independence Standards, our Code of Conduct and the charters of our Audit Committee, our Compensation and Management Development Committee and our Nominating and Corporate Governance Committee. You may access these documents in the "Corporate Governance" section on the "Investor Relations" page of our website at www.sherwin.com.

Basis of Reportable Segments

The Company reports its segment information in the same way that management internally organizes its business for assessing performance and making decisions regarding allocation of resources in accordance with the Segment Reporting Topic of the Accounting Standards Codification (ASC). The Company has three reportable operating segments: The Americas Group, Consumer Brands Group and Performance Coatings Group (individually, a "Reportable Segment" and collectively, the "Reportable Segments"). Factors considered in determining the three Reportable Segments of the Company include the nature of business activities, the management structure directly accountable to the Company's chief operating decision maker (CODM) for operating and administrative activities, availability of discrete financial information and information presented to the Board of Directors. The Company reports all other business activities and immaterial operating segments that are not reportable in the Administrative segment. For more information about the Reportable Segments, see pages 8 through 15 of our 2018 Annual Report, which is incorporated herein by reference.

The Company's CODM has been identified as the Chief Executive Officer because he has final authority over performance assessment and resource allocation decisions. Because of the diverse operations of the Company, the CODM regularly receives discrete financial information about each Reportable Segment as well as a significant amount of additional financial information about certain divisions, business units or subsidiaries of the Company. The CODM uses all such financial information for performance assessment and resource allocation decisions. The CODM evaluates the performance of and allocates resources to the Reportable Segments based on profit or loss before income taxes and cash generated from operations. The accounting policies of the Reportable Segments are the same as those described in Note 1 of the Notes to Consolidated Financial Statements on pages 45 through 49 of our 2018 Annual Report, which is incorporated herein by reference.

The Americas Group

The Americas Group consisted of 4,696 company-operated specialty paint stores in the United States, Canada, Latin America and the Caribbean region at December 31, 2018 . Each store in this segment is engaged in servicing the needs of architectural and industrial paint contractors and do-it-yourself homeowners. The Americas Group company-owned stores market and sell Sherwin-Williams ® and other controlled brand architectural paint and coatings, protective and marine products, OEM product finishes and related products. The majority of these products are produced by manufacturing facilities in the Consumer Brands Group. In addition, each store sells select purchased associated products. In addition to our stores in the Latin America region, The Americas Group meets regional customer demands through developing, licensing, manufacturing, distributing and selling a variety of architectural paints, coatings and related products in North and South America. The loss of any single customer would not have a material adverse effect on the business of this segment. At December 31, 2018 , The Americas Group consisted of operations from subsidiaries in 10 foreign countries. During 2018 , this segment opened 76 net new stores, consisting of 91 new stores opened (74 in the United States, 16 in Canada, and 1 in South America) and 15 stores closed (1 in the United States, 2 in Canada, 11 in South America and 1 in Mexico). In 2017 and 2016 , this segment opened 101 and 142 net new stores, respectively. A map on the cover flap of our 2018 Annual Report, which is incorporated herein by reference, shows the number of paint stores and their geographic location. The CODM uses discrete financial information about

The Americas Group, supplemented with information by geographic region, product type and customer type, to assess performance of and allocate resources to The Americas Group as a whole. In accordance with ASC 280-10-50-9, The Americas Group as a whole is considered the operating segment, and because it meets the criteria in ASC 280-10-50-10, it is also considered a Reportable Segment.

Consumer Brands Group

The Consumer Brands Group supplies a broad portfolio of branded and private-label architectural paint, stains, varnishes, industrial products, wood finishes products, wood preservatives, applicators, corrosion inhibitors, aerosols, caulks and adhesives to retailers and distributors throughout North America, as well as in Australia, New Zealand, China and Europe. The Consumer Brands Group also supports the Company's other businesses around the world with new product research and development, manufacturing, distribution and logistics. Approximately 55.82% of the total sales of the Consumer Brands Group in 2018 were intersegment transfers of products primarily sold through The Americas Group. At December 31, 2018 , the Consumer Brands Group consisted of operations in the United States and subsidiaries in 6 foreign countries, including company-operated outlets in Australia and New Zealand. A map on the cover flap of our 2018 Annual Report, which is incorporated herein by reference, shows the number of company-operated outlets and their location . Sales and marketing of certain controlled brand and private-label products is performed by a direct sales staff. The products distributed through third-party customers are intended for resale to the ultimate end-user of the product. The Consumer Brands Group had sales to certain customers that, individually, may be a significant portion of the sales of the segment. However, the loss of any single customer would not have a material adverse effect on the overall profitability of the segment. This segment incurred most of the Company’s capital expenditures related to ongoing environmental compliance measures at sites currently in operation. The CODM uses discrete financial information about the Consumer Brands Group, supplemented with information by product type and customer type, to assess performance of and allocate resources to the Consumer Brands Group as a whole. In accordance with ASC 280-10-50-9, the Consumer Brands Group as a whole is considered the operating segment, and because it meets the criteria in ASC 280-10-50-10, it is also considered a Reportable Segment.

Performance Coatings Group

The Performance Coatings Group develops and sells industrial coatings for wood finishing and general industrial (metal and plastic) applications, automotive refinish, protective and marine coatings, coil coatings, packaging coatings and performance-based resins and colorants worldwide. This segment licenses certain technology and trade names worldwide. Sherwin-Williams ® and other controlled brand products are distributed through The Americas Group and this segment’s 282 company-operated branches and by a direct sales staff and outside sales representatives to retailers, dealers, jobbers, licensees and other third-party distributors. The Performance Coatings Group had sales to certain customers that, individually, may be a significant portion of the sales of the segment. However, the loss of any single customer would not have a material adverse effect on the overall profitability of the segment. During 2018 , this segment opened 3 new branches and closed 11 branches for a net decrease of 8 branches. At December 31, 2018 , the Performance Coatings Group consisted of operations in the United States and subsidiaries in 45 foreign countries. The CODM uses discrete financial information about the Performance Coatings Group, supplemented with information about geographic divisions, business units and subsidiaries, to assess performance of and allocate resources to the Performance Coatings Group as a whole. In accordance with ASC 280-10-50-9, the Performance Coatings Group as a whole is considered the operating segment, and because it meets the criteria in ASC 280-10-50-10, it is also considered a Reportable Segment. A map on the cover flap of our 2018 Annual Report, which is incorporated herein by reference, shows the number of branches and their geographic locations.

Administrative Segment

The Administrative segment includes the administrative expenses of the Company’s corporate headquarters site. Also included in the Administrative segment is interest expense, interest and investment income, certain expenses related to closed facilities and environmental-related matters, and other expenses which are not directly associated with the Reportable Segments. The Administrative segment does not include any significant foreign operations. Also included in the Administrative segment is a real estate management unit that is responsible for the ownership, management, and leasing of non-retail properties held primarily for use by the Company, including the Company’s headquarters site, and disposal of idle facilities. Sales of this segment represent external leasing revenue of excess headquarters space or leasing of facilities no longer used by the Company in its primary businesses. Material gains and losses from the sale of property are infrequent and not a significant operating factor in determining the performance of the Administrative segment.

Business Developments

For additional information regarding our business and business developments, see pages 8 through 15 of our 2018 Annual Report and the “Letter to Shareholders” on pages 2 through 7 of our 2018 Annual Report, which is incorporated herein by reference.

Raw Materials and Products Purchased for Resale

We believe we generally have adequate sources of raw materials and fuel supplies used in our business. There are sufficient suppliers of each product purchased for resale that none of the Reportable Segments anticipate any significant sourcing problems during 2019 . See Item 1A Risk Factors for more information regarding cost and sourcing of raw materials.

Seasonality

The majority of the sales for the Reportable Segments traditionally occur during the second and third quarters. There is no significant seasonality in sales for the Administrative segment.

Working Capital

In order to meet increased demand during the second and third quarters, the Company usually builds its inventories during the first quarter. Working capital items (inventories and accounts receivable) are generally financed through short-term borrowings, which include the use of lines of credit and the issuance of commercial paper. For a description of the Company's liquidity and capital resources, see pages 25 through 30 of our 2018 Annual Report under the caption "Financial Condition, Liquidity and Cash Flow" of "Management's Discussion and Analysis of Financial Condition and Results of Operations," which is incorporated herein by reference.

Trademarks and Trade Names

Customer recognition of our trademarks and trade names collectively contribute significantly to our sales. The major trademarks and trade names used by each of the Reportable Segments are set forth below.

- *The Americas Group:* Sherwin-Williams®, A-100®, Cashmere®, Colorgin®, Condor®, Duracraft®, Duration Home®, Duration®, Emerald®, Harmony®, HGTV Home® by Sherwin- Williams, Kem Pro®, Kem Tone®, Krylon®, Loxon®, Marson®, Metalatex®, Minwax®, Novacor®, Paint Shield®, PrepRite®, ProClassic®, ProCraft ®, ProConstructor®, ProIndustrial™, ProMar®, ProPark®, Solo®, Sumaré®, SuperDeck®, SuperPaint®, Ultra Proteccion®, Woodscapes®
- *Consumer Brands Group:* Accurate Dispersions™, Altax™, Bestt Liebco®, Cabot®, Conco®, Duckback®, Dupli-Color®, DuraSeal®, Dutch Boy®, Geocel®, Granosite®, H&C®, HGTV HOME® by Sherwin-Williams, Huarun™, Kool Seal®, Krylon®, Minwax®, Pratt & Lambert®, Purdy®, Ronseal™, Rubberset®, Solver®, Sprayon®, SuperDeck®, Thompson's® WaterSeal®, Tri-Flow®, Uniflex®, Valspar®, VHT®, Wattyl®, White Lightning®
- *Performance Coatings Group:* Sherwin-Williams®, Acrolon®, AcromaPro®, Arti™, ATX™, AWX Performance Plus™, Baco®, Conely®, DeBeer®, DFL™, Dimension®, Duraspar™, Envirolastic®, Euronavy®, Excelo®, Fastline®, Finish 1™, Firetex®, Fluropon®, Genesis®, Heat-Flex®, House of Kolor®, Huarun™, Inchem®, Inver®, Kem Aqua®, Lanet™, Lazzuril®, Macropoxy®, Magnalux™, Martin Senour®, Matrix®, ML Campbell®, Oece™, PermaClad®, Planet Color®, Polane®, Powdura®, Prospray®, Sayerlack®, Sher-Wood®, Ultra-Cure®, Ultra™, USC®, ValPure® V70, Valspar®, Wattyl®

Patents

Although patents and licenses are not of material importance to our business as a whole or any segment, The Americas Group and the Performance Coatings Group derive a portion of their income from the licensing of technology, trademarks and trade names to foreign companies.

Backlog and Productive Capacity

Backlog orders are not significant in the business of any Reportable Segment since there is normally a short period of time between the placing of an order and shipment. We believe that sufficient productive capacity currently exists to fulfill our needs for paint, coatings and related products through 2019 .

Competition

We experience competition from many local, regional, national and international competitors of various sizes in the manufacture, distribution and sale of our paint, coatings and related products. We are a leading manufacturer and retailer of paint, coatings and related products to professional, industrial, commercial and retail customers, however, our competitive position varies for our different products and markets.

In The Americas Group, competitors include other paint and wallpaper stores, mass merchandisers, home centers, independent hardware stores, hardware chains and manufacturer-operated direct outlets. Product quality, product innovation, breadth of product line, technical expertise, service and price determine the competitive advantage for this segment.

In the Consumer Brands Group, domestic and foreign competitors include manufacturers and distributors of branded and private-label paint and coatings products. Technology, product quality, product innovation, breadth of product line, technical expertise, distribution, service and price are the key competitive factors for this segment.

The Performance Coatings Group has numerous competitors in its domestic and foreign markets with broad product offerings and several others with niche products. Key competitive factors for this segment include technology, product quality, product innovation, breadth of product line, technical expertise, distribution, service and price.

The Administrative segment has many competitors consisting of other real estate owners, developers and managers in areas in which this segment owns property. The main competitive factors are the availability of property and price.

Employees

We employed 53,368 persons at December 31, 2018 .

Environmental Compliance

For additional information regarding environmental-related matters, see page 28 of our 2018 Annual Report under the caption “Environmental-Related Liabilities” of “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Notes 1 , 9 and 14 of the Notes to Consolidated Financial Statements on pages 47 , 62 through 63 and 70 , respectively, of our 2018 Annual Report, which is incorporated herein by reference.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in “Management's Discussion and Analysis of Financial Condition and Results of Operations,” “Letter to Shareholders” and elsewhere in this report constitute “forward-looking statements” within the meaning of the federal securities laws. These forward-looking statements are based upon management's current expectations, estimates, assumptions and beliefs concerning future events and conditions and may discuss, among other things, anticipated future performance (including sales and earnings), expected growth, future business plans and the costs and potential liability for environmental-related matters and the lead pigment and lead-based paint litigation. Any statement that is not historical in nature is a forward-looking statement and may be identified by the use of words and phrases such as "believe," "expect," "may," "will," "should," "project," "could," "plan," "goal," "potential," "seek," "intend" or "anticipate" or the negative thereof or comparable terminology.

Readers are cautioned not to place undue reliance on any forward-looking statements. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside our control, that could cause actual results to differ materially from such statements and from our historical results and experience. These risks, uncertainties and other factors include such things as:

- general business conditions, strengths of retail and manufacturing economies and growth in the coatings industry;
- changes in general domestic economic conditions such as inflation rates, interest rates, tax rates, unemployment rates, higher labor and healthcare costs, recessions, and changing government policies, laws and regulations;
- changes in raw material and energy supplies and pricing;
- changes in our relationships with customers and suppliers;
- our ability to successfully integrate past and future acquisitions into our existing operations, including Valspar, as well as the performance of the businesses acquired;
- risks inherent in the achievement of additional anticipated cost synergies resulting from the acquisition of Valspar and the timing thereof;
- competitive factors, including pricing pressures and product innovation and quality;
- our ability to attain cost savings from productivity initiatives;
- risks and uncertainties associated with our expansion into and our operations in Asia, Europe, South America and other foreign markets, including general economic conditions, inflation rates, recessions, foreign currency exchange rates, foreign investment and repatriation restrictions, legal and regulatory constraints, civil unrest and other external economic and political factors;
- the achievement of growth in foreign markets, such as Asia, Europe and South America;
- increasingly stringent domestic and foreign governmental regulations, including those affecting health, safety and the environment;
- inherent uncertainties involved in assessing our potential liability for environmental-related activities;
- other changes in governmental policies, laws and regulations, including changes in tariff policies, as well as changes in accounting policies and standards and taxation requirements (such as new tax laws and new or revised tax law interpretations);

- the nature, cost, quantity and outcome of pending and future litigation and other claims, including the lead pigment and lead-based paint litigation, and the effect of any legislation and administrative regulations relating thereto; and
- adverse weather conditions and natural disasters.

Readers are cautioned that it is not possible to predict or identify all of the risks, uncertainties and other factors that may affect future results and that the above list should not be considered to be a complete list. Any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise except as otherwise required by law.

ITEM 1A. RISK FACTORS

The risks described below and in other documents we file from time to time with the Securities and Exchange Commission could materially and adversely affect our business, results of operations, cash flow, liquidity or financial condition.

Adverse changes in general business and economic conditions in the United States and worldwide may adversely affect our results of operations, cash flow, liquidity or financial condition.

Our business is sensitive to global and regional business and economic conditions. Adverse changes in such conditions in the United States and worldwide may reduce the demand for some of our products and impair the ability of those with whom we do business to satisfy their obligations to us, each of which could adversely affect our results of operations, cash flow, liquidity or financial condition. Higher inflation rates, interest rates, tax rates and unemployment rates, higher labor and healthcare costs, recessions, changing governmental policies, laws and regulations, and other economic factors could also adversely affect demand for some of our products and our results of operations, cash flow, liquidity or financial condition and that of our customers, vendors and suppliers.

A weakening or reversal of the general economic recovery in the United States and other countries and regions in which we do business, or the continuation or worsening of economic downturns in other countries and regions, may adversely affect our results of operations, cash flow, liquidity or financial condition.

Global economic uncertainty continues to exist. A weakening or reversal of the general economic recovery in the United States and other countries and regions in which we do business, or the continuation or worsening of economic downturns in other countries and regions, may adversely impact our net sales, the collection of accounts receivable, funding for working capital needs, expected cash flow generation from current and acquired businesses, and our investments, which may adversely impact our results of operations, cash flow, liquidity or financial condition.

We finance a portion of our sales through trade credit. Credit markets remain tight, and some customers who require financing for their businesses have not been able to obtain necessary financing. A continuation or worsening of these conditions could limit our ability to collect our accounts receivable, which could adversely affect our results of operations, cash flow, liquidity or financial condition.

We generally fund a portion of our seasonal working capital needs and obtain funding for other general corporate purposes through short-term borrowings backed by our revolving credit facility and other financing facilities. If any of the banks in these credit and financing facilities are unable to perform on their commitments, such inability could adversely impact our cash flow, liquidity or financial condition, including our ability to obtain funding for working capital needs and other general corporate purposes.

Although we currently have available credit facilities to fund our current operating needs, we cannot be certain we will be able to replace our existing credit facilities or refinance our existing or future debt when necessary. Our cost of borrowing and ability to access the capital markets are affected not only by market conditions, but also by our debt and credit ratings assigned by the major credit rating agencies. Downgrades in these ratings will increase our cost of borrowing and could have an adverse effect on our access to the capital markets, including our access to the commercial paper market. An inability to access the capital markets could have a material adverse effect on our results of operations, cash flow, liquidity or financial condition.

We have goodwill and intangible assets recorded on our balance sheet. We periodically evaluate the recoverability of the carrying value of our goodwill and intangible assets whenever events or changes in circumstances indicate such value may not be recoverable. An impairment assessment involves judgment as to assumptions regarding future sales and cash flow and the impact of market conditions on those assumptions. Future events and changing market conditions may impact our assumptions and change our estimates of future sales and cash flow, resulting in us incurring substantial impairment charges, which would adversely affect our results of operations or financial condition.

We hold investments in equity and debt securities in some of our defined benefit pension plans. A decrease in the value of plan assets resulting from a general financial downturn may cause a negative pension plan investment performance, which may adversely affect our results of operations, cash flow, liquidity or financial condition.

Protracted duration of economic downturns in cyclical segments of the economy may depress the demand for some of our products and adversely affect our sales, earnings, cash flow or financial condition.

Portions of our business involve the sale of paint, coatings and related products to segments of the economy that are cyclical in nature, particularly segments relating to construction, housing, manufacturing and oil production, refining, storage and transportation. Our sales to these segments are affected by the levels of discretionary consumer and business spending in these segments. During economic downturns in these segments, the levels of consumer and business discretionary spending may decrease, and the recovery of these segments may lag behind the recovery of the overall economy. This decrease in spending will likely reduce the demand for some of our products and may adversely affect our sales, earnings, cash flow or financial condition.

Throughout 2018, interest rates, including mortgage rates, rose and may continue to rise in 2019 . Although interest rates remain low by historical standards, this increase may adversely affect the demand for new residential homes, existing home turnover and new non-residential construction. Challenging market conditions are expected to continue for the foreseeable future and may worsen. A worsening in these segments will reduce the demand for some of our products and may adversely impact sales, earnings and cash flow.

In the U.S. construction and housing segments, the recent demand for new construction has caused contractors to experience a shortage of skilled workers, resulting in project backlogs and an adverse effect on the growth rate of demand for our products. While we expect to see higher demand for our products as project backlogs are reduced in the future, this labor shortage may adversely impact our sales, earnings, cash flow or financial condition.

Increases in the cost of raw materials and energy may adversely affect our earnings or cash flow.

We purchase raw materials (including titanium dioxide and petrochemical feedstock sources, such as propylene and ethylene) and energy for use in the manufacturing, distribution and sale of our products. Factors such as political instability, higher tariffs and adverse weather conditions, including hurricanes, and other natural disasters can disrupt raw material and fuel supplies and increase our costs. Although raw materials and energy supplies (including oil and natural gas) are generally available from various sources in sufficient quantities, unexpected shortages and increases in the cost of raw materials and energy, or any deterioration in our relationships with or the financial viability of our suppliers, may have an adverse effect on our earnings or cash flow in the event we are unable to offset higher costs in a timely manner by sufficiently decreasing our operating costs or raising the prices of our products. In recent years, some raw material and energy prices have increased, particularly titanium dioxide and petrochemical feedstock sources, such as propylene and ethylene, as well as metal and plastic packaging. The cost of raw materials and energy has in the past experienced, and likely will in the future continue to experience, periods of volatility.

Although we have an extensive customer base, the loss of any of our largest customers could adversely affect our sales, earnings or cash flow.

We have a large and varied customer base due to our extensive distribution network. During 2018 , no individual customer accounted for sales totaling more than ten percent of our sales. However, we have some customers that, individually, purchase a large amount of products from us. Although our broad distribution channels help to minimize the impact of the loss of any one customer, the loss of any of these large customers could have an adverse effect on our sales, earnings or cash flow.

Increased competition may reduce our sales, earnings or cash flow performance.

We face substantial competition from many international, national, regional and local competitors of various sizes in the manufacture, distribution and sale of our paint, coatings and related products. Some of our competitors are larger than us and have greater financial resources to compete. Other competitors are smaller and may be able to offer more specialized products. Technology, product quality, product innovation, breadth of product line, technical expertise, distribution, service and price are the key competitive factors for our business. Competition in any of these areas may reduce our sales and adversely affect our earnings or cash flow by resulting in decreased sales volumes, reduced prices and increased costs of manufacturing, distributing and selling our products.

We may not realize the growth opportunities and cost synergies that are anticipated from the acquisition of Valspar.

The benefits that are expected to result from the acquisition of Valspar will depend, in part, on our ability to realize the anticipated growth opportunities and additional cost synergies as a result of the acquisition. Our success in realizing these growth opportunities and additional cost synergies, and the timing of this realization, depends on the successful integration of Valspar. There is a significant degree of difficulty and management distraction inherent in the process of integrating an acquisition as sizable as Valspar. The process of integrating operations could cause an interruption of, or loss of momentum in, our activities. Members of our senior management may be required to devote considerable amounts of time to this integration process, which will decrease the time available to manage our company, service existing customers, attract new customers, and

develop new products or strategies. If senior management is not able to effectively manage the integration process, or if any significant business activities are interrupted as a result of the integration process, our business could suffer. There can be no assurance we will successfully or cost-effectively integrate Valspar. The failure to do so could have a material adverse effect on our business, financial condition, and results of operations.

Even if we are able to integrate Valspar successfully, this integration may not result in the realization of the full benefits of the growth opportunities and additional cost synergies we currently expect from this integration. We also cannot guarantee these benefits will be achieved within anticipated time frames or at all. For example, we may not be able to eliminate all duplicative costs, and we may incur substantial, unanticipated expenses in connection with the Valspar integration. While we expect certain expenses will be incurred to achieve cost synergies, such expenses are difficult to estimate accurately, and may exceed current estimates. Accordingly, the benefits from the acquisition may be offset by costs incurred to, or delays in, integrating the businesses.

We require a significant amount of cash to service the substantial amount of debt we have outstanding. Our ability to generate cash depends on many factors beyond our control. We also depend on the business of our subsidiaries to satisfy our cash needs. If we cannot generate the required cash, we may not be able to make the necessary payments required under our indebtedness.

At December 31, 2018 , we had total debt of approximately $9.3 billion , which is a decrease of $1.2 billion since December 31, 2017 and includes indebtedness incurred to complete the Valspar acquisition. We have the ability under our existing credit facilities to incur substantial additional indebtedness in the future. Our ability to make payments on our debt, fund our other liquidity needs, and make planned capital expenditures will depend on our ability to generate cash in the future. Our historical financial results have been, and we anticipate our future financial results will be, subject to fluctuations. Our ability to generate cash, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors beyond our control. We cannot guarantee our business will generate sufficient cash flow from our operations or future borrowings will be available to us in an amount sufficient to enable us to make payments of our debt, fund other liquidity needs and make planned capital expenditures.

The degree to which we are currently leveraged could have important consequences for shareholders. For example, it could:

- require us to dedicate a substantial portion of our cash flow from operations to the payment of debt service, reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes;
- increase our vulnerability to adverse economic or industry conditions;
- limit our ability to obtain additional financing in the future to enable us to react to changes in our business; or
- place us at a competitive disadvantage compared to businesses in our industry that have less debt.

Additionally, any failure to comply with covenants in the instruments governing our debt could result in an event of default which, if not cured or waived, would have a material adverse effect on us.

A significant portion of our operations are conducted through our subsidiaries. As a result, our ability to generate sufficient cash flow for our needs is dependent to some extent on the earnings of our subsidiaries and the payment of those earnings to us in the form of dividends, loans or advances and through repayment of loans or advances from us. Our subsidiaries are separate and distinct legal entities. Our subsidiaries have no obligation to pay any amounts due on our debt or to provide us with funds to meet our cash flow needs, whether in the form of dividends, distributions, loans or other payments. In addition, any payment of dividends, loans or advances by our subsidiaries could be subject to statutory or contractual restrictions. Payments to us by our subsidiaries will also be contingent upon our subsidiaries' earnings and business considerations. Our right to receive any assets of any of our subsidiaries upon their liquidation or reorganization will be effectively subordinated to the claims of that subsidiary's creditors, including trade creditors. In addition, even if we are a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to that held by us. Finally, changes in the laws of foreign jurisdictions in which we operate may adversely affect the ability of some of our foreign subsidiaries to repatriate funds to us.

Our results of operations, cash flow or financial condition may be negatively impacted if we do not successfully integrate future acquisitions into our existing operations and if the performance of the businesses we acquire do not meet our expectations.

We have historically made strategic acquisitions of businesses in the paint and coatings industry and will likely acquire additional businesses in the future as part of our long-term growth strategy. The success of future acquisitions depends in large part on our ability to integrate the operations and personnel of the acquired companies and manage challenges that may arise as

a result of the acquisitions, particularly when the acquired businesses operate in new or foreign markets. In the event we do not successfully integrate such future acquisitions into our existing operations so as to realize the expected return on our investment, our results of operations, cash flow or financial condition could be adversely affected.

Risks and uncertainties associated with our expansion into and our operations in Asia, Europe, South America and other foreign markets could adversely affect our results of operations, cash flow, liquidity or financial condition.

Net external sales of our consolidated foreign subsidiaries totaled approximately 23.0% , 19.8% and 14.5% of our total consolidated net sales in 2018 , 2017 and 2016 , respectively. Sales outside of the United States make up a significant part of our current business and future strategic plans. Our results of operations, cash flow, liquidity or financial condition could be adversely affected by a variety of domestic and international factors, including general economic conditions, political instability, inflation rates, recessions, tariffs, foreign currency exchange rates, foreign currency exchange controls, interest rates, foreign investment and repatriation restrictions, legal and regulatory constraints, civil unrest, difficulties in staffing and managing foreign operations and other external economic and political factors. Our inability to successfully manage the risks and uncertainties relating to these factors could adversely affect our results of operations, cash flow, liquidity or financial condition.

In many foreign countries, it is acceptable to engage in certain business practices we are prohibited from engaging in because of regulations applicable to us, such as the Foreign Corrupt Practices Act and the UK Bribery Act. Recent years have seen a substantial increase in anti-bribery law enforcement activity, with more frequent and aggressive investigations and enforcement proceedings by both U.S. and non-U.S. regulators, and an increase in criminal and civil proceedings brought against companies and individuals. Although we have internal control policies and procedures designed to ensure compliance with these regulations, there can be no assurance our policies and procedures will prevent a violation of these regulations. Any violation could cause an adverse effect on our results of operations, cash flow or financial condition.

Policy changes affecting international trade could adversely impact the demand for our products and our competitive position.

Due to the international scope of our operations, changes in government policies on foreign trade and investment may affect the demand for our products and services, impact the competitive position of our products or prevent us from being able to sell products in certain countries. Our business benefits from free trade agreements, such as the North American Free Trade Agreement and successor agreements, which may include the United States-Mexico-Canada Agreement, and efforts to withdraw from, or substantially modify such agreements, in addition to the implementation of more restrictive trade policies, such as more detailed inspections, higher tariffs, import or export licensing requirements, exchange controls or new barriers to entry, could have a material adverse effect on our results of operations, financial condition or cash flow and that of our customers, vendors and suppliers.

Additionally, the results of the United Kingdom’s referendum on European Union membership, advising for the exit from the European Union, has caused and may continue to cause significant volatility in global stock markets, currency exchange rate fluctuations and global economic uncertainty. Although it is unknown what the terms of the United Kingdom’s future relationship with the European Union will be, it is possible there will be greater restrictions on imports and exports between the United Kingdom and the European Union and increased regulatory complexities. Any of these factors could adversely impact customer demand, our relationships with customers and suppliers and our results of operations.

Fluctuations in foreign currency exchange rates could adversely affect our results of operations, cash flow, liquidity or financial condition.

Because of our international operations, we are exposed to risk associated with interest rates and value changes in foreign currencies, which may adversely affect our business. Historically, our reported net sales, earnings, cash flow and financial condition have been subjected to fluctuations in foreign exchange rates. Our primary exchange rate exposure is with the Euro, the Chinese yuan, the Brazilian real, the Canadian dollar, the British pound, the Mexican peso and the Australian dollar, each against the U.S. dollar. While we actively manage the exposure of our foreign currency risk as part of our overall financial risk management policy, we believe we may experience losses from foreign currency exchange rate fluctuations, and such losses could adversely affect our sales, earnings, cash flow, liquidity or financial condition.

We are subject to a wide variety of complex domestic and foreign laws, rules and regulations, for which compliance could adversely affect our results of operations, cash flow or financial condition.

We are subject to a wide variety of complex domestic and foreign laws, rules and regulations, and legal compliance risks, including securities laws, tax laws, employment and pension-related laws, competition laws, U.S. and foreign export and trading laws, data privacy and security laws, and laws governing improper business practices. We are affected by new laws and

regulations, and changes to existing laws and regulations, including interpretations by courts and regulators. From time to time, our Company, our operations and the industries in which we operate are being reviewed or investigated by regulators, which could lead to enforcement actions or the assertion of private litigation claims and damages.

Although we believe we have adopted appropriate risk management and compliance programs to mitigate these risks, the global and diverse nature of our operations means compliance risks will continue to exist. Investigations, examinations and other proceedings, the nature and outcome of which cannot be predicted, will likely arise from time to time. These investigations, examinations and other proceedings could subject us to significant liability and require us to take significant accruals or pay significant settlements, fines and penalties, which could have a material adverse effect on our results of operations, cash flow or financial condition.

We are subject to tax laws and regulations in the United States and multiple foreign jurisdictions. We are affected by changes in tax laws and regulations, as well as changes in related interpretations and other tax guidance. In the ordinary course of our business, we are subject to examinations and investigations by various tax authorities and other regulators. In addition to existing examinations and investigations, there could be additional examinations and investigations in the future, and existing examinations and investigations could be expanded.

On December 22, 2017, U.S. tax reform legislation known as the Tax Cuts and Jobs Act (the "Tax Act") was signed into law. The Tax Act made substantial changes to then-current U.S. tax law, including a reduction in the corporate tax rate, a limitation on deductibility of interest expense, a limitation on the use of net operating losses to offset future taxable income, the allowance of immediate expensing of capital expenditures, deemed repatriation of foreign earnings and significant changes to the taxation of foreign earnings going forward. The Tax Act contains numerous, complex provisions impacting U.S. multinational companies, and we continue to review and assess the legislative language and guidance promulgated by regulators to determine the Tax Act's full impact on us. The full extent of the impact remains uncertain at this time, and our current interpretations of, and assumptions regarding, the Tax Act are subject to additional regulatory or administrative developments, including any regulations or additional guidance promulgated by the U.S. Internal Revenue Service or other regulators. Further, we can provide no assurance our current interpretations of, and assumptions regarding, the Tax Act and any related regulations or guidance will not be reviewed or investigated by regulators in the future. As a result, the Tax Act, including any regulations or other guidance promulgated by the U.S. Internal Revenue Service or other regulators, and other tax laws could have significant effects on us, some of which could materially and adversely impact our financial condition, results of operations and cash flow.

For non-income tax risks, we estimate material loss contingencies and accrue for such loss contingencies as required by U.S. generally accepted accounting principles based on our assessment of contingencies where liability is deemed probable and reasonably estimable in light of the facts and circumstances known to us at a particular point in time. Subsequent developments may affect our assessment and estimates of the loss contingency. In the event the loss contingency is ultimately determined to be significantly higher than currently accrued, the recording of the additional liability may result in a material adverse effect on our results of operations or financial condition for the annual or interim period during which such additional liability is accrued. In those cases where no accrual is recorded because it is not probable a liability has been incurred and cannot be reasonably estimated, any potential liability ultimately determined to be attributable to us may result in a material adverse effect on our results of operations, cash flow or financial condition for the annual or interim period during which such liability is accrued or paid. For income tax risks, we recognize tax benefits based on our assessment that a tax benefit has a greater than 50% likelihood of being sustained upon ultimate settlement with the applicable taxing authority that has full knowledge of all relevant facts. For those income tax positions where we determine there is not a greater than 50% likelihood such tax benefits will be sustained, we do not recognize a tax benefit in our financial statements. Subsequent events may cause us to change our assessment of the likelihood of sustaining a previously-recognized benefit which could result in a material adverse effect on our results of operations, cash flow or financial position for the annual or interim period during which such liability is accrued or paid.

We discuss risks and uncertainties with regard to taxes in more detail in Note 15 of the Notes to Consolidated Financial Statements on pages 71 through 73 of our 2018 Annual Report.

Adverse weather conditions and natural disasters may temporarily reduce the demand for some of our products and could have a negative effect on our sales, earnings or cash flow.

Our business is seasonal in nature, with the second and third quarters typically generating a higher proportion of sales and earnings than other quarters. From time to time, adverse weather conditions and natural disasters have had an adverse effect on our sales of paint, coatings and related products. For example, during 2018 the impact of Hurricanes Michael and Florence, on our operations in Florida, the Carolinas and neighboring areas, as well as the wildfires in California, resulted in a temporary shutdown of some of our company-operated paint stores, manufacturing facilities and/or distribution centers in the affected regions, resulting in reduced revenues. In addition, unusually cold and rainy weather could have an adverse effect on sales of our exterior paint products. An adverse effect on sales may cause a reduction in our earnings or cash flow.

Inability to protect or enforce our material trademarks and other intellectual property rights could have an adverse effect on our business.

We have numerous patents, trade secrets, trademarks, trade names and know-how that are valuable to our business. Despite our efforts to protect such intellectual property and other proprietary information from unauthorized use or disclosure, third parties may attempt to disclose, obtain or use our trademarks or such other intellectual property and information without our authorization. Although we rely on the patent, trademark, trade secret and copyright laws of the United States and other countries to protect our intellectual property rights, the laws of some countries may not protect such rights to the same extent as the laws of the United States. Unauthorized use of our intellectual property by third parties, the failure of foreign countries to have laws to protect our intellectual property rights, or an inability to effectively enforce such rights in foreign countries could have an adverse effect on our business.

Security breaches and other disruptions to our information technology infrastructure could interfere with our operations, compromise our information and the information of our customers and suppliers and severely harm our business.

As part of our business, we collect, process, and retain sensitive and confidential personal information about our customers, employees and suppliers. Despite the security measures we have in place, our facilities and systems, and those of the retailers, dealers, licensees and other third-party suppliers and vendors with which we do business, may be vulnerable to security breaches, cyber attacks, acts of vandalism or misconduct, computer viruses, misplaced or lost data, programming and/or human errors or other similar events. Any security breach involving the misappropriation, loss or other unauthorized disclosure of confidential customer, employee, supplier or Company information, whether caused by us, an unknown third party, or the retailers, dealers, licensees or other third-party suppliers and vendors with which we do business, could result in losses, severely damage our reputation, expose us to the risks of litigation and liability, disrupt our operations and have a material adverse effect on our business, results of operations and financial condition. As cyber security threats evolve in sophistication and become more prevalent in numerous industries worldwide, we continue to increase our sensitivity and attention to these threats, seek additional investments and resources to address these threats and enhance the security of our facilities and systems and strengthen our controls and procedures implemented to monitor and mitigate these threats. The domestic and international regulatory environment related to information security, data collection and privacy is increasingly rigorous and complex, with new and constantly changing requirements applicable to our business. Compliance with these requirements, including the European Union's General Data Protection Regulation and other domestic and international regulations, could result in additional costs and changes to our business practices.

Moreover, we rely heavily on computer systems to manage and operate our business, record and process transactions, and manage, support and communicate with our employees, customers, suppliers and other vendors. Computer systems are important to production planning, finance, company operations and customer service, among other business-critical processes. Despite efforts to prevent disruptions to our computer systems, our systems may be affected by damage or interruption from, among other causes, power outages, system failures, computer viruses and other intrusions, including cyber attacks. Computer hardware and storage equipment that is integral to efficient operations, such as email, telephone and other functionality, is concentrated in certain physical locations in the various continents in which we operate. Additionally, we rely on software applications, enterprise cloud storage systems and cloud computing services provided by third-party vendors, and our business may be adversely affected by service disruptions in or security breaches to such third-party systems.

We are required to comply with numerous complex and increasingly stringent domestic and foreign health, safety and environmental laws and regulations, the cost of which is likely to increase and may adversely affect our results of operations, cash flow or financial condition.

Our operations are subject to various domestic and foreign health, safety and environmental laws and regulations. These laws and regulations not only govern our current operations and products, but also impose potential liability on us for our past operations. We expect health, safety and environmental laws and regulations to impose increasingly stringent requirements upon our industry and us in the future. Our costs to comply with these laws and regulations may increase as these requirements become more stringent in the future, and these increased costs may adversely affect our results of operations, cash flow or financial condition.

We are involved with environmental investigation and remediation activities at some of our currently and formerly owned sites, as well as a number of third-party sites, for which our ultimate liability may exceed the current amount we have accrued.

We are involved with environmental investigation and remediation activities at some of our currently and formerly owned sites and a number of third-party sites. We accrue for estimated costs of investigation and remediation activities at these sites for which commitments or clean-up plans have been developed and when such costs can be reasonably estimated based on industry standards and professional judgment. These estimated costs are based on currently available facts regarding each site.

We continuously assess our potential liability for investigation and remediation activities and adjust our environmental-related accruals as information becomes available upon which more accurate costs can be reasonably estimated. Due to the uncertainties surrounding environmental investigation and remediation activities, our liability may result in costs that are significantly higher than currently accrued and may have an adverse effect on our earnings. We discuss these risks and uncertainties in more detail on page 23 of our 2018 Annual Report under the caption "Environmental Matters," page 28 of our 2018 Annual Report under the caption "Environmental-Related Liabilities" and in Note 9 of the Notes to Consolidated Financial Statements on pages 62 through 63 of our 2018 Annual Report.

The nature, cost, quantity and outcome of pending and future litigation, such as litigation arising from the historical manufacture and sale of lead pigments and lead-based paint, could have a material adverse effect on our results of operations, cash flow, liquidity and financial condition.

In the course of our business, we are subject to a variety of claims and lawsuits, including, but not limited to, litigation relating to product liability and warranty, personal injury, environmental, intellectual property, commercial, contractual and antitrust claims that are inherently subject to many uncertainties regarding the possibility of a loss to us. These uncertainties will ultimately be resolved when one or more future events occur or fail to occur confirming the incurrence of a liability or the reduction of a liability. In accordance with the Contingencies Topic of the ASC, we accrue for these contingencies by a charge to income when it is both probable that one or more future events will occur confirming the fact of a loss and the amount of the loss can be reasonably estimated. In the event a loss contingency is ultimately determined to be significantly higher than currently accrued, the recording of the additional liability may result in a material impact on our results of operations, liquidity or financial condition for the annual or interim period during which such additional liability is accrued. In those cases where no accrual is recorded because it is not probable that a liability has been incurred and the amount of any such loss cannot be reasonably estimated, any potential liability ultimately determined to be attributable to us may result in a material impact on our results of operations, liquidity or financial condition for the annual or interim period during which such liability is accrued.

Our past operations included the manufacture and sale of lead pigments and lead-based paints. Along with other companies, we are and have been a defendant in a number of legal proceedings, including individual personal injury actions, purported class actions and actions brought by various counties, cities, school districts and other government-related entities, arising from the manufacture and sale of lead pigments and lead-based paints. The plaintiffs' claims have been based upon various legal theories, including negligence, strict liability, breach of warranty, negligent misrepresentations and omissions, fraudulent misrepresentations and omissions, concert of action, civil conspiracy, violations of unfair trade practice and consumer protection laws, enterprise liability, market share liability, public nuisance, unjust enrichment and other theories. The plaintiffs seek various damages and relief, including personal injury and property damage, costs relating to the detection and abatement of lead-based paint from buildings, costs associated with a public education campaign, medical monitoring costs and others. We have also been a defendant in legal proceedings arising from the manufacture and sale of non-lead-based paints that seek recovery based upon various legal theories, including the failure to adequately warn of potential exposure to lead during surface preparation when using non-lead-based paint on surfaces previously painted with lead-based paint. We believe the litigation brought to date is without merit or subject to meritorious defenses and are vigorously defending such litigation. We have not settled any material lead pigment or lead-based paint litigation. We expect additional lead pigment and lead-based paint litigation may be filed against us in the future asserting similar or different legal theories and seeking similar or different types of damages and relief.

Notwithstanding our views on the merits, litigation is inherently subject to many uncertainties, and we ultimately may not prevail. Adverse court rulings, such as the court's decision in the Santa Clara County, California proceeding, the jury verdict against us and other defendants in the State of Rhode Island action and the Wisconsin State Supreme Court's determination that Wisconsin's risk contribution theory may apply in the lead pigment litigation, or determinations of liability, among other factors, could affect the lead pigment and lead-based paint litigation against us and encourage an increase in the number and nature of future claims and proceedings. In addition, from time to time, various legislation and administrative regulations have been enacted, promulgated or proposed to impose obligations on present and former manufacturers of lead pigments and lead-based paints respecting asserted health concerns associated with such products or to overturn the effect of court decisions in which we and other manufacturers have been successful.

Due to the uncertainties involved, management is unable to predict the outcome of the lead pigment and lead-based paint litigation, the number or nature of possible future claims and proceedings, or the effect any legislation and/or administrative regulations may have on the litigation or against us. In addition, management cannot reasonably determine the scope or amount of the potential costs and liabilities related to such litigation, or resulting from any such legislation and regulations. Except with respect to the litigation in California, we have not accrued any amounts for such litigation because we do not believe it is probable that a loss has occurred, and we believe it is not possible to estimate the range of potential losses as there is no substantive information upon which an estimate could be based. In addition, any potential liability that may result from any changes to legislation and regulations cannot reasonably be estimated. In the event any significant liability is determined to be attributable to us relating to such litigation, or any such liability is higher than any amount currently accrued for such litigation,

the recording of the liability, or additional liability, as applicable, may result in a material impact on net income for the annual or interim period during which such liability is accrued. Additionally, due to the uncertainties associated with the amount of any such liability and/or the nature of any other remedy which may be imposed in such litigation, any potential liability determined to be attributable to us arising out of such litigation may have a material adverse effect on our results of operations, cash flow, liquidity or financial condition.

We discuss the risks and uncertainties related to litigation, including the lead pigment and lead-based paint litigation, in more detail in Note 10 of the Notes to Consolidated Financial Statements on pages 63 through 67 of our 2018 Annual Report.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We own our world headquarters located in Cleveland, Ohio, which includes the world headquarters for The Americas Group, Consumer Brands Group and Performance Coatings Group. Our principal manufacturing and distribution facilities are located as set forth below. We believe our manufacturing and distribution facilities are well-maintained and are suitable and adequate, and have sufficient productive capacity, to meet our current needs.

	Manufacturing			Distribution		
	Leased	Owned	Total	Leased	Owned	Total
Consumer Brands Group						
Asia	1	6	7	1	3	4
Australia and New Zealand		4	4	1	5	6
Canada		3	3	1		1
Europe	1	3	4	2	3	5
Jamaica		1	1		1	1
Latin America	3	6	9	4	5	9
United States	5	27	32	8	3	11
Total	10	50	60	17	20	37
Performance Coatings Group						
Africa		1	1		1	1
Asia	2	5	7	2	4	6
Canada		1	1			
Europe	4	19	23	5	13	18
Latin America		5	5	1	7	8
United States	1	12	13	1	12	13
Total	7	43	50	9	37	46

The operations of The Americas Group included one manufacturing and distribution facility in Uruguay and 4,696 company-operated specialty paint stores, of which 217 were owned, in the United States, Canada, Puerto Rico, Virgin Islands, Grenada, Trinidad and Tobago, St. Maarten, Jamaica, Curacao, Aruba, St. Lucia, Uruguay, Brazil, Chile, Peru, Mexico, Ecuador and Barbados at December 31, 2018 . These paint stores are divided into six separate operating divisions that are responsible for the sale of predominantly architectural, protective and marine and related products through the paint stores located within their geographical region. At the end of 2018 :

- the Mid Western Division operated 1,105 paint stores primarily located in the midwestern and upper west coast states;
- the Eastern Division operated 868 paint stores along the upper east coast and New England states;
- the Canada Division operated 241 paint stores throughout Canada;
- the Southeastern Division operated 1,117 paint stores principally covering the lower east and gulf coast states, Puerto Rico, Virgin Islands, Grenada, Trinidad and Tobago, St. Maarten, Jamaica, Curacao, Aruba, St. Lucia and Barbados;
- the South Western Division operated 1,023 paint stores in the central plains and the lower west coast states; and
- the Latin America Division operated 342 paint stores in Uruguay, Brazil, Chile, Peru, Mexico and Ecuador.

During 2018 , The Americas Group opened 76 net new stores, consisting of 91 new stores opened (74 in the United States, 16 in Canada, and 1 in South America) and 15 stores closed (1 in the United States, 2 in Canada, 11 in South America and 1 in Mexico).

The Performance Coatings Group operated 223 branches in the United States, of which 8 were owned, at December 31, 2018 . The Performance Coatings Group also operated 59 branches internationally, of which 6 were owned, at December 31,

2018 , consisting of branches in Canada (21), Europe (16), Chile (11), Mexico (4), Peru (4) and Vietnam (3). During 2018 , this segment opened 3 new branches and closed 11 branches for a net decrease of (8) branches.

All real property within the Administrative segment is owned by us. For additional information regarding real property within the Administrative segment, see the information set forth in Item 1 of this report, which is incorporated herein by reference.

For additional information regarding real property leases, see Note 18 of the Notes to Consolidated Financial Statements on page 74 of our 2018 Annual Report, which is incorporated herein by reference.

ITEM 3. LEGAL PROCEEDINGS

On September 14, 2018, the California Air Resources Board ("CARB") issued a Notice of Violation to the Company for several aerosol coatings products that were allegedly labeled incorrectly or otherwise violated CARB rules. The Company entered into settlement negotiations with CARB in an attempt to resolve the alleged violations. On January 15, 2019, a settlement conference was held, and an agreement to resolve the alleged violations was reached pursuant to which the Company has agreed to pay a penalty of $220,000 to resolve the matter.

As previously disclosed in the Company's Form 10-Q for the quarterly period ended September 30, 2018, the Company received a letter dated September 26, 2018 from the South Coast Air Quality Management District ("SCAQMD") in California alleging excess emissions from non-compliant coatings and seeking a proposed penalty of approximately $1.5 million. Settlement discussions regarding this matter have been unsuccessful to date, and SCAQMD filed a civil Complaint against the Company on November 30, 2018 in the Superior Court of California seeking civil penalties, costs and injunctive relief including an initial demand of $30 million. The Company disputes the allegations in the Complaint and intends to vigorously defend this matter.

For information regarding environmental-related matters and other legal proceedings, see pages 28 and 30 of our 2018 Annual Report under the captions "Environmental-Related Liabilities" and "Litigation" of "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Notes 1 , 9 , 10 and 14 of the Notes to Consolidated Financial Statements on pages 47 , 62 through 63 , 63 through 67 and 70 , respectively, of our 2018 Annual Report, which is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following is the name, age and present position of each of our executive officers and all persons chosen to become executive officers, as well as all prior positions held by each during the last five years. Executive officers are generally elected annually by the Board of Directors and hold office until their successors are elected and qualified or until their earlier death, resignation or removal.

Name	Age	Present Position
John G. Morikis	55	Chairman, President and Chief Executive Officer, Director
Allen J. Mistysyn	50	Senior Vice President - Finance and Chief Financial Officer
Jane M. Cronin	51	Senior Vice President - Corporate Controller
Mary L. Garceau	46	Senior Vice President, General Counsel and Secretary
Thomas P. Gilligan	58	Senior Vice President - Human Resources
Robert J. Wells	61	Senior Vice President - Corporate Communications and Public Affairs
Joel D. Baxter	58	President & General Manager, Global Supply Chain Division, Consumer Brands Group
Aaron M. Erter	45	President, Consumer Brands Group
Peter J. Ippolito	54	President, The Americas Group
David B. Sewell	50	President, Performance Coatings Group
Robert F. Lynch	58	President & General Manager, Retail - North America, Consumer Brands Group

Mr. Morikis has served as Chairman since January 2017 and President and Chief Executive Officer since January 2016. Mr. Morikis served as President and Chief Operating Officer from October 2006 to January 2016. Mr. Morikis has served as a Director since October 2015 and has been employed with the Company since December 1984. Effective March 1, 2019, Mr. Morikis will serve as Chairman and Chief Executive Officer.

Mr. Mistysyn has served as Senior Vice President - Finance and Chief Financial Officer since January 2017. Mr. Mistysyn served as Senior Vice President - Finance from October 2016 to January 2017, Senior Vice President - Corporate Controller from October 2014 to October 2016, and Vice President - Corporate Controller from May 2010 to October 2014. Mr. Mistysyn has been employed with the Company since June 1990.

Ms. Cronin has served as Senior Vice President - Corporate Controller since October 2016. Ms. Cronin served as Vice President - Corporate Audit and Loss Prevention from September 2013 to October 2016. Ms. Cronin has been employed with the Company since September 1989.

Ms. Garceau has served as Senior Vice President, General Counsel and Secretary since August 2017. Ms. Garceau served as Vice President, Deputy General Counsel and Assistant Secretary from June 2017 to August 2017, Associate General Counsel and Assistant Secretary from April 2017 to June 2017, and Associate General Counsel from February 2014 to April 2017. Prior to joining the Company, Ms. Garceau was General Counsel of Thirty-One Gifts LLC from August 2011 to February 2014. Ms. Garceau has been employed with the Company since February 2014.

Mr. Gilligan has served as Senior Vice President - Human Resources since January 2016. Mr. Gilligan served as Senior Vice President, Human Resources, The Americas Group from August 2014 to January 2016 and Senior Vice President, Human Resources, Paint Stores Group from July 2000 to August 2014. Mr. Gilligan has been employed with the Company since October 1983.

Mr. Wells has served as Senior Vice President - Corporate Communications and Public Affairs since February 2009. Mr. Wells has been employed with the Company since May 1998.

Mr. Baxter has served as President & General Manager, Global Supply Chain Division, Consumer Brands Group (f/k/a Consumer Group) since September 2008. Mr. Baxter has been employed with the Company since September 1990.

Mr. Erter has served as President, Consumer Brands Group since August 2017. Mr. Erter served as President & General Manager, Consumer Division, Consumer Brands Group from June 2017 to August 2017. Prior to joining the Company in connection with the acquisition of The Valspar Corporation, Mr. Erter served as Senior Vice President of Valspar from December 2015 to June 2017 and Vice President and General Manager, North America of Valspar from November 2011 to December 2015. Mr. Erter has been employed with the Company since June 2017. Mr. Erter was named President, Performance Coatings Group effective March 1, 2019.

Mr. Ippolito has served as President, The Americas Group since January 2018. Mr. Ippolito served as President & General Manager, Mid Western Division, The Americas Group from November 2010 to January 2018. Mr. Ippolito has been employed with the Company since May 1986.

Mr. Sewell has served as President, Performance Coatings Group (f/k/a Global Finishes Group) since August 2014. Mr. Sewell served as President & General Manager, Product Finishes Division, Global Finishes Group from July 2012 to August 2014. Mr. Sewell has been employed with the Company since February 2007. Mr. Sewell was named President and Chief Operating Officer of the Company effective March 1, 2019.

Mr. Lynch has served as President & General Manager, Retail - North America, Consumer Brands Group since August 2017. Mr. Lynch served as Senior Vice President, Sales, Automotive Finishes Division, Global Finishes Group from August 2012 to July 2017. Mr. Lynch has been employed with the Company since October 2000. Mr. Lynch was named President, Consumer Brands Group effective March 1, 2019 and will become an executive officer at that time.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is listed on the New York Stock Exchange and traded under the symbol SHW. The number of shareholders of record at January 31, 2019 was 6,219 .

The performance graph set forth on page 16 of our 2018 Annual Report is incorporated herein by reference. The information with respect to securities authorized for issuance under the Company's equity compensation plans is set forth under the caption "Equity Compensation Plan Information" in our Proxy Statement, which is incorporated herein by reference.

Issuer Purchases of Equity Securities

The following table sets forth a summary of the Company's purchases of common stock during the fourth quarter of 2018 .

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan	Maximum Number of Shares that May Yet Be Purchased Under the Plan
October 1 – October 31				
Share repurchase program [1]	600,000	$ 408.30	600,000	10,125,000
Employee transactions [2]	181	$ 417.12		N/A
November 1 – November 30				
Employee transactions [2]	38	$ 389.54		N/A
December 1 – December 31				
Employee transactions [2]	130	$ 389.51		N/A
Total				
Share repurchase program [1]	600,000	$ 408.30	600,000	10,125,000
Employee transactions [2]	349	$ 403.83		N/A

[1] All shares are purchased through the Company's publicly announced share repurchase program. There is no expiration date specified for the program. The Company had remaining authorization at December 31, 2018 to purchase 10,125,000 shares.

[2] All shares were delivered to satisfy the exercise price and/or tax withholding obligations by employees who exercised stock options or had shares of restricted stock vest.

ITEM 6. SELECTED FINANCIAL DATA
(millions of dollars, except per common share data)

	2018	2017	2016	2015	2014
Operations					
Net sales	**$ 17,534**	$ 14,984	$ 11,856	$ 11,339	$ 11,130
Net income from continuing operations	**1,109**	1,769	1,133	1,054	866
Financial Position					
Total assets	**$ 19,134**	$ 19,900	$ 6,753	$ 5,779	$ 5,699
Long-term debt	**8,708**	9,886	1,211	1,907	1,116
Ratio of earnings to fixed charges [(1)]	**3.6x**	4.5x	6.5x	9.1x	7.7x
Per Common Share Data					
Net income from continuing operations — diluted [(2)]	**11.67**	18.64	11.99	11.15	8.77
Cash dividends	**3.44**	3.40	3.36	2.68	2.20

(1) For purposes of calculating the ratio of earnings to fixed charges, earnings represent income before income taxes plus fixed charges. Fixed charges consist of interest expense, net, including amortization of discount and financing costs and the portion of operating rental expense which management believes is representative of the interest component of rent expense. The following schedule includes the figures used to calculate the ratios:

	2018	2017	2016	2015	2014
Income before income taxes	**$ 1,360**	$ 1,469	$ 1,595	$ 1,549	$ 1,258
Fixed charges:					
Interest expense, net	**367**	263	154	62	64
Interest component of rent expense	**165**	153	138	130	125
Total fixed charges	**532**	416	292	192	189
Earnings	**$ 1,892**	$ 1,885	$ 1,887	$ 1,741	$ 1,447

(2) Presented under the treasury stock method.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required by this item is set forth on pages 19 through 35 of our 2018 Annual Report under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations," which is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk associated with interest rates, foreign currency and commodity fluctuations. We occasionally utilize derivative instruments as part of our overall financial risk management policy, but do not use derivative instruments for speculative or trading purposes. The Company entered into foreign currency forward currency exchange contracts during 2018 to hedge against value changes in foreign currency. There were no material contracts outstanding at December 31, 2018 . Foreign currency forward contracts are described in Note 14 of the Notes to Consolidated Financial Statements on page 71 of our 2018 Annual Report. We believe we may experience continuing losses from foreign currency fluctuations. However, we do not expect currency translation, transaction or hedging contract losses to have a material adverse effect on our financial condition, results of operations or cash flows. The interest rate lock agreements entered into in 2016 were settled during 2017. See Note 8 of the Notes to Consolidated Financial Statements on pages 61 through 62 of our 2018 Annual Report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Information required by this item is set forth on pages 38 through 77 of our 2018 Annual Report under the captions "Report of Management on the Consolidated Financial Statements," "Report of the Independent Registered Public Accounting Firm on the Consolidated Financial Statements," "Statements of Consolidated Income and Comprehensive Income," "Consolidated Balance Sheets," "Statements of Consolidated Cash Flows," "Statements of Consolidated Shareholders' Equity," and "Notes to Consolidated Financial Statements," which is incorporated herein by reference. Unaudited quarterly data is set forth in Note 17 of the Notes to Consolidated Financial Statements on page 74 of our 2018 Annual Report, which is incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our Chairman, President and Chief Executive Officer and our Senior Vice President – Finance and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 and Rule 15d-15 of the Securities Exchange Act of 1934, as amended ("Exchange Act"). Based upon that evaluation, our Chairman, President and Chief Executive Officer and our Senior Vice President – Finance and Chief Financial Officer concluded that as of the end of the period covered by this report our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and accumulated and communicated to our management, including our Chairman, President and Chief Executive Officer and our Senior Vice President – Finance and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

The "Report of Management on Internal Control over Financial Reporting" is set forth on page 36 of our 2018 Annual Report, which is incorporated herein by reference.

The "Report of the Independent Registered Public Accounting Firm on Internal Control over Financial Reporting" is set forth on page 37 of our 2018 Annual Report, which is incorporated herein by reference.

There were no changes in our internal control over financial reporting identified in connection with the evaluation that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors

The information regarding our directors and director nominees is set forth under the captions “Proposal 1 – Election of Directors” and “Experiences, Qualifications, Attributes and Skills of Director Nominees” in our Proxy Statement, which is incorporated herein by reference.

There were no material changes to the procedures by which security holders may recommend nominees to our Board of Directors during 2018 . Please refer to the information set forth under the caption “Board Meetings and Committees” in our Proxy Statement, which is incorporated herein by reference.

Executive Officers

The information regarding our executive officers is set forth under the caption “Executive Officers of the Registrant” in Part I of this report, which is incorporated herein by reference.

Section 16(a) Beneficial Ownership Reporting Compliance

The information regarding compliance with Section 16 of the Securities Exchange Act of 1934 is set forth under the caption “Section 16(a) Beneficial Ownership Reporting Compliance” in our Proxy Statement, which is incorporated herein by reference.

Audit Committee

The information regarding the Audit Committee of our Board of Directors and the information regarding audit committee financial experts are set forth under the caption “Board Meetings and Committees” in our Proxy Statement, which is incorporated herein by reference.

Code of Ethics

We have adopted a Code of Conduct, which applies to all directors, officers and employees of Sherwin-Williams and our subsidiaries wherever located. Our Code of Conduct contains the general guidelines and principles for conducting Sherwin-Williams' business consistent with the highest standards of business ethics. Under our Code of Ethics for Senior Financial Management, our chief executive officer, chief financial officer and senior financial management are responsible for creating and maintaining a culture of high ethical standards and of commitment to compliance throughout our company to ensure the fair and timely reporting of Sherwin-Williams' financial results and condition. Senior financial management includes the controller, the treasurer, the principal financial/accounting personnel in our operating groups and divisions, and all other financial/accounting personnel within our corporate departments and operating groups and divisions with staff supervision responsibilities. Please refer to the information set forth under the caption “Corporate Governance – Code of Conduct” in our Proxy Statement, which is incorporated herein by reference. Our Code of Conduct and Code of Ethics for Senior Financial Management are available in the “Corporate Governance” section on the “Investor Relations” page of our website at www.sherwin.com.

We intend to disclose on our website at www.sherwin.com any amendment to, or waiver from, a provision of our Code of Conduct or Code of Ethics for Senior Financial Management that applies to our directors and executive officers, including our principal executive officer, principal financial officer, principal accounting officer or controller, or any persons performing similar functions, and that is required to be publicly disclosed pursuant to the rules of the Securities and Exchange Commission.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is set forth under the captions “Compensation Committee Report,” “Compensation Risk Assessment,” “ 2018 Director Compensation Table” and “Director Compensation Program” in our Proxy Statement, and under the "Executive Compensation" section of our Proxy Statement commencing with the information under the caption “Compensation Discussion and Analysis (CD&A)” and continuing through the information under the caption “2018 CEO Pay Ratio,” which is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information regarding security ownership of certain beneficial owners and management is set forth under the captions "Security Ownership of Management" and "Security Ownership of Certain Beneficial Owners" in our Proxy Statement, which is incorporated herein by reference.

The information regarding securities authorized for issuance under the Company's equity compensation plans is set forth under the caption "Equity Compensation Plan Information" in our Proxy Statement, which is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is set forth under the captions "Certain Relationships and Transactions with Related Persons" and "Independence of Directors" in our Proxy Statement, which is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is set forth under the caption "Matters Relating to the Independent Registered Public Accounting Firm" in our Proxy Statement, which is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

The following consolidated financial statements of the Company included in our 2018 Annual Report are incorporated by reference in Item 8.

(i) Report of Management on the Consolidated Financial Statements (page 38 of our 2018 Annual Report);

(ii) Report of the Independent Registered Public Accounting Firm on the Consolidated Financial Statements (page 39 of our 2018 Annual Report);

(iii) Statements of Consolidated Income and Comprehensive Income for the years ended December 31, 2018 , 2017 and 2016 (page 40 and 41 of our 2018 Annual Report);

(iv) Consolidated Balance Sheets at December 31, 2018 , 2017 and 2016 (page 42 of our 2018 Annual Report);

(v) Statements of Consolidated Cash Flows for the years ended December 31, 2018 , 2017 and 2016 (page 43 of our 2018 Annual Report);

(vi) Statements of Consolidated Shareholders' Equity for the years ended December 31, 2018 , 2017 and 2016 (page 44 of our 2018 Annual Report); and

(vii) Notes to Consolidated Financial Statements for the years ended December 31, 2018 , 2017 and 2016 (pages 45 through 77 of our 2018 Annual Report).

(2) Financial Statement Schedule

Schedule II — Valuation and Qualifying Accounts and Reserves for the years ended December 31, 2018 , 2017 and 2016 is set forth below. All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

Valuation and Qualifying Accounts and Reserves
(Schedule II)
Changes in the allowance for doubtful accounts were as follows:

(thousands of dollars)	**2018**	2017	2016
Beginning balance	**$ 52,997**	$ 40,450	$ 49,420
Bad debt expense	**38,240**	42,716	29,869
Uncollectible accounts written off, net of recoveries	**(45,354)**	(30,169)	(38,839)
Ending balance	**$ 45,883**	$ 52,997	$ 40,450

Changes in deferred tax asset valuation allowances were as follows:

(thousands of dollars)	**2018**	2017	2016
Beginning balance	**$ 44,101**	$ 17,292	$ 12,595
Additions (deductions) [(1)]	**10,660**	(489)	4,697
Acquired balances	**18,782**	27,298	—
Ending balance	**$ 73,543**	$ 44,101	$ 17,292

[(1)] Additions (deductions) did not have a material impact on the Income Statement in 2018 , 2017 or 2016 .

(3) Exhibits

2. *(a) Agreement and Plan of Merger, among the Company, Viking Merger Sub, Inc., and The Valspar Corporation, dated as of March 19, 2016, filed as Exhibit 2.1 to the Company's Current Report on Form 8-K dated March 19, 2016, and incorporated herein by reference.

3. (a) Amended and Restated Articles of Incorporation of the Company, as amended through February 18, 2015, filed as Exhibit 3 to the Company's Current Report on Form 8-K dated February 18, 2015, and incorporated herein by reference.

(b) Regulations of the Company, as amended and restated October 17, 2018, filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated October 17, 2018, and incorporated herein by reference.

4. (a) Indenture between the Company and The Bank of New York Mellon (as successor to Chemical Bank), as trustee, dated as of February 1, 1996, filed as Exhibit 4(a) to Form S-3 Registration Statement Number 333-01093 dated February 20, 1996, and incorporated herein by reference.

(b) Second Supplemental Indenture by and between the Company and The Bank of New York Mellon, as trustee (including Form of Note), dated as of December 7, 2012, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated December 4, 2012, and incorporated herein by reference.

(c) Third Supplemental Indenture by and between the Company and The Bank of New York Mellon, as trustee (including Form of Note), dated as of December 7, 2012, filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated December 4, 2012, and incorporated herein by reference.

(d) Indenture by and between the Company and Wells Fargo Bank, National Association, as trustee, dated July 31, 2015, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated July 28, 2015, and incorporated herein by reference.

(e) First Supplemental Indenture by and between the Company and Wells Fargo Bank, National Association, as trustee, dated July 31, 2015, (including Form of Note), filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated July 28, 2015, and incorporated herein by reference.

(f) Second Supplemental Indenture by and between the Company and Wells Fargo Bank, National Association, as trustee, dated July 31, 2015, (including Form of Note), filed as Exhibit 4.3 to the Company's Current Report on Form 8-K dated July 28, 2015, and incorporated herein by reference.

(g) Third Supplemental Indenture by and between the Company and Wells Fargo Bank, National Association, as trustee, dated May 16, 2017 (including Form of Note), filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 16, 2017, and incorporated herein by reference.

(h) Fourth Supplemental Indenture by and between the Company and Wells Fargo Bank, National Association, as trustee, dated May 16, 2017 (including Form of Note), filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated May 16, 2017, and incorporated herein by reference .

(i) Fifth Supplemental Indenture by and between the Company and Wells Fargo Bank, National Association, as trustee, dated May 16, 2017 (including Form of Note), filed as Exhibit 4.3 to the Company's Current Report on Form 8-K dated May 16, 2017, and incorporated herein by reference.

(j) Sixth Supplemental Indenture by and between the Company and Wells Fargo Bank, National Association, as trustee, dated May 16, 2017 (including Form of Note), filed as Exhibit 4.4 to the Company's Current Report on Form 8-K dated May 16, 2017, and incorporated herein by reference.

(k) Seventh Supplemental Indenture by and between the Company and Wells Fargo Bank, National Association, as trustee, dated May 16, 2017 (including Form of Note), filed as Exhibit 4.5 to the Company's Current Report on Form 8-K dated May 16, 2017, and incorporated herein by reference.

(l) Eighth Supplemental Indenture by and between the Company and Wells Fargo Bank, National Association, as trustee, dated June 2, 2017 (including Form of Note), filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated June 2, 2017, and incorporated herein by reference.

(m) Ninth Supplemental Indenture by and between the Company and Wells Fargo Bank, National Association, as trustee, dated June 2, 2017 (including Form of Note), filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated June 2, 2017, and incorporated herein by reference.

(n) Tenth Supplemental Indenture by and between the Company and Wells Fargo Bank, National Association, as trustee, dated June 2, 2017 (including Form of Note), filed as Exhibit 4.3 to the Company's Current Report on Form 8-K dated June 2, 2017, and incorporated herein by reference.

(o) Eleventh Supplemental Indenture by and between the Company and Wells Fargo Bank, National Association, as trustee, dated June 2, 2017 (including Form of Note), filed as Exhibit 4.4 to the Company's Current Report on Form 8-K dated June 2, 2017, and incorporated herein by reference.

(p) Twelfth Supplemental Indenture by and between the Company and Wells Fargo Bank, National Association, as trustee, dated June 2, 2017 (including Form of Note), filed as Exhibit 4.5 to the Company's Current Report on Form 8-K dated June 2, 2017, and incorporated herein by reference.

(q) Registration Rights Agreement by and among the Company, as issuer, and each of Citigroup Global Markets Inc. and Wells Fargo Securities, LLC, as dealer managers, dated as of June 2, 2017, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 2, 2017, and incorporated herein by reference.

(r) Credit Agreement, dated as of July 19, 2018, by and among the Company, Sherwin-Williams Canada Inc., Sherwin-Williams Luxembourg S.à r.l. and Sherwin-Williams UK Holding Limited, as borrowers, the lenders party thereto, the issuing lenders party thereto and Citibank, N.A., as administrative agent, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated July 19, 2018, and incorporated herein by reference.

(s) Credit Agreement, dated as of May 9, 2016, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, and the lenders party thereto, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 9, 2016, and incorporated herein by reference.

(t) Agreement for Letter of Credit, dated as of May 9, 2016, by and between the Company and Citibank, N.A. filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated May 9, 2016, and incorporated herein by reference.

(u) Amendment No. 1 to the Credit Agreement, dated as of May 12, 2016, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, and the lenders party thereto, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 12, 2016, and incorporated herein by reference.

(v) Amendment No. 2 to the Credit Agreement, dated as of June 20, 2016, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, and the lenders party thereto, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated June 20, 2016, and incorporated herein by reference.

(w) Amendment No. 3 to the Credit Agreement, dated as of August 1, 2016, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, and the lenders party thereto, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated August 1, 2016, and incorporated herein by reference.

(x) Amendment No. 4 to the Credit Agreement, dated as of January 31, 2017, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, and the lenders party thereto, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated January 31, 2017, and incorporated herein by reference.

(y) Amendment No. 5 to the Credit Agreement, dated as of February 13, 2017, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, and the lenders party thereto, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated February 13, 2017, and incorporated herein by reference.

(z) Amendment No. 6 to the Credit Agreement, dated as of February 27, 2017, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, and the lenders party thereto, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated February 27, 2017, and incorporated herein by reference.

(aa) Amendment No. 7 to the Credit Agreement, dated as of May 8, 2017, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, and the lenders party thereto, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 8, 2017, and incorporated herein by reference.

(bb) Amendment No. 8 to the Credit Agreement, dated as of May 11, 2017, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, and the lenders party thereto, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 11, 2017, and incorporated herein by reference.

(cc) Amendment No. 9 to the Credit Agreement, dated as of February 27, 2018, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, and the lenders party thereto, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated February 27, 2018, and incorporated herein by reference.

(dd) Amendment No. 10 to the Credit Agreement, dated as of July 26, 2018, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, and the lenders party thereto, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated July 26, 2018, and incorporated herein by reference.

(ee) Amendment No. 1 to the Agreement for Letter of Credit, dated as of July 26, 2018, by and between the Company and Citibank, N.A., filed as Exhibit 4.4 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018, and incorporated herein by reference.

(ff) Assignable Loan Agreement, dated as of August 17, 2017, relating to a Floating Rate Loan by and among Sherwin-Williams Coatings S.à r.l., as Borrower, the Company, as Guarantor, and Citibank Europe plc, UK Branch, as Lender, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated August 17, 2017, and incorporated herein by reference.

(gg) Assignable Loan Agreement, dated as of August 17, 2017, relating to a Fixed Rate Loan by and among Sherwin-Williams Coatings S.à r.l., as Borrower, the Company, as Guarantor, and Citibank Europe plc, UK Branch, as Lender, filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated August 17, 2017, and incorporated herein by reference.

(hh) Credit Agreement, dated as of September 11, 2017, by and among the Company, Goldman Sachs Bank USA, as administrative agent and Goldman Sachs Mortgage Company, as issuing bank, and the lenders party thereto, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated September 11, 2017, and incorporated herein by reference.

(ii) Continuing Agreement for Standby Letters of Credit, dated as of September 11, 2017, by and among the Company and Goldman Sachs Bank USA, filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated September 11, 2017, and incorporated herein by reference.

(jj) First Amendment to Credit Agreement, dated as of October 30, 2017, by and among the Company, Goldman Sachs Bank USA, as administrative agent, Goldman Sachs Mortgage Company, as issuing bank, and the lenders party thereto, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated October 30, 2017, and incorporated herein by reference.

(kk) Second Amendment to Credit Agreement, dated as of September 6, 2018, by and among the Company, Goldman Sachs Bank USA, as administrative agent, Goldman Sachs Mortgage Company, as issuing bank, and the lenders party thereto, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated September 6, 2018, and incorporated herein by reference.

(ll) First Amendment to Continuing Agreement for Standby Letters of Credit, dated as of September 6, 2018, by and among the Company and Goldman Sachs Bank USA, filed as Exhibit 4.6 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018, and incorporated herein by reference.

10. **(a) Forms of Amended and Restated Severance Agreements filed as Exhibit 10(e) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010, and incorporated herein by reference.

**(b) Schedule of Executive Officers who are Parties to the Amended and Restated Severance Agreements in the forms referred to in Exhibit 10(a) above filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018, and incorporated herein by reference.

**(c) Aircraft Time Sharing Agreement between the Company and John G. Morikis, dated February 14, 2019 (filed herewith).

**(d) Retention Agreement between the Company and Catherine M. Kilbane, dated June 12, 2017, filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2017, and incorporated herein by reference.

**(e) Amended and Restated Employment Agreement between the Company and Aaron M. Erter, dated August 1, 2017 (filed herewith).

**(f) Amendment to the Amended and Restated Employment Agreement between the Company and Aaron M. Erter, dated February 13, 2019 (filed herewith).

**(g) The Sherwin-Williams Company 2005 Deferred Compensation Savings and Pension Equalization Plan (Amended and Restated Effective as of January 1, 2016) filed as Exhibit 10(e) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, and incorporated herein by reference.

**(h) The Sherwin-Williams Company 2005 Key Management Deferred Compensation Plan (Amended and Restated Effective as of January 1, 2016) filed as Exhibit 10(f) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, and incorporated herein by reference.

**(i) Adoption Agreement for The Valspar Corporation Nonqualified Deferred Compensation Plan filed as Exhibit 10.1 to The Valspar Corporation's Current Report on Form 8-K dated May 15, 2014, and incorporated herein by reference.

**(j) The Valspar Corporation Nonqualified Deferred Compensation Plan filed as Exhibit 10.2 to The Valspar Corporation's Current Report on Form 8-K dated May 15, 2014, and incorporated herein by reference.

**(k) Amendment to Valspar Corporation Nonqualified Deferred Compensation Plan and Adoption Agreement filed as Exhibit 10.1 to The Valspar Corporation's Current Report on Form 8-K dated September 27, 2016, and incorporated herein by reference.

**(l) The Sherwin-Williams Company 2005 Director Deferred Fee Plan (Amended and Restated Effective as of January 1, 2019) (filed herewith).

**(m) The Sherwin-Williams Company Executive Disability Income Plan filed as Exhibit 10(g) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1991 (SEC File Number 001-04851), and incorporated herein by reference.

**(n) Amendment Number One to The Sherwin-Williams Company Executive Disability Income Plan filed as Exhibit 10(l) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, and incorporated herein by reference.

**(o) Summary of The Sherwin-Williams Company Revised Executive Disability Plan filed as Exhibit 10(o) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013, and incorporated herein by reference.

**(p) The Sherwin-Williams Company 2008 Amended and Restated Executive Life Insurance Plan filed as Exhibit 10(m) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, and incorporated herein by reference.

**(q) Amended and Restated The Valspar Corporation Employee Health Plan filed as Exhibit 10.24 to The Valspar Corporation's Annual Report on Form 10-K for the fiscal year ended October 28, 2016, and incorporated herein by reference.

**(r) The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan (Amended and Restated as of April 19, 2017) filed as Exhibit 10(k) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, and incorporated herein by reference.

**(s) Forms of Stock Option Award under The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan filed as Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012, and incorporated herein by reference.

**(t) Forms of Stock Option Award under The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan filed as Exhibit 10(z) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014, and incorporated herein by reference.

**(u) Forms of Stock Option Award under The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan filed as Exhibit 10(x) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, and incorporated herein by reference.

**(v) Forms of Stock Option Award under The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017, and incorporated herein by reference.

**(w) Forms of Stock Option Award under The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan filed as Exhibit 10(p) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, and incorporated herein by reference.

**(x) Forms of Stock Option Award under The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan (filed herewith).

**(y) Form of Restricted Stock Units Award Agreement under The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan filed as Exhibit 10(aa) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, and incorporated herein by reference.

**(z) Form of Restricted Stock Units Award Agreement under The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan filed as Exhibit 10(s) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, and incorporated herein by reference.

**(aa) Form of Restricted Stock Units Award Agreement under The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan (filed herewith).

**(bb) The Sherwin-Williams Company 2006 Stock Plan for Nonemployee Directors (Amended and Restated as of April 20, 2016) filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016, and incorporated herein by reference.

**(cc) Form of Restricted Stock Units Award Agreement under The Sherwin-Williams Company 2006 Stock Plan for Nonemployee Directors filed as Exhibit 10(gg) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, and incorporated herein by reference.

**(dd) The Sherwin-Williams Company 2007 Executive Annual Performance Bonus Plan (Amended and Restated as of April 19, 2017) filed as Exhibit 10(w) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, and incorporated herein by reference.

**(ee) The Valspar Corporation Amended and Restated 2015 Omnibus Equity Plan filed as Exhibit 4(c) to Form S-8 Registration Statement Number 333-218406 dated June 1, 2017, and incorporated herein by reference.

**(ff) The Sherwin-Williams Company Key Employee Separation Plan As Amended and Restated Effective March 1, 2019 (filed herewith).

13. Our 2018 Annual Report, portions of which are incorporated herein by reference (filed herewith). With the exception of those portions of our 2018 Annual Report that are specifically incorporated by reference in this report, our 2018 Annual Report shall not be deemed "filed" as part of this report.

18. Preferability Letter of Ernst & Young LLP, Independent Registered Public Accounting Firm, regarding change in accounting principles (filed herewith).

21. Subsidiaries (filed herewith).

23. Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm (filed herewith).

24. (a) Powers of Attorney (filed herewith).

(b) Certified Resolution Authorizing Signature by Power of Attorney (filed herewith).

31. (a) Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer (filed herewith).

(b) Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer (filed herewith).

32.	(a) Section 1350 Certification of Chief Executive Officer (furnished herewith).
	(b) Section 1350 Certification of Chief Financial Officer (furnished herewith).
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

* Certain exhibits and schedules have been omitted and the Company agrees to furnish supplementally to the Securities and Exchange Commission a copy of any omitted exhibits and schedules upon request.

** Management contract or compensatory plan or arrangement.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 22, 2019 .

THE SHERWIN-WILLIAMS COMPANY

By: / S / MARY L. GARCEAU
Mary L. Garceau, Secretary

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 22, 2019 .

* JOHN G. MORIKIS John G. Morikis	Chairman, President and Chief Executive Officer, Director (Principal Executive Officer)
* ALLEN J. MISTYSYN Allen J. Mistysyn	Senior Vice President – Finance and Chief Financial Officer (Principal Financial Officer)
* JANE M. CRONIN Jane M. Cronin	Senior Vice President – Corporate Controller (Principal Accounting Officer)
* ARTHUR F. ANTON Arthur F. Anton	Director
* DAVID F. HODNIK David F. Hodnik	Director
* RICHARD J. KRAMER Richard J. Kramer	Director
* SUSAN J. KROPF Susan J. Kropf	Director
* CHRISTINE A. POON Christine A. Poon	Director
* JOHN M. STROPKI John M. Stropki	Director
* MICHAEL H. THAMAN Michael H. Thaman	Director
* MATTHEW THORNTON III Matthew Thornton III	Director
* STEVEN H. WUNNING Steven H. Wunning	Director

* The undersigned, by signing her name hereto, does sign this report on behalf of the designated officers and directors of the Company pursuant to powers of attorney executed on behalf of each such officer and director and filed as an exhibit to this report.

By: / S / MARY L. GARCEAU
Mary L. Garceau, Attorney-in-fact

February 22, 2019

EXHIBIT 10(c)

AIRCRAFT TIME SHARING AGREEMENT

This **AIRCRAFT TIME SHARING AGREEMENT** (the "Agreement") is dated February 14, 2019 (the "Effective Date") by and between **THE SHERWIN-WILLIAMS COMPANY** , an Ohio corporation (the "Company"), and **JOHN G. MORIKIS** , an individual (the "Executive").

W I T N E S S E T H :

WHEREAS, the Company leases certain aircraft identified in Exhibit A (individually and collectively as the context requires, the "Aircraft") and operates the Aircraft for business use in accordance with the FAR (as hereinafter defined) and the Company's policies regarding use of the Aircraft;

WHEREAS, in order to provide for the safety and security of the Executive in his capacity as the Company's Chief Executive Officer and to maximize the Executive's ability to carry out his responsibilities to the Company, the Company has determined it is appropriate for the Company to make the Aircraft available to the Executive for personal use, subject to the terms and conditions set forth in this Agreement;

WHEREAS , the Executive desires to lease each Aircraft from time to time, with a flight crew, on a non-exclusive basis, from the Company on a time sharing basis as defined in Section 91.501(c)(1) of the FAR;

WHEREAS , the Company is willing to lease each Aircraft from time to time, with a flight crew, on a non-exclusive basis, to the Executive on a time sharing basis; and

WHEREAS , during the Term (as hereinafter defined) of this Agreement, each Aircraft will be subject to use by the Company and may be subject to use by one or more other third parties.

NOW, THEREFORE , in consideration of the mutual promises herein contained and other good and valid consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Definitions.** The following terms shall have the following meanings for all purposes of this Agreement:

" **Aircraft** " means, individually and collectively as the context requires, each of the Aircraft identified in Exhibit A .

" **Applicable Law** " means, without limitation, all applicable laws, treaties, international agreements, decisions and orders of any court, arbitration or governmental agency or authority and rules, regulations, orders, directives, licenses and permits of any governmental body, instrumentality, agency or authority, including, without limitation, the FAR and 49 U.S.C. § 41101, *et seq* ., as amended.

" **FAA** " means the Federal Aviation Administration or any successor agency.

" **FAR** " means collectively the Aeronautics Regulations of the FAA and the United States Department of Transportation, as codified at Title 14, Parts 1 to 399 of the United States Code of Federal Regulations.

" **Operational Control** " has the same meaning given the term in Section 1.1 of the FAR.

" **Pilot in Command** " has the same meaning given the term in Section 1.1 of the FAR.

" **Taxes** " means commercial air transportation excise taxes pursuant to Section 4261 of the Internal Revenue Code of 1986, as amended, regardless of whether any flight is considered "noncommercial" under the FAR.

" **Term** " means the entire period from the Effective Date to the date this Agreement is terminated pursuant to Section 3.

2. **Agreement to Lease.**

2.1 Lease . The Company agrees to lease each Aircraft to the Executive from time to time on an "as needed and as available" basis, and to provide a fully qualified flight crew for all of the Executive's flight operations, in accordance with the terms and conditions of this Agreement.

2.2 Automatic Removal of Aircraft . In the event that the Company sells any individual Aircraft listed on Exhibit A , such Aircraft shall, upon the transfer of title to such Aircraft, be deemed immediately removed from the applicability of this Agreement regardless of whether such Aircraft is specifically removed from Exhibit A .

3. **Term.**

3.1 Initial Term . The initial term of this Agreement shall commence on the Effective Date and continue for a period of one (1) year.

3.2 Renewal . At the end of the initial one (1) year term or any subsequent one (1) year term, this Agreement shall automatically be renewed for an additional one (1) year term.

3.3 Termination .

3.3.1 Each party shall have the right to terminate this Agreement at any time with or without cause on ten (10) days' written notice to the other party.

3.3.2 In the event that the Executive no longer serves as Chief Executive Officer of the Company, the Company shall have the right to terminate this Agreement immediately upon delivery of a written notice of termination to the Executive.

4. **Applicable Regulations.** The parties hereto intend this Agreement to constitute, and this Agreement shall be interpreted as, a Time Sharing Agreement as defined in Section 91.501(c)(1) of the FAR. The parties agree that for all flights under this Agreement, the Aircraft used for the flight shall be operated under the pertinent provisions of Subpart F of Part 91 of the FAR. If any provision of this Agreement is determined to be inconsistent with any of the requirements of the provisions of Subpart F of Part 91 of the FAR, such provision shall be deemed amended in any respect necessary to bring it into compliance with such requirements.

5. **Charges.** For any flight conducted under this Agreement (including any deadhead flights required for repositioning), the Executive shall pay the Company an amount determined by the Company, not to exceed the expenses of operating such flight that may be charged pursuant to Section 91.501(d) of the FAR, which expenses include and are limited to:

5.1 fuel, oil, lubricants, and other additives;

5.2 travel expenses of the crew, including food, lodging, and ground transportation;

5.3 hangar and tie-down costs away from the Aircraft's base of operation;

5.4 insurance obtained for the specific flight;

5.5 landing fees, airport taxes, and similar assessments;

5.6 customs, foreign permit, and similar fees directly related to the flight;

5.7 in flight food and beverages;

5.8 passenger ground transportation;

5.9 flight planning and weather contract services; and

5.10 an additional charge equal to 100% of the expenses listed in Section 5.1.

6. **Invoices and Payment** . The Company shall provide a quarterly invoice to the Executive in an amount determined by the Company in accordance with Section 5 above. The Executive shall remit the full amount of any such invoice, together with any applicable Taxes under Section 7, to the Company within thirty (30) days after receipt of the invoice.

7. **Taxes** . The Executive shall be responsible for all Taxes which may be assessed or levied as a result of the lease of the Aircraft to the Executive, or the use of the Aircraft by the Executive, or the provision of a taxable transportation service to the Executive using the Aircraft. The Executive shall remit to the Company all such Taxes together with each payment made pursuant to Section 6.

8. **Scheduling Flights.**

8.1 Flight Requests . The Executive shall submit requests for flight time and proposed flight schedules to the Company as far in advance of any given flight as practical. The Executive shall provide at least the following information for each proposed flight prior to the scheduled departure:

(a) departure airport;

(b) destination airport;

(c) date and time of flight;

(d) the names of all passengers;

(e) purpose of the flight for each passenger;

(f) the nature and extent of any unusual luggage and/or cargo to be carried;

(g) the date and time of return flight, if any; and

(h) any other information concerning the proposed flight that may be pertinent or required by the Company, the flight crew or governmental authorities.

8.2 Approval of Flight Requests . The Company may approve or deny any flight scheduling request in its sole discretion. The Company shall be under no obligation to approve any flight request submitted by the Executive and shall have final authority over the scheduling of all Aircraft.

8.3 Subordinated Use of Aircraft . The Executive's rights to schedule use of the Aircraft during the Term of this Agreement shall at all times be subordinate to the Aircraft use requirements of the Company. The Company shall at all times be entitled to preempt any scheduled, unscheduled, or anticipated use of any Aircraft by the Executive, notwithstanding any prior approval by the Company.

9. **Aircraft Maintenance and Flight Crew.** The Company shall be solely responsible for maintenance, preventive maintenance and required or otherwise necessary inspections of each Aircraft, and shall take such requirements into account in scheduling the Aircraft. No period of maintenance, preventative maintenance, or inspection shall be delayed or postponed for the purpose of scheduling the Aircraft, unless such maintenance or inspection can be safely conducted at a later time in compliance with all Applicable Laws and regulations, and within the sound discretion of the Pilot in Command.

10. **Flight Crews.** The Company shall provide a qualified flight crew for each flight conducted in accordance with this Agreement. The members of the flight crew may be either employees or independent contractors of the Company. In either event, the flight crew shall be and remain under the exclusive command and control of the Company in all phases of all flights conducted under this Agreement.

11. **Operational Control.** THE PARTIES EXPRESSLY AGREE THAT THE COMPANY SHALL HAVE AND MAINTAIN OPERATIONAL CONTROL OF ALL AIRCRAFT FOR ALL FLIGHTS OPERATED UNDER THIS AGREEMENT. The Company shall exercise exclusive authority over initiating, conducting, or terminating any flight conducted on behalf of the Executive pursuant to this Agreement.

12. **Authority of Pilot In Command.** Notwithstanding that the Company shall have Operational Control of the Aircraft during any flight conducted pursuant to this Agreement, the Company and the Executive expressly agree that the Pilot in Command,

in his or her sole discretion, may terminate any flight, refuse to commence any flight, or take any other flight-related action which in the judgment of the Pilot in Command is necessary to ensure the safety of the Aircraft, the flight crew, the passengers, and persons and property on the ground. The Pilot in Command shall have final and complete authority to postpone or cancel any flight for any reason or condition that in his or her judgment would compromise the safety of the flight. No such action of the Pilot in Command shall create or support any liability of the Company to the Executive for loss, injury, damage or delay.

13. **Insurance.**

13.1 Liability . In connection with any use of the Aircraft, for the benefit of the Company and the Executive, the Company shall maintain, or cause to be maintained, bodily injury and property damage, liability insurance in an amount customary in the industry for similar aircraft and operations. Such policy shall be an occurrence policy naming the Company as Named Insured, and the Executive as an Additional Insured.

13.2 Hull . The Company shall maintain, or cause to be maintained, all risks aircraft hull insurance for each Aircraft in amounts determined from time to time by agreement of Company and the provider of the insurance.

13.3 Additional Insurance . The Company shall use reasonable efforts to provide such additional insurance coverage as the Executive may request or require; provided, however, that the cost of such additional insurance shall be borne by the Executive as set forth in Section 5.4 of this Agreement.

13.4 Insurance Certificates . The Company will provide a copy of its Certificate of Insurance to the Executive from time to time as requested by the Executive.

14. **Representations and Warranties.** The Executive represents and warrants that:

14.1 The Executive will use the Aircraft solely for his own use and the use of his family and guests, and the Executive will not use any Aircraft for the purpose of providing transportation of passengers or cargo for compensation or hire.

14.2 The Executive shall not incur any mechanic's or other lien on the Aircraft. The Executive shall not attempt to convey, mortgage, assign, lease, sublease, or in any way alienate any Aircraft.

14.3 During the Term of this Agreement, the Executive will abide by and conform to all Applicable Laws, governmental and airport orders, rules and regulations, as shall from time to time be in effect relating in any way to the operation and use of any Aircraft under a time sharing agreement.

15. **No Assignments.** Neither this Agreement nor any party's interest herein shall be assignable to any other party whatsoever. This Agreement shall inure to the benefit of and be binding upon the parties hereto, and their respective heirs, representatives and successors.

16. **Modification.** This Agreement may not be modified, altered, or amended except by written agreement executed by both parties.

17. **Headings.** The section headings in this Agreement are for convenience of reference only and shall not modify, define, expand, or limit any of the terms or provisions hereof.

18. **Notices.** All notices and communications required or permitted by this Agreement shall be in writing and shall be deemed to have been duly given or made when delivered personally or transmitted electronically by e-mail or facsimile, receipt acknowledged, or in the case of documented overnight delivery service or registered or certified mail, return receipt requested, delivery charge or postage prepaid, on the date shown on the receipt therefor, in each case at the address set forth below:

If to Company: The Sherwin-Williams Company
101 West Prospect Avenue
Cleveland, Ohio 44115
Attention: Mary L. Garceau, Senior Vice President, General Counsel and Secretary
E-Mail: mary.l.garceau@sherwin.com

If to Executive: at his home address listed in the records of the Company.

19. **Governing Law.** This Agreement shall be governed by the laws of the State of Ohio, without regard to its choice of law principles.

20. **Limitation of Liability.** NEITHER THE COMPANY (NOR ITS AFFILIATES) MAKES, HAS MADE OR SHALL BE DEEMED TO MAKE OR HAVE MADE ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, WRITTEN OR ORAL, WITH RESPECT TO ANY AIRCRAFT TO BE USED UNDER THIS AGREEMENT OR ANY ENGINE OR COMPONENT THEREOF INCLUDING, WITHOUT LIMITATION, ANY WARRANTY AS TO DESIGN, COMPLIANCE WITH SPECIFICATIONS, QUALITY OF MATERIALS OR WORKMANSHIP, MERCHANTABILITY, FITNESS FOR ANY PURPOSE, USE OR OPERATION, AIRWORTHINESS, SAFETY, PATENT, TRADEMARK OR COPYRIGHT INFRINGEMENT OR TITLE. THE EXECUTIVE HEREBY WAIVES, RELEASES, DISCLAIMS AND RENOUNCES ALL EXPECTATION OF RELIANCE UPON ANY SUCH WARRANTIES, OBLIGATIONS, LIABILITIES, RIGHTS, CLAIMS OR REMEDIES.

21. **Sole Recourse** . The Executive agrees that the Aircraft liability insurance carried by, or on behalf of, the Company shall provide the Executive's sole recourse for all claims, losses, liabilities, obligations, demands, suits, judgments or causes of action, penalties, fines, costs and expenses of any nature whatsoever, including attorneys' fees and expenses for or on account of or arising out of, or in any way connected with the use of the Aircraft by the Executive or his guests, including, without limitation, injury to or death of any persons, including, without limitation, guests, invitees or other parties which may result from or arise out of the use or operation of the Aircraft. The provisions of this Section 21 shall survive the termination or expiration of this Agreement.

22. **Counterparts.** This Agreement may be executed by the parties hereto in separate counterparts, each and all of which when so executed and delivered shall be an original, and all of which shall together constitute one and the same instrument.

23. **Entire Agreement.** This Agreement constitutes the entire agreement of the parties as of the Effective Date and supersedes all prior or independent, oral or written agreements, understandings, statements, representations, commitments, promises, and warranties made with respect to the subject matter of this Agreement.

24. **Truth In Leasing Statement.**

WITHIN THE TWELVE (12) MONTH PERIOD PRECEDING THE DATE OF THIS AGREEMENT, EACH AIRCRAFT HAS BEEN INSPECTED AND MAINTAINED IN ACCORDANCE WITH THE PROVISIONS OF FAR PART 91.

THE PARTIES HERETO CERTIFY THAT DURING THE TERM OF THIS AGREEMENT AND FOR OPERATIONS CONDUCTED HEREUNDER, EACH AIRCRAFT WILL BE MAINTAINED AND INSPECTED IN ACCORDANCE WITH THE PROVISIONS OF FAR PART 91.

THE COMPANY ACKNOWLEDGES (AND CERTIFIES BY ITS SIGNATURE BELOW) THAT WHEN IT OPERATES ANY AIRCRAFT ON BEHALF OF THE EXECUTIVE UNDER THIS AGREEMENT, THE COMPANY SHALL BE KNOWN AS, CONSIDERED, AND IN FACT WILL BE THE OPERATOR OF, AND SHALL HAVE OPERATIONAL CONTROL OF, THE AIRCRAFT.

EACH PARTY HERETO CERTIFIES THAT IT UNDERSTANDS THE EXTENT OF ITS RESPONSIBILITIES, SET FORTH IN THIS AGREEMENT FOR COMPLIANCE WITH APPLICABLE FEDERAL AVIATION REGULATIONS.

AN EXPLANATION OF FACTORS BEARING ON OPERATIONAL CONTROL AND THE PERTINENT FEDERAL AVIATION REGULATIONS CAN BE OBTAINED FROM THE NEAREST FAA FLIGHT STANDARDS DISTRICT OFFICE (FSDO).

THE PARTIES HERETO CERTIFY THAT A TRUE COPY OF THIS AGREEMENT SHALL BE CARRIED ON EACH AIRCRAFT AT ALL TIMES, AND SHALL BE MADE AVAILABLE FOR INSPECTION UPON REQUEST BY AN APPROPRIATELY CONSTITUTED AND IDENTIFIED REPRESENTATIVE OF THE ADMINISTRATOR OF THE FAA.

THE ADDRESS OF THE COMPANY IS: 101 West Prospect Avenue, Cleveland, Ohio 44115

25. **Truth In Leasing Compliance** . The Company, on behalf of the Executive, shall take the steps set forth on Exhibit B .

IN WITNESS WHEREOF, the parties have executed this AIRCRAFT TIME SHARING AGREEMENT as of the date and year first written above.

THE SHERWIN-WILLIAMS COMPANY

By: /s/ Thomas P. Gilligan
Name: Thomas P. Gilligan
Title: Senior Vice President - Human Resources

/s/ John G. Morikis
JOHN G. MORIKIS , Individually

The undersigned hereby consents to the terms of this Agreement.

CONTRACT TRANSPORTATION SYSTEMS CO.

By: /s/ Stephen J. Perisutti
Name: Stephen J. Perisutti
Title: Vice President and Assistant Secretary

EXHIBIT A

AIRCRAFT

Gulfstream G150 aircraft bearing MSN 295 and U.S. registration number N194SW

Dassault Falcon 2000EX aircraft bearing MSN 73 and U.S. registration number N273SW

Dassault Falcon 2000EX aircraft bearing MSN 155 and U.S. registration number N274SW2

EXHIBIT B

INSTRUCTIONS FOR COMPLIANCE WITH "TRUTH IN LEASING" REQUIREMENTS UNDER FAR SECTION 91.23

1. Within 24 hours after execution of this Agreement, mail a copy of the executed document to the following address via certified mail, return receipt requested:

Federal Aviation Administration
Aircraft Registration Branch
ATTN: Technical Section
P.O. Box 25724
Oklahoma City, Oklahoma 73125

2. At least 48 hours prior to the first flight of each Aircraft to be conducted under this Agreement, provide notice, of the departure airport and proposed time of departure of the first flight, by facsimile, to the responsible Flight Standards District Office.

3. Carry a copy of this Agreement on board each Aircraft at all times.

EXHIBIT 10(e)

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (" Agreement ") by and between The Sherwin-Williams Company, an Ohio corporation (" Sherwin-Williams " or the " Company "), and Aaron Erter (" Executive "), is effective as of the Effective Date defined below. In consideration of the promises provided for in this Agreement, Sherwin-Williams and Executive agree as follows:

1. Employment . Sherwin-Williams agrees to continue to employ Executive according to the terms and conditions of this Agreement, and Executive agrees to continue such employment for the Agreement Term (as defined in Section 2 below).

2. Term . Subject to earlier termination pursuant to Section 6, the term of employment of Executive, pursuant to this Agreement, commenced effective on August 1, 2017 (the " Effective Date "), and shall continue through August 1, 2019 (the " Agreement Term "). In the event the Agreement Term should expire and Executive continues in the employ of Sherwin-Williams and/or its subsidiaries thereafter, any continuation of Executive's employment with the Company or any of its subsidiaries beyond the Agreement Term shall constitute an at-will employment relationship and shall not be deemed to extend any of the provisions of this Agreement, except as otherwise expressly provided herein. The Executive's employment with the Company and/or its subsidiaries during the Agreement Term and any period thereafter shall be the " Employment Term " and with his last day of employment with the Company and its subsidiaries being the " Date of Termination ."

3. Duties . During the Agreement Term, Executive shall serve as President of Sherwin-Williams' Consumer Brands Group, subject at all times to the direction and control of Sherwin-Williams' management, and shall have such duties and responsibilities as are usual and customary to the accomplishment of Executive's role, as well as such duties and responsibilities as may be assigned to Executive from time-to-time by the appropriate officer or officers or supervisory personnel of Sherwin-Williams. During the Employment Term, Executive shall devote his full business time, energy, experience and talents to the business of Sherwin-Williams and its affiliates, as applicable, and will not engage in any other employment activities for any direct or indirect remuneration without written approval of Sherwin-Williams' Chief Executive Officer.

4. Location of Services . Executive's current employment location is Chicago, Illinois. Such employment location may be changed during the Employment Term if the parties mutually agree in writing to another location acceptable to both parties. If at any time the employment location agreed upon requires Executive's relocation, Sherwin-Williams will relocate Executive to such location at Sherwin-Williams' expense, pursuant to Sherwin-Williams' standard practices for the relocation of similarly situated executives. The timeline and circumstances of such relocation are subject to mutual agreement by both parties.

5. Compensation and Benefits . During the Agreement Term, Executive shall be entitled to the following compensation and employee benefits.

(a) Base Salary . As compensation for his services hereunder and in consideration for Executive's other agreements hereunder, Executive shall receive a base salary, payable in equal installments in accordance with Sherwin-Williams' payroll procedures, at an annual rate of $500,000, subject to review and adjustment in accordance with Sherwin-Williams' normal performance evaluation practices (" Base Salary ").

(b) Bonus and Equity Grants . Executive shall participate in Sherwin-Williams' long-term incentive programs, which include regular grants of equity awards such as options and restricted stock units, in accordance with Sherwin-Williams' equity grant practices for similarly situated executives generally. Executive's annual bonus under The Sherwin-Williams Company 2007 Executive Annual Performance Bonus Plan (the " Performance Plan ") shall be designed and administered in accordance with Sherwin-Williams' practices for similarly situated executives generally. Executive shall also be entitled to two special cash bonuses: (a) $228,800, payable in June 2018, subject to Executive's continued employment with Sherwin-Williams through May 31, 2018, and (b) $228,800, payable in June 2019, subject to Executive's continued employment with Sherwin-Williams through May 31, 2019.

(c) Benefits . Executive shall be eligible to participate in the employee benefit plans or programs made available by Sherwin-Williams to similarly situated executives generally from time-to-time, pursuant to the terms and conditions of such plans and programs and all applicable laws. For the avoidance of doubt, nothing in this Agreement shall diminish Executive's benefits under The Valspar Corporation Employee Health Plan, as amended and restated, or any successor plan thereto.

(d) Business Expenses . Executive shall be entitled to receive prompt reimbursement for all reasonable business expenses actually incurred by Executive in performing Executive's duties hereunder. All payments under this Section 5(d) will be made in accordance with the business expense reimbursement policy established by Sherwin-Williams from time to time and subject to receipt by Sherwin-Williams of appropriate documentation.

6. Termination of Employment .

(a) Termination Events . Executive's employment hereunder and the Agreement Term may be terminated at any time (i) by Sherwin-Williams with Cause (as defined herein), (ii) by Sherwin-Williams without Cause on 30 days written notice to Executive, (iii) by Sherwin-Williams due to Executive's Disability (as defined herein) on 30 days written notice to Executive, (iv) by Executive for Good Reason (as defined herein), (v) by Executive without Good Reason on 30 days written notice to Sherwin-Williams (which notice may be waived by Sherwin-Williams in its discretion, in which case, such termination shall be effective immediately upon Sherwin-Williams' receipt of notice from Executive), or (vi) without action by Sherwin-Williams, Executive or any other person or entity, immediately upon Executive's death. If Executive's employment is terminated for any reason under this Section 6, Sherwin-Williams shall be obligated to pay or provide Executive (or his estate, as applicable) in a lump sum within 30 days following such termination, or at such time prescribed by any applicable plan: (i) any base salary payable to Executive pursuant to this Agreement, accrued up to and including the Date of Termination, (ii) any employee benefits and annual bonus compensation to which Executive is entitled, and has been determined to be due and payable by the Company's Board of Directors (or a committee thereof), upon termination of his employment with Sherwin-Williams in accordance with the terms and conditions of the applicable plans of Sherwin-Williams, (iii) reimbursement of any unreimbursed business expenses incurred by Executive prior to his Date of Termination pursuant to Section 5 hereof, and (iv) payment for accrued but unused vacation time as of the Date of Termination, in accordance with Sherwin-Williams' vacation policy ((i)-(iv) collectively, the " Accrued Amounts ").

(b) By Sherwin-Williams without Cause or by Executive for Good Reason . If Executive's employment is terminated by Sherwin-Williams without Cause, or by Executive for Good Reason (in each case, other than a termination due to Executive's death or Disability), Executive shall be entitled to receive the following amounts as severance (subject to Section 6(d)):

(i) Severance Payments .

(A) if such termination occurs before May 31, 2019:

(1) an amount equal to two times the sum of Executive's annual Base Salary and target annual bonus under the Performance Plan for the year in which employment termination occurs; and

(2) an amount equal to Executive's target annual bonus under the Performance Plan for the calendar year of such termination, pro-rated based on the number of days Executive was actively employed by Sherwin-Williams during such year, with the amounts under (1) and (2), as applicable, each being paid in a lump sum cash payment within 30 days after the Date of Termination; or

(B) if such termination occurs on or after May 31, 2019, and prior to July 18, 2019:

(1) an amount equal to one times the sum of Executive's annual base salary and the annual target bonus, in each case, as in effect on May 31, 2017; and

(2) an amount equal to one-half of Executive's annual target bonus, as in effect on May 31, 2017, pro-rated based on the number of days Executive was actively employed by Sherwin-Williams during the calendar year in which such termination occurs,

with the amounts determined under (1) and (2), as applicable, each being paid in a lump sum cash payment within 30 days after the Date of Termination;

(C) if such termination occurs on or after July 18, 2019, Executive shall be eligible to receive severance in accordance with the severance plans and programs of Sherwin-Williams available to similarly situated executives generally according to the terms of those plans and programs; and

(ii) Outplacement . Sherwin-Williams shall provide Executive with outplacement services in accordance with its practices for similarly situated executives generally.

(c) Death or Disability . If Executive's employment is terminated by reason of Executive's death or Disability during the Agreement Term, Executive (or his estate, as applicable) shall be entitled to receive the following amounts as severance: (i) an amount equal to two times the sum of Executive's annual Base Salary and the target annual bonus under the Performance Plan for the year in which employment termination occurs; and (ii) an amount equal to Executive's target annual bonus under the Performance Plan for the calendar year of such termination, pro-rated based on the number of days Executive was actively employed by Sherwin-Williams during such year, with the amounts under (i) and (ii), as applicable, each being paid in a lump-sum cash payment within 30 days after the Date of Termination.

(d) Release . Notwithstanding anything herein to the contrary, Sherwin-Williams shall not be obligated to make any payment under Sections 6(b) or (c) of this Agreement unless (i) prior to the 60th day following the Date of Termination, Executive (or his estate) executes a release of claims against Sherwin-Williams and its affiliates in a form provided by Sherwin-Williams (the " Release "); and (ii) any applicable revocation period has expired during such 60-day period without Executive (or his estate) revoking such release. To the extent Executive is required to sign a Release to receive any amount under Section 6 deemed to be "deferred compensation" for purposes of Section 409A of the Internal Revenue Code of 1986, as amended (the " Code "), and the 60-day period allotted to sign (and not revoke) the Release starts in one calendar year and ends in the following calendar year, such payments will be made in the second calendar year, notwithstanding when the Release is executed and becomes irrevocable.

(e) Interaction With Other Sherwin-Williams Severance Programs . For the avoidance of doubt, if Executive receives payments and benefits pursuant to this Agreement, Executive shall not be entitled to any severance pay or benefits under any other severance plan or program of Sherwin-Williams. As provided in Section 6(b), beginning on July 18, 2019, Executive shall be eligible to participate in severance plans and programs of Sherwin-Williams available to similarly situated executives generally according to the terms of those plans and programs.

(f) Definitions . For purposes of this Agreement:

(i) " Cause " means: (A) any act or conduct on the part of Executive which constitutes fraud; (B) any use or misappropriation of Sherwin-Williams' or its affiliates funds, assets or property for any personal or other improper purpose; (C) an act of moral turpitude or dishonesty by, or a felony conviction of, Executive, whether or not such act was committed in connection with Sherwin-Williams' business; (D) any deliberate or willful refusal to follow any lawful directive of the person(s) to whom Executive reports; (E) any deliberate or willful refusal to follow Sherwin-Williams' policies or procedures; or (F) any deliberate or willful breach of this Agreement.

(ii) " Disability " means the absence of Executive from Executive's duties with Sherwin-Williams on a full-time basis for 90 consecutive business days, or 90 business days during any period of 120 consecutive business days, as a result of incapacity due to mental or physical illness that is determined to be total and permanent by a physician selected by Sherwin-Williams or its insurers and acceptable to Executive or Executive's legal representative (agreement as to acceptability shall not be unreasonably withheld).

(iii) " Good Reason " means, in the absence of the prior written consent of Executive: (A) a material diminution in Executive's title or a materially adverse diminution in Executive's duties, authorities, or responsibilities; (B) a material reduction of Executive's total target annual compensation; or (C) any other material breach by Sherwin-Williams of this Agreement; provided, however, that none of the events described in this sentence shall constitute Good Reason unless and until: (1) Executive reasonably determines in good faith that a Good Reason condition has occurred; (2) Executive has notified Sherwin-Williams in writing describing in reasonable detail the occurrence of one or more Good Reason events within 30 days of such occurrence; (3) Sherwin-Williams fails to cure such Good Reason event within 60 days after its receipt of such written notice, and Executive has cooperated in good faith with Sherwin-Williams' efforts to cure such condition; (4) notwithstanding such efforts, the Good Reason condition continues to exist, and (5) Executive terminates his employment within 90 days after the occurrence of the applicable Good Reason event.

7. Successors . This Agreement is personal to the Executive, and shall not be assignable by Executive without the prior written consent of Sherwin-Williams. This Agreement shall be binding upon Sherwin-Williams and its successors and assigns.

8. Code Section 409A . The intent of the parties is that payments and benefits under this Agreement comply with, or be exempt from, Code Section 409A and the regulations and guidance promulgated thereunder (collectively " 409A ") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. Notwithstanding any provision of this Agreement to the contrary, in the event that Executive is a "specified employee" within the meaning of 409A (as determined in accordance with the methodology established by Sherwin-Williams as in effect on the Date of Termination) (a " Specified Employee "), any payments or benefits that are considered non-qualified deferred compensation under 409A payable under this Agreement on account of a "separation from service", in each case, during the six-month period immediately following the Date

of Termination shall instead be paid, or provided, as the case may be, as soon as practicable following the first business day after the date that is six months following Executive's "separation from service" within the meaning of 409A (the " Delayed Payment Date "). For purposes of 409A, Executive's right to receive any installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments. In no event may Executive, directly or indirectly, designate the calendar year of any payment to be made under this Agreement that is considered nonqualified deferred compensation. With regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as permitted by 409A, (i) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit; (ii) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year; and (iii) such payments shall be made on or before the last day of Executive's taxable year following the taxable year in which the expense occurred.

9. Complete Agreement . This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein, and supersedes all prior employment agreements, with the exception of any continuing confidentiality or other restrictive covenant agreements (with any undefined terms therein to be defined as provided herein), and also supersedes any promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto in respect of the subject matter contained herein.

10. Governing Law . This Agreement shall be governed by, and construed in accordance with, the laws of the State of Ohio, without reference to principles of conflict of laws.

11. Notice . All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Executive : At Executive's residence address as maintained by the Company in the regular course of its business for payroll purposes.

If to Sherwin-Williams : The Sherwin-Williams Company
101 Prospect Avenue, N.W.
Cleveland, Ohio 44115
Attention: Senior Vice President - Human Resources

With a copy to:
The Sherwin-Williams Company
101 Prospect Avenue, N.W.
Cleveland, Ohio 44115
Attention: General Counsel

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

12. Miscellaneous . This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. Executive shall perform all services in accordance with the policies, procedures and rules established by Sherwin-Williams. In addition, Executive shall comply with all laws, rules and regulations that are generally applicable to Sherwin-Williams or its subsidiaries or affiliates and their respective employees, directors and officers. Sherwin-Williams may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes or social security charges as shall be required to be withheld pursuant to any applicable law or regulation. Sherwin-Williams does not guarantee any tax result with respect to payments or benefits provided hereunder. Executive is responsible for all taxes owed with respect to all such payments and benefits.

13. Cooperation . During the Employment Term and thereafter, Executive shall cooperate with Sherwin-Williams and its subsidiaries and affiliates and be reasonably available to Sherwin-Williams with respect to continuing and/or future matters related to Executive's employment period with Sherwin-Williams and/or its subsidiaries or affiliates, whether such matters are business-related, legal, regulatory or otherwise (including, without limitation, Executive appearing at Sherwin-Williams' request to give testimony without requiring service of a subpoena or other legal process, volunteering to Sherwin-Williams all pertinent information and turning over to Sherwin-Williams all relevant documents which are or may come into Executive's possession). Following termination of Executive's employment with Sherwin-Williams, Sherwin-Williams shall reimburse Executive for all reasonable out of pocket expenses incurred by Executive in rendering such services that are approved by Sherwin-Williams.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date set forth above.

AARON ERTER

/s/ Aaron Erter

THE SHERWIN-WILLIAMS COMPANY

By: /s/ Thomas P. Gilligan
Thomas P. Gilligan
Senior Vice President - Human Resources

EXHIBIT 10(f)

AMENDMENT TO THE
AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This AMENDMENT TO THE AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this " Amendment ") by and between The Sherwin-Williams Company, an Ohio corporation (the " Company "), and Aaron M. Erter (the " Executive "), is dated as of February 13, 2019 and amends the Amended and Restated Employment Agreement by and between the Company and Executive, dated August 1, 2017 (the " Employment Agreement ").

Pursuant to Section 12 of the Employment Agreement, the Company and the Executive agree to amend the Employment Agreement to reflect a change to the Executive's position with the Company, as follows:

Effective March 1, 2019, the first sentence of Section 3 of the Employment Agreement is amended to replace "President of Sherwin-Williams' Consumer Brands Group" with "President of Sherwin-Williams' Performance Coatings Group."

The Company and the Executive further agree that all other terms and conditions of the Employment Agreement not inconsistent with the terms of this Amendment are incorporated herein by reference and made part of this Amendment as if fully set forth herein.

IN WITNESS WHEREOF, the Company and the Executive have executed this Amendment as of the date first set forth above.

AARON M. ERTER

/s/ Aaron M. Erter

THE SHERWIN-WILLIAMS COMPANY

/s/ Thomas P. Gilligan
Thomas P. Gilligan
Senior Vice President - Human Resources

THE SHERWIN-WILLIAMS COMPANY 2005
DIRECTOR DEFERRED FEE PLAN
(Amended and Restated Effective as of January 1, 2019)

1. PURPOSE. The purpose of The Sherwin-Williams Company 2005 Director Deferred Fee Plan (the "Plan") is to provide non-employee Directors of the Company with the opportunity to defer taxation of all or a portion of such Director's Fees that would otherwise be payable to them.

Notwithstanding anything to the contrary contained herein, amounts deferred under this Plan on or before January 1, 2019 shall be governed by the terms of this Plan effective at the time of deferral, provided that, all amounts that were deferred and vested under this Plan prior to January 1, 2005 and any additional amounts that are not subject to Section 409A of the Code shall, to the extent necessary to preserve applicable grandfathering treatment, continue to be subject solely to the terms of the separate Plan in effect on October 3, 2004.

2. DEFINITIONS. The following terms when used herein with initial capital letters shall have the following respective meanings unless the text clearly indicates otherwise:

(a) Allocation Date. "Allocation Date" means, with respect to the allocation of any Deferred Compensation, the first Friday after the first business day of each calendar quarter.

(b) Board. "Board" means the Board of Directors of the Company.

(c) Code. "Code" means the Internal Revenue Code of 1986, as amended.

(d) Committee. "Committee" means the Compensation and Management Development Committee of the Board, or a sub-committee of that Committee.

(e) Common Stock. "Common Stock" means the common stock of the Company or any security into which such Common Stock may be changed by reason of: (i) any stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, (ii) any merger, consolidation, separation, reorganization or partial or complete liquidation, or (iii) any other corporate transaction or event having an effect similar to any of the foregoing.

(f) Common Stock Unit Account. "Common Stock Unit Account" means the bookkeeping subaccount established and maintained under this Plan and which is credited with units equivalent to shares of Common Stock that are paid in shares of Common Stock in accordance with Section 5(b), and which is maintained solely to calculate amounts payable to each Participant under this Plan and shall not constitute a separate fund of assets.

(g) Company. "Company" means The Sherwin-Williams Company, an Ohio corporation or its successor(s) in interest.

(h) Deferred Cash Account. "Deferred Cash Account" means the bookkeeping subaccount established and maintained under this Plan and which is valued in accordance with Section 5(a), and which is maintained solely to calculate amounts payable to each Participant under this Plan and shall not constitute a separate fund of assets.

(i) Deferred Compensation. "Deferred Compensation" means the amount of the Fees of the Participant deferred pursuant to this Plan.

(j) Director. "Director" means a member of the Board.

(k) Eligible Director. "Eligible Director" means a Director who is not an employee of the Company or a Subsidiary.

(l) Fair Market Value. "Fair Market Value" of Common Stock means the average between the highest and the lowest quoted selling price per share of the Company's Common Stock on the New York Stock Exchange or any successor exchange.

(m) Fees. "Fees" means the cash compensation payable to Directors including retainers and meeting fees.

(n) Participant. "Participant" means an Eligible Director who has elected to participate in this Plan pursuant to Sections 3 and 4.

(o) Plan. "Plan" means this plan set forth in this instrument, and known as "The Sherwin-Williams Company 2005 Director Deferred Fee Plan", amended and restated effective as of January 1, 2019.

(p) Plan Year. "Plan Year" means a calendar year.

(q) Shadow Stock Unit. "Shadow Stock Unit" means a unit of interest equivalent to a share of Common Stock that is paid in cash.

(r) Shadow Stock Unit Account. "Shadow Stock Unit Account" means the bookkeeping subaccount established and maintained under this Plan and credited with units equivalent to shares of Common Stock payable in cash in accordance with Section 5(c), and which is maintained solely to calculate amounts payable to each Participant under this Plan and shall not constitute a separate fund of assets.

(s) Subsidiary. "Subsidiary" means a corporation, company or other entity (i) at least fifty percent (50%) of whose outstanding shares or securities (representing the right to vote for the election of directors or other managing authority) are, or (ii) which does not have outstanding shares or securities (as may be the case in a partnership, joint venture or unincorporated association), but at least fifty percent (50%) of whose ownership interest representing the right generally to make decisions for such other entity is, now or hereafter, owned or controlled, directly or indirectly, by the Company.

(t) Trust. "Trust" means one or more trust funds established for the purpose of (i) providing a source from which to pay benefits under this Plan and (ii) purchasing and holding assets, including shares of Common Stock. Any such trust funds shall be subject to the claims of the Company's creditors in the event of the Company's insolvency, though such trust funds may not necessarily hold sufficient assets to satisfy all of the benefits to be provided under this Plan. Notwithstanding any other provision of this Plan, Participants and Participant beneficiaries shall be unsecured general creditors, with no secured or preferential rights to any assets of the Company or any other party for payment of benefits under this Plan.

(u) Unforeseeable Emergency. "Unforeseeable Emergency" means a severe financial hardship arising from (i) the illness or accident of the Participant, the Participant's spouse, or the Participant's dependent (as defined in Section 152(a) of the Code), (ii) loss of the Participant's property due to casualty, or (iii) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The determination of whether a Participant has incurred an Unforeseeable Emergency shall be made by the Committee, in its sole discretion, in accordance with Section 409A of the Code and treasury regulations thereunder.

3. ELIGIBILITY. An Eligible Director shall become a Participant upon completion of an Election (as defined in Section 4) or as otherwise provided in Section 4.

4. ELECTION PROCEDURE. An Eligible Director wishing to participate in this Plan must file a written notice on the Notice of Election form electing to defer payment for a Plan Year of all or a portion of his or her Fees as a Director ("Election"). Any such Election must be filed prior to the first day of the Plan Year in which the Director's annual service period begins and shall be effective only with respect to Fees earned after the end of the Plan Year in which the Election is filed. If, however, the Election is with respect to the first year a Director is eligible to participate in this Plan, the Committee may permit a Director to make the Election within thirty (30) days after the date on which the Director is first eligible; provided, however, any such Election will only apply with respect to Fees earned after the effective date of the Election. Any such Election will continue in effect until the Director modifies or terminates such Election effective as of the beginning of a subsequent Plan Year. An effective Election may be terminated or modified for any subsequent Plan Year by filing either a new Notice of Election form to effect modifications, or a Notice of Termination form to effect terminations, on or before the December 31st immediately preceding the Plan Year for which such modification or termination is to become effective. An Election shall not be effective until receipt of the fully and properly completed Notice of Election form by the Secretary of the Company. A fully and properly completed Notice of Election form must indicate: (i) the percentage of Fees to be deferred; (ii) manner of payment upon distribution; (iii) payment commencement date; and (iv) deemed investment election. Once effective for a Plan Year, an Election is irrevocable and may not be changed for that Plan Year. No subsequent election may change the manner of payment, the payment commencement date or the deemed investment of the Fees previously deferred. An Election shall apply to Fees payable with respect to each subsequent Plan Year, unless terminated or modified as described herein. A person for whom an effective Election is terminated may thereafter file a new Notice of Election form, in the manner described above, for future Plan Years for which he or she is eligible to participate in this Plan.

5. INVESTMENT ACCOUNTS . The amount of a Participant's Deferred Compensation pursuant to an Election shall be deemed credited to the investment options specified in this Section 5 in the manner elected by the Participant. A Participant's election as to the investment options in which his or her Deferred Compensation for a Plan Year shall be deemed to be invested shall be irrevocable by the Participant with respect to Deferred Compensation and deemed earnings thereon, and Deferred Compensation and deemed earnings thereon cannot be transferred between investment accounts. A Participant may elect to credit no less than twenty-five percent (25%) of his or her Deferred Compensation for a Plan Year (the "Minimum Election") to any particular investment option. Any amounts in excess of the Minimum Election shall be made in five percent (5%) increments. If a Participant fails to direct the investment of any Deferred Compensation, all such Deferred Compensation will be credited to the Participant's Deferred Cash Account. A Participant may elect to have his or her Deferred Compensation deemed to be invested in one or more of the following investment accounts:

(a) DEFERRED CASH ACCOUNT . Each Participant's Deferred Cash Account shall accrue interest computed using the Fidelity Investments Money Market Government Portfolio - Institutional Class. The interest shall be computed on the actual balance in each Participant's Deferred Cash Account during the previous calendar quarter.

(b) COMMON STOCK UNIT ACCOUNT . The Participant's Common Stock Unit Account shall be credited with units equivalent to shares of Common Stock equal to the number of full and fractional shares (to the nearest thousandths) which could have been purchased with the portion of Deferred Compensation a Participant has elected to allocate to the Common Stock Unit Account on each Allocation Date based on the Fair Market Value of such Common Stock on such Allocation Date. There will be credited to each Participant's Common Stock Unit Account amounts equal to the cash dividends, and other distributions, paid on shares of issued and outstanding Common Stock represented by the Participant's Common Stock Unit Account which the Participant would have received had he or she been a record owner of shares of Common Stock equal to the amount of Common Stock based upon the units equivalent to the Common Stock credited to his or her Common Stock Unit Account at the time of payment of such cash dividends or other distributions. The Participant's Common Stock Unit Account shall be credited with a quantity of units equivalent to shares of Common Stock and fractions thereof (to the nearest thousandths) that could have been purchased with the dividends or other distributions based on the Fair Market Value of Common Stock on the date of payment of such dividends or other distributions. A Participant shall have no voting or any other rights as a shareholder of the Company with respect any Common Stock in the Trust. A Participant's future right to receive shares of Common Stock under this Plan shall be no greater than the right of any unsecured general creditor of the Company. Upon, but not prior to, distribution of the Common Stock Unit Accounts in the form of shares of Common Stock to a Participant (in accordance with Section 7 hereof), a Participant shall have all of the rights of a shareholder of the Company.

(c) SHADOW STOCK UNIT ACCOUNT . The Participant's Shadow Stock Unit Account shall be credited with a quantity of Shadow Stock Units and fractions thereof (to the nearest thousandths) equal to the value of Common Stock that could have been purchased with the portion of the Deferred Compensation credited to the Shadow Stock Unit Account on each Allocation Date based on the Fair Market Value of Common Stock on such Allocation Date. There will be credited to each Participant's Shadow Stock Unit Account amounts equal to the cash dividends, and other distributions, paid on shares of issued and outstanding Common Stock represented by the Participant's Shadow Stock Unit Account which the Participant would have received had he or she been a record owner of a number of shares of Common Stock equal to the amount of Shadow Stock Units in his or her Shadow Stock Unit Account at the time of payment of such cash dividends or other distributions. The Participant's Shadow Stock Unit Account shall be credited with a quantity of Shadow Stock Units and fractions thereof (to the nearest thousandths) that could have been purchased if the Shadow Stock Units had been shares of Common Stock (and fractions thereof) with the dividends or other distributions based on the Fair Market Value of Common Stock on the date of payment of such dividends or other distributions.

6. DEPOSITS TO THE TRUST . The Company shall be responsible for the payment of benefits provided under the Plan. At its discretion, the Company may establish one or more trusts for the purpose of assisting in the payment of such benefits. Although such a trust may be irrevocable, its assets shall be held for payment of all of the Company's general creditors in the event of insolvency. To the extent any benefits provided under the Plan are paid from any such trust, the Company shall have no further obligation to pay them. If not paid from the trust, such benefits shall remain the obligation of the Company.

7. PAYMENT OF DEFERRED COMPENSATION .

(a) Amount of Payment . The benefit that a Participant will receive from the Company in accordance with this Plan shall be, calculated pursuant to this Article 7: (i) payment equal to the number of full shares of Common Stock based upon the units equivalent to the shares of Common Stock credited to the Participant's Common Stock Unit Account; and (ii) cash equal to the sum of (I) the cash amount credited to the Participant's Deferred Cash Account; (II) the cash value of the fractional shares (to the nearest thousandths) of Common Stock credited to the Participant's Common Stock Unit Account on the date specified in Section 7(b); and (III) the cash value of the Shadow Stock Units and fractions thereof (to the nearest thousandths) credited to the Participant's Shadow Stock Unit Account on the date specified in Section 7(b). Notwithstanding the preceding sentence to the

contrary, in the event of a Change of Control or termination and liquidation of this Plan as provided in Sections 9 and 13, respectively, the value of a Participant's Deferred Cash Account, Shadow Stock Unit Account and Common Stock Unit Account shall be determined by the Company immediately following such an event. If a particular date referenced in this Section 7 falls on a weekend or holiday, the date will be replaced with the first business day following that date.

(b) Manner of Payment . A Participant's Deferred Compensation, as adjusted for deemed earnings or losses thereon, will be paid by the Company to him or her or, in the event of his or her death, to the Participant's beneficiary in a lump sum, unless the Participant makes a timely election in accordance with Section 4, to have the benefits paid in substantially equal annual cash installments over a period not exceeding ten (10) years. Benefits shall be calculated as follows: (i) to the extent that benefits are payable in the form of a lump sum, the value of a Participant's Deferred Cash Account, fractional share equivalents of Common Stock in Common Stock Unit and Shadow Stock Unit Accounts shall be determined by the Company on the first business day of the calendar quarter in which a Participant is entitled to a distribution in accordance with Section 7(c) below; and (ii) to the extent that benefits are payable in the form of annual installments pursuant to this Section 7(b), annual payments will be made commencing on the payment commencement date determined pursuant to Section 7(c) and shall continue on each anniversary thereof until the number of annual installments specified in the Participant's timely election has been paid. The amount of each such installment payment shall be determined by dividing the sum of the balances of the Participant's Deferred Cash Account and Shadow Stock Unit Account, determined on the last business day of the calendar quarter preceding the installment payment date, by the number of installment payments, without regard to anticipated earnings. Notwithstanding the foregoing, a Participant's Deferred Compensation invested in the Common Stock Unit Account shall only be distributed to the Participant in shares of Common Stock, in a lump sum, on the first payment date described in Section 7(c) below. Amounts credited to a Participant's Deferred Cash Account held pending distribution pursuant to this Section 7(b) shall continue to be credited with interest in accordance with the provisions of Section 5(a) above.

(c) Payment Commencement Date . Payments of Deferred Compensation and earnings thereon shall commence on or within two business days after the first business day of the first calendar quarter beginning after the earlier of the date the Participant elected to receive payment in accordance with Section 4 or the date the Participant ceases to be a Director. Notwithstanding a Participant's manner of payment election hereunder, if a Participant ceases to be a Director as a result of the Participant's death, the Company shall pay to the Participant's beneficiary or beneficiaries a lump sum on the first business day of the first calendar quarter beginning after the Participant's death.

(d) Unforeseeable Emergency . In the event a Participant has elected to receive distribution from this Plan in the form of installment payments, the Committee may, nonetheless, upon request of the Participant, in its sole discretion, accelerate payment of all or any portion of the Participant's remaining account under this Plan, if the Committee determines that the Participant has experienced an Unforeseeable Emergency. The amount of any such accelerated payment shall be limited to the amount necessary to alleviate the Unforeseeable Emergency.

8. BENEFICIARIES . A Participant may, by executing and delivering to the Secretary of the Company prior to the Participant's death a Beneficiary Election form, designate a beneficiary or beneficiaries to whom distribution of his or her interest under this Plan shall be made in the event of his or her death prior to the full receipt of his or her interest under this Plan, and he or she may designate the portions to be distributed to each such designated beneficiary if there is more than one. Any such designation may be revoked or changed by the Participant at any time and from time to time by filing, prior to the Participant's death, with the Secretary of the Company an executed Beneficiary Election form. If there is no such designated beneficiary living upon the death of the Participant, or if all such designated beneficiaries die prior to the full distribution of the Participant's interest, then any remaining unpaid amounts shall be paid to the estate of the Participant or Participant's beneficiaries.

9. CHANGE OF CONTROL . In the event of a Change of Control, the amounts to which Participants are entitled under this Plan shall be immediately distributed in a lump sum cash payment to Participants within ninety (90) days following the date of such Change of Control. For purposes of this Plan, a Change of Control shall be deemed to occur on the date of any of the following events:

(a) any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") is or becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of the combined voting power of the then-outstanding Voting Stock (as defined below) of the Company; provided, however, that:

(i) the following acquisitions will not constitute a Change of Control: (1) any acquisition of Voting Stock directly from the Company that is approved by a majority of the Incumbent Directors (as defined below), (2) any acquisition of Voting Stock by the Company or any Subsidiary, (3) any acquisition of Voting Stock by the trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by the Company or any

Subsidiary, and (4) any acquisition of Voting Stock by any Person pursuant to a Business Transaction that complies with clauses (i), (ii) and (iii) of Section 9(c) below;

(ii) if any Person is or becomes the beneficial owner of 30% or more of combined voting power of the then-outstanding Voting Stock as a result of a transaction described in clause (1) of Section 9(a)(i) above and such Person thereafter becomes the beneficial owner of any additional shares of Voting Stock representing 1% or more of the then-outstanding Voting Stock, other than in an acquisition directly from the Company that is approved by a majority of the Incumbent Directors or other than as a result of a stock dividend, stock split or similar transaction effected by the Company in which all holders of Voting Stock are treated equally, such subsequent acquisition shall be treated as a Change of Control;

(iii) a Change of Control will not be deemed to have occurred if a Person is or becomes the beneficial owner of 30% or more of the Voting Stock as a result of a reduction in the number of shares of Voting Stock outstanding pursuant to a transaction or series of transactions that is approved by a majority of the Incumbent Directors unless and until such Person thereafter becomes the beneficial owner of any additional shares of Voting Stock representing 1% or more of the then-outstanding Voting Stock, other than as a result of a stock dividend, stock split or similar transaction effected by the Company in which all holders of Voting Stock are treated equally; and

(iv) if at least a majority of the Incumbent Directors determine in good faith that a Person has acquired beneficial ownership of 30% or more of the Voting Stock inadvertently, and such Person divests as promptly as practicable but no later than the date, if any, set by the Incumbent Directors a sufficient number of shares so that such Person beneficially owns less than 30% of the Voting Stock, then no Change of Control shall have occurred as a result of such Person's acquisition; or

(b) a majority of the Board ceases to be comprised of Incumbent Directors; or

(c) the consummation of a reorganization, merger or consolidation, or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of the stock or assets of another corporation, or other similar transaction (each, a "Business Transaction"), unless, in each case, immediately following such Business Transaction (i) the Voting Stock outstanding immediately prior to such Business Transaction continues to represent (either by remaining outstanding or by being converted into voting stock of the surviving entity or any parent thereof), more than 50% of the combined voting power of the then outstanding shares of voting stock of the entity resulting from such Business Transaction (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries), (ii) no Person (other than the Company, such entity resulting from such Business Transaction, or any employee benefit plan (or related trust) sponsored or maintained by the Company, any Subsidiary or such entity resulting from such Business Transaction) beneficially owns, directly or indirectly, 30% or more of the combined voting power of the then outstanding shares of voting stock of the entity resulting from such Business Transaction, and (iii) at least a majority of the members of the board of directors of the entity resulting from such Business Transaction were Incumbent Directors at the time of the execution of the initial agreement or of the action of the Board providing for such Business Transaction; or

(d) the consummation of the liquidation or dissolution of the Company, except pursuant to a Business Transaction that complies with clauses (i), (ii) and (iii) of Section 9(c); or

(e) For purposes of this Section 9, the terms (i) "Incumbent Directors" shall mean, during any period of two consecutive years, individuals who at the beginning of such period constituted the Board and any new Director (other than a Director initially elected or nominated as a Director as a result of an actual or threatened election contest with respect to Directors or any other actual or threatened solicitation of proxies by or on behalf of such Director, including any Director nominated or elected to the Board pursuant to any proxy access procedures included in the Company's organizational documents) whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds (2/3) of the Directors then still in office who either were Directors at the beginning of the period or whose election or nomination for election was previously so approved and (B) "Voting Stock" shall mean the voting securities of the Company which have the right to vote on the election of members of the Board.

10. NON-ASSIGNABILITY . Neither a Participant nor any beneficiary designated by him shall have any right to, directly or indirectly, alienate, assign or encumber any amount that is or may be payable hereunder.

11. ADMINISTRATION OF PLAN . Full discretionary power and authority to construe, interpret and administer this Plan shall be vested in the Committee. The Committee shall have the power and authority to allocate among themselves and to delegate any responsibility or power reserved to it hereunder to any person or persons or any committee of the Board, as it may,

in its sole discretion, deem appropriate. Pursuant to this Section 11, the Senior Vice President - Human Resources of the Company shall be delegated authority by the Committee to conduct administrative functions with respect to this Plan and make changes to this Plan as he deems appropriate, provided that such changes do not impact the investment options and any amounts payable or benefits granted under this Plan without first obtaining the approval of the Committee. Decisions of the Committee or its designee shall be final, conclusive and binding upon all persons affected thereby.

12. GOVERNING LAW. To the extent not preempted by federal law, the provisions of this Plan shall be interpreted and construed in accordance with the laws of the State of Ohio (without giving effect to the conflict of law provisions thereof).

13. AMENDMENT/TERMINATION.

(a) Amendment and Termination in General. The Committee may amend, suspend or terminate this Plan at any time; provided that no such amendment, suspension or termination shall adversely affect the amounts in any then-existing account. Further, no amendment, suspension or termination of this Plan may result in the acceleration of payment of any benefits to any Participant, beneficiary or other person, except as may be permitted under Section 409A of the Code.

(b) Payment of Benefits Following Termination. In the event that this Plan is terminated, a Participant's benefits shall be distributed to the Participant or beneficiary on the dates on which the Participant or beneficiary would otherwise receive benefits hereunder without regard to the termination of this Plan. Notwithstanding the preceding sentence, the Committee may terminate this Plan and accelerate the payment of Participants' benefits to the extent permitted under Section 409A of the Code and the treasury regulations promulgated thereunder.

14. SECTION 409A OF THE CODE.

(a) It is intended that this Plan comply with the provisions of Section 409A of the Code, so as to prevent the inclusion in gross income of any amounts deferred hereunder in a taxable year that is prior to the taxable year or years in which such amounts would otherwise actually be paid or made available to Participants or beneficiaries. This Plan shall be construed, administered and governed in a manner that effects such intent. In furtherance of that intent, to the extent necessary to comply with Section 409A of the Code: (i) a Participant will be deemed to cease to be a Director on the date of the Participant's "separation from service" (within the meaning of Section 409A of the Code); and (ii) notwithstanding any other provision of this Plan to the contrary other than Sections 14(b)(i) and 14(b)(ii), in the event that a Participant is a "specified employee" (within the meaning of Section 409A of the Code), any payment that would otherwise be made or commence as a result of such separation from service shall be paid or commence on the first business day which is no less than six (6) months after the Participant's separation from service. Notwithstanding any provision of the Plan to the contrary, in no event shall the Board (or any member or committee thereof), or the Company (or its employees, officers, directors or affiliates) have any liability to any Participant (or any other person) due to the failure of the Plan to satisfy the requirements of Section 409A of the Code or any other applicable law.

(b) Discretionary Acceleration or Delay of Payments. To the extent permitted by Section 409A of the Code and the treasury regulations promulgated thereunder, the Committee may, in its sole discretion, accelerate or delay the time or schedule of a payment under this Plan.

THE SHERWIN-WILLIAMS COMPANY
2006 EQUITY AND PERFORMANCE INCENTIVE PLAN
(AMENDED AND RESTATED AS OF APRIL 19, 2017)

Nonqualified Stock Option Award - Additional Terms and Conditions

1. **Grant of Option.** The Board of Directors (the "Board") of The Sherwin-Williams Company (the "Company") has granted an option to you ("you" or "Grantee") pursuant to an Evidence of Award that has been delivered to you. Each option entitles you to purchase from the Company one share of Common Stock at the Option Price per share, in accordance with the terms of The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan (Amended and Restated as of April 19, 2017, the "Plan"), the related Prospectus, the Evidence of Award, these Additional Terms and Conditions, and such other rules and procedures as may be adopted by the Company. Capitalized terms used herein without definition shall have the meanings assigned to them in the Plan.

2. **Vesting of Option** .

(A) The option (unless terminated as hereinafter provided) shall become vested and exercisable only to the extent of one-third of the shares after you shall have been in the continuous employ of the Company or any Subsidiary for one full year from the Date of Grant and to the extent of an additional one-third of such shares after each of the next two successive full years thereafter during which you shall have been in the continuous employ of the Company or any Subsidiary.

(B) Notwithstanding Section 2(A) above, the option shall immediately vest and become exercisable in full if you should die while in the employ of the Company or any Subsidiary.

(C) Notwithstanding Section 2(A) above, if you should "Retire" while in the employ of the Company or any Subsidiary, you shall be treated as being in the continuous employ with the Company or any Subsidiary during your "Retirement" for purposes of this Section 2 and, as a result, the option shall continue to vest and become exercisable on the dates set forth in Section 2(A) above notwithstanding your Retirement, consistent with the terms of the Plan; provided, however, that in order to be eligible for continued vesting pursuant to the provisions of this Section 2(C), you must provide the Company with written notice of your Retirement a minimum of 180 days prior to the anticipated date of your Retirement (the "Notice Deadline") (if such written notice is not received by the Company on or before the Notice Deadline, any award granted to you under the Plan during the 180-day period prior to the date of your cessation of employment with the Company or a Subsidiary shall be immediately cancelled and forfeited (unless the reason for such failure is due to your disability as determined in the sole discretion of the Company)). The terms "Retire" or "Retirement" as used in these Additional Terms and Conditions means your voluntary cessation of employment with the Company or any Subsidiary after: (1) the attainment of age 65; (2) the attainment of age 55-59 with at least twenty (20) years of service with the Company or any Subsidiary; or (3) the attainment of age 60 or older and your combination of age and years of service with the Company or any Subsidiary equals at least 75. Notwithstanding the foregoing, if you participate in the Company's Key Employee Separation Plan (the "KESP"), experience a "covered termination" (as defined in the KESP), and meet the age and/or service requirements for a qualifying "Retirement" under this Section 2(C), you shall continue to vest as provided herein and Section 4.2 of the KESP without regard to the Notice Deadline requirement.

(D) Notwithstanding Section 2(A) above, in the event of a Change of Control, any unvested number of options shall vest and become exercisable in accordance with Section 12 of the Plan.

3. **Exercisability of Option** . Notwithstanding anything herein to the contrary:

(A) Except as otherwise provided in Section 3(B) below, the option shall terminate and cease to be exercisable to the extent vested on the earliest of the following dates:

(i) The date on which you cease to be an employee of the Company or a Subsidiary, unless you cease to be such employee by reason of (a) death, (b) disability, or (c) Retirement;

(ii) Three years after the date of your death if (a) you die while an employee of the Company or a Subsidiary or (b) you die following your Retirement;

(iii) Three years after the date you are terminated by the Company or a Subsidiary as a result of expiration of available disability leave of absence pursuant to applicable Company policy due to sickness or bodily injury;

(iv) Ten years from the Date of Grant; or

(v) The date on which you knowingly or willfully engage in misconduct, which is materially harmful to the interests of the Company or a Subsidiary, as may be determined by the Board, in its sole discretion, or the date you violate Section 12 or Section 13 of these Additional Terms and Conditions.

(B) Notwithstanding anything in these Additional Terms and Conditions to the contrary, but subject to applicable law, if and only if, at 4:15 p.m. Eastern Time on the date on which the option would otherwise terminate pursuant to Section 3(A)(iv) above (the "Option Expiration Date"), (i) the closing sales price of one share of Common Stock on the principal stock exchange on which the Common Stock is then listed as of the Option Expiration Date (or, if there are no sales of Common Stock on such Option Expiration Date, on the next preceding trading day during which a sale of Common Stock occurred) exceeds the Option Price per share, (ii) to the extent the option is exercisable and you have not exercised the option, and (iii) to the extent the option has not otherwise expired, terminated, or been cancelled or forfeited, then the Company will deem such remaining exercisable portion of the option to have been exercised by you on the Option Expiration Date (and prior to the option's termination) at such time (the "Automatic Exercise"). Further to such Automatic Exercise, payment of the aggregate Option Price for such Automatic Exercise and any applicable withholding taxes in connection with such Automatic Exercise will be deemed to have been made by the Company withholding a number of shares of Common Stock otherwise issuable in connection with such Automatic Exercise that are equal in value to the amount necessary to satisfy such aggregate Option Price payment and minimum required withholding taxes. To clarify, upon Automatic Exercise, the Company will deliver to you the number of whole shares of Common Stock resulting from such Automatic Exercise less a number of shares of Common Stock equal in value to (x) the aggregate Option Price plus (y) any minimum required withholding taxes; provided, however, that any fractional share otherwise deliverable to you will be settled in cash.

4. **Exercise and Payment of Option** . To the extent exercisable, the option may be exercised in whole or in part from time to time by giving appropriate notice (in any form prescribed by the Company). The Option Price shall be payable (i) in cash or by check acceptable to the Company or by wire transfer of immediately available funds, (ii) by the actual or constructive transfer to the Company by you of nonforfeitable, unrestricted shares of Common Stock of the Company owned by you and having an aggregate fair market value at the time of exercise equal to the total Option Price, (iii) through a special sale and remittance procedure pursuant to which you shall concurrently provide irrevocable instructions (A) to a brokerage firm (with such brokerage firm reasonably satisfactory to the Company for purposes of administering such procedure in compliance with any applicable pre-clearance or pre-notification requirements) to effect the immediate sale of the purchased shares of

Common Stock of the Company and remit to the Company, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate exercise price payable for the purchased shares of Common Stock of the Company plus all applicable taxes required to be withheld by the Company by reason of such exercise and (B) to the Company to deliver the certificates for the purchased shares directly to such brokerage firm on the settlement date in order to complete the sale, (iv) by a combination of such methods of payment, or (v) by such other methods as may be approved by the Board.

5. **Transferability, Binding Effect** . The option is not transferable by you otherwise than by will or the laws of descent and distribution, and in no event shall this award be transferred for value. Except as otherwise determined by the Board, this option is exercisable, during your lifetime, only by you or, in the case of your legal incapacity, only by your guardian or legal representative. These Additional Terms and Conditions bind you and your guardians, legal representatives and heirs.

6. **Compliance with Law** . The option shall not be exercisable if such exercise would involve a violation of any law.

7. **Withholding; Taxes** . If the Company shall be required to withhold (including required to account to any tax authorities for) any federal, state, local or foreign tax or other amounts in connection with exercise of the option, it shall be a condition to such exercise that you pay or make provision satisfactory to the Company for payment of all such taxes and other amounts. Notwithstanding any other provision of this option award or the Plan, the Company shall not be obligated to guarantee any particular tax result for you with respect to any award and/or payment provided to you hereunder, and you shall be responsible for any taxes or other amounts imposed on you with respect to such award and/or payment.

8. **No Right to Future Awards or Employment** . The option award is a voluntary, discretionary bonus being made on a one-time basis and does not constitute a commitment to make any future awards. The option award and any related payments made to you will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law. Nothing contained herein will confer upon you any right with respect to continuance of employment or other service with the Company or any Subsidiary, nor will it interfere in any way with any right the Company or any Subsidiary would otherwise have to terminate your employment or other service at any time.

9. **Severability** . If any provision of these Additional Terms and Conditions or the application of any provision hereof to any person or circumstances is held invalid, unenforceable or otherwise illegal, the remainder of these Additional Terms and Conditions and the application of such provision to any other person or circumstances shall not be affected, and the provisions so held to be invalid, unenforceable or otherwise illegal shall be reformed to the extent (and only to the extent) necessary to make it enforceable, valid and legal.

10. **Governing Law.** These Additional Terms and Conditions shall be governed by and construed with the internal substantive laws of the State of Ohio, without giving effect to any principle of law that would result in the application of the law of any other jurisdiction.

11. **Application of The Sherwin-Williams Company Executive Compensation Adjustment and Recapture Policy** . You acknowledge and agree that the terms and conditions set forth in The Sherwin-Williams Company Executive Compensation Adjustment and Recapture Policy ("Policy") are incorporated in these Additional Terms and Conditions by reference. To the extent the Policy is applicable to you, it creates additional rights for the Company with respect to your option award. Notwithstanding any provisions in these Additional Terms and Conditions to the contrary, any option granted hereunder will be subject to mandatory repayment by you to the Company to the extent you are, or in the future become, subject to (A) any Company clawback or recoupment policy that is adopted to comply with the requirements of any applicable laws, rules or regulations, or otherwise, or (B) any applicable laws which impose mandatory recoupment, under circumstances set forth in such applicable laws, including as required by the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or other applicable law, regulation or stock exchange listing requirement, as may be in effect from time to time, and which may operate to create additional rights for the Company with respect

to awards and recovery of amounts relating thereto. By accepting this option award, you hereby agree and acknowledge that you are obligated to cooperate with, and provide any and all assistance necessary to, the Company to recover or recoup this option award or amount paid under this award subject to clawback pursuant to such law, government regulation, stock exchange listing requirement or Company policy. Such cooperation and assistance shall include, but is not limited to, executing, completing and submitting any documentation necessary to recover or recoup this grant or amounts paid hereunder from your accounts, or pending or future compensation awards that may be made to you.

12. **Ownership and Protection of Intellectual Property and Confidential Information.**

(A) All information, ideas, concepts, improvements, innovations, developments, methods, processes, designs, analyses, drawings, reports, discoveries, and inventions, whether patentable or not or reduced to practice, which are conceived, made, developed or acquired by you, individually or in conjunction with others, during Grantee's employment by the Company or any of its Subsidiaries, both before and after the Date of Grant (whether during business hours or otherwise and whether on the Company's premises or otherwise) which relate to the business, products or services of the Company or its Subsidiaries (including, without limitation, all such information relating to corporate opportunities, research, financial and sales data, pricing and trading terms, evaluations, opinions, interpretations, acquisition prospects, the identity of customers or their requirements, the identity of key contacts within the customer's organizations or within the organization of acquisition prospects, or marketing and merchandising techniques, prospective names, marks, and any copyrightable work, trade mark, trade secret or other intellectual property rights (whether or not composing confidential information), and all writings or materials of any type embodying any of such items (collectively, "Work Product"), shall be the sole and exclusive property of the Company or a Subsidiary, as the case may be, and shall be treated as "work for hire." It is recognized that Grantee is an experienced executive in the business of the Company and its Subsidiaries and through several decades of prior work in the industry acquired and retains knowledge, contacts, and information which are not bound by this Section 12.

(B) Grantee shall promptly and fully disclose all Work Product to the Company and shall cooperate and perform all actions reasonably requested by the Company (whether during or after the term of employment) to establish, confirm and protect the Company's and/or its Subsidiaries' right, title and interest in such Work Product. Without limiting the generality of the foregoing, Grantee agrees to assist the Company, at the Company's expense, to secure the Company's and its Subsidiaries' rights in the Work Product in any and all countries, including the execution by Grantee of all applications and all other instruments and documents which the Company and/or its Subsidiaries shall deem necessary in order to apply for and obtain rights in such Work Product and in order to assign and convey to the Company and/or its Subsidiaries the sole and exclusive right, title and interest in and to such Work Product. If the Company is unable because of Grantee's mental or physical incapacity or for any other reason (including Grantee's refusal to do so after request therefor is made by the Company) to secure Grantee's signature to apply for or to pursue any application for any United States or foreign patents or copyright registrations covering Work Product belonging to or assigned to the Company and/or its Subsidiaries pursuant to Section 12(A) above, then Grantee by these Additional Terms and Conditions irrevocably designates and appoints the Company and its duly authorized officers and agents as Grantee's agent and attorney-in-fact to act for and in your behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of patents or copyright registrations thereon with the same legal force and effect as if executed by Grantee. The Grantee agrees not to apply for or pursue any application for any United States or foreign patents or copyright registrations covering any Work Product other than pursuant to this Section 12 in circumstances where such patents or copyright registrations are or have been or are required to be assigned to the Company or any of its Subsidiaries.

(C) Grantee acknowledges that the businesses of the Company and its Subsidiaries are highly competitive and that their strategies, methods, books, records, and documents, their technical information concerning their products, equipment, services, and processes, procurement procedures and pricing techniques, the names of and other information (such as credit and financial data) concerning their former,

present or prospective customers and business affiliates, all comprise confidential business information and trade secrets which are valuable, special, and unique assets which the Company and/or its Subsidiaries use in their business to obtain a competitive advantage over their competitors. The Grantee further acknowledges that protection of such confidential business information and trade secrets against unauthorized disclosure and use is of critical importance to the Company and its Subsidiaries in maintaining their competitive position. The Grantee acknowledges that by reason of the Grantee's duties to, and association with, the Company and its Subsidiaries, the Grantee has had and will have access to, and has and will become informed of, confidential business information which is a competitive asset of the Company and its Subsidiaries. The Grantee hereby agrees that the Grantee will not, at any time during or after his or her employment by the Company or its Subsidiaries, make any unauthorized disclosure of any confidential business information or trade secrets of the Company or its Subsidiaries, or make any use thereof, except in the carrying out of his or her employment responsibilities hereunder. The Grantee shall take all necessary and appropriate steps to safeguard confidential business information and protect it against disclosure, misappropriation, misuse, loss and theft. Confidential business information shall not include information in the public domain (but only if the same becomes part of the public domain through a means other than a disclosure prohibited hereunder). The above notwithstanding, a disclosure shall not be unauthorized if (i) it is required by law or by a court of competent jurisdiction or (ii) it is in connection with any judicial, arbitration, dispute resolution or other legal proceeding in which Grantee's legal rights and obligations as an employee or under these Additional Terms and Conditions are at issue; provided, however, that the Grantee shall, to the extent practicable and lawful in any such events, give prior notice to the Company of his or her intent to disclose any such confidential business information in such context so as to allow the Company or its Subsidiaries an opportunity (which the Grantee will not oppose) to obtain such protective orders or similar relief with respect thereto as may be deemed appropriate. Any information not specifically related to the Company and its Subsidiaries would not be considered confidential to the Company and its Subsidiaries.

(D) All written materials, records, and other documents made by, or coming into the possession of, the Grantee during the period of Grantee's employment by the Company or its Subsidiaries which contain or disclose confidential business information or trade secrets of the Company or its Subsidiaries, or which relate to Grantee's Work Product described in Section 12(A) above, shall be and remain the property of the Company, or its Subsidiaries, as the case may be. Upon termination of Grantee's employment, for any reason, the Grantee promptly shall deliver the same, and all copies thereof, to the Company.

(E) Nothing in these Additional Terms and Conditions shall prohibit or restrict the Grantee from initiating communications directly with, responding to any inquiries from, providing testimony before, providing confidential information to, reporting possible violations of law or regulation to, or from filing a claim or assisting with an investigation directly with a self-regulatory authority or a government agency or entity, including the U.S. Equal Employment Opportunity Commission, the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General (collectively, the "Regulators"), or from making other disclosures that are protected under the whistleblower provisions of state or federal law or regulation. The Grantee does not need the prior authorization of the Company to engage in conduct protected by this Section 12, and the Grantee does not need to notify the Company that the Grantee has engaged in such conduct. Please take notice that federal law provides criminal and civil immunity to federal and state claims for trade secret misappropriation to individuals who disclose a trade secret to their attorney, a court, or a government official in certain, confidential circumstances that are set forth at 18 U.S.C. §§ 1833(b)(1) and 1833(b)(2), related to the reporting or investigation of a suspected violation of the law, or in connection with a lawsuit for retaliation for reporting a suspected violation of the law.

13. **Covenant Not to Compete.**

(A) Grantee hereby agrees that during his or her employment with the Company or any of its Subsidiaries and for a period of two years following Grantee's termination of employment with the

Company and its Subsidiaries (the "Non-Compete Period"), he or she will not, in association with or as an officer, principal, manager, member, advisor, agent, partner, director, material shareholder, employee or consultant of any corporation (or sub-unit, in the case of a diversified business) or other enterprise, entity or association, work on the acquisition or development of, or engage in any line of business, property or project which is, directly or indirectly, competitive with any business that the Company or any of its Subsidiaries engages in or is planning to engage in during the term of Grantee's employment with the Company or any Subsidiary, including but not limited to, any business engaged in the development, manufacture, distribution and sale of paint, coatings and related products to professional, industrial, commercial and retail customers (the "Business"). Such restriction shall cover Grantee's activities anywhere in the contiguous United States.

(B) Grantee agrees that during the Non-Compete Period and for a one (1) year period thereafter, the Grantee will not, directly or indirectly, on behalf of Grantee or any other person or entity, solicit, induce or attempt to solicit or induce any person who is or was employed by, or in a contractor relationship with, the Company or its Subsidiaries within the one (1) year period immediately preceding the date of solicitation or inducement, to (i) interfere with the activities or businesses of the Company or any of its Subsidiaries, (ii) discontinue employment or contractor status with the Company or any of its Subsidiaries, or (iii) interfere with, alter or modify their employment or contractor relationship with the Company or any of its Subsidiaries. Grantee also agrees that during the Non-Compete Period and for a one (1) year period thereafter, the Grantee will not, on behalf of Grantee or any other person or entity, hire, attempt to hire, assist in any way with the hiring of, or otherwise employ or engage, or attempt to employ or engage, any person who is or was employed by or in a contractor relationship with the Company or its Subsidiaries within the one (1) year period immediately preceding the date of such hiring, assistance with hiring, employment or engagement.

(C) Grantee agrees that during the Non-Compete Period, the Grantee will not, directly or indirectly, influence or attempt to influence any customers, distributors or suppliers of the Company or any of its Subsidiaries to divert their business to any competitor of the Company or any of its Subsidiaries or in any way interfere with the relationship between any such customer, distributor or supplier and the Company and/or any of its Subsidiaries (including, without limitation, making any negative statements or communications about the Company and its Subsidiaries). During such Non-Compete Period, the Grantee will not, directly or indirectly, acquire or attempt to acquire any business in the contiguous United States to which the Company or any of its Subsidiaries, prior to the Grantee's termination of employment with the Company and its Subsidiaries, has made an acquisition proposal relating to the possible acquisition of such business by the Company or any of its Subsidiaries, or has planned, discussed or contemplated making such an acquisition proposal (such business, an "Acquisition Target"), or take any action to induce or attempt to induce any Acquisition Target to consummate any acquisition, investment or other similar transaction with any person other than the Company or any of its Subsidiaries.

(D) Grantee understands that the provisions of Section 12 and Section 13 hereof may limit his or her ability to earn a livelihood in a business in which he or she is involved, but as a member of the management group of the Company and its Subsidiaries he or she nevertheless agrees and hereby acknowledges that: (i) such provisions do not impose a greater restraint than is necessary to protect the goodwill or other business interests of the Company and any of its Subsidiaries; (ii) such provisions contain reasonable limitations as to time, scope of activity, and geographical area to be restrained; and (iii) the consideration provided hereunder is sufficient to compensate the Grantee for the restrictions contained in Section 12 and Section 13 hereof. In consideration of the foregoing and in light of the Grantee's education, skills and abilities, the Grantee agrees that he or she will not assert that, and it should not be considered

that, any provisions of Section 12 and Section 13 otherwise are void, voidable or unenforceable or should be voided or held unenforceable.

(E) If, at the time of enforcement of Section 12 or Section 13 of these Additional Terms and Conditions, a court shall hold that the duration, scope, or area restrictions stated herein are unreasonable under circumstances then existing, the parties hereto agree that the maximum period, scope or geographical area reasonable under such circumstances shall be substituted for the stated period, scope or area and that the court shall be allowed and directed to revise the restrictions contained herein to cover the maximum period, scope and area permitted by law. The Grantee acknowledges that he or she is a member of the Company's and its Subsidiaries' management group with access to the Company's and its Subsidiaries' confidential business information and his or her services are unique to the Company and its Subsidiaries. The Grantee therefore agrees that the remedy at law for any breach by him or her of any of the covenants and agreements set forth in Section 12 or Section 13 hereof will be inadequate and that in the event of any such breach, the Company and its Subsidiaries may, in addition to the other remedies which may be available to them at law, apply to any court of competent jurisdiction to obtain specific performance and/or injunctive relief prohibiting the Grantee (together with all those persons associated with him or her) from the breach of such covenants and agreements and to enforce, or prevent any violations of, the provisions of these Additional Terms and Conditions. In addition, in the event of a breach or violation by the Grantee of this Section 13, the Non-Compete Period set forth herein shall be tolled until such breach or violation has been cured.

(F) Each of the covenants of Section 12 and Section 13 hereof are given by the Grantee as part of the consideration for the option award granted hereunder and as an inducement to the Company to grant such options and accept the obligations thereunder.

14. **Electronic Delivery** . The Company may, in its sole discretion, deliver any documents relating to your options and your participation in the Plan, or future awards that may be granted under the Plan, by electronic means or request your consent to participate in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and, if requested, agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third-party designated by the Company.

15. **Construction** . Your option award is made and granted pursuant to the Plan and is in all respects limited by and subject to the terms of the Plan. In the event of any inconsistency between the Plan and these Additional Terms and Conditions, the terms of the Plan shall control.

16. **Compliance with Laws and Regulations; No Shareholder Rights** . The issuance of shares of Common Stock pursuant to your exercise of your option shall be subject to compliance by you with all applicable requirements of law relating thereto and with all applicable regulations of any stock exchange on which the Company's Common Stock may be listed for trading at the time of such issuance. Neither you, nor any person entitled to exercise your rights in the event of your death, shall have any of the rights and/or privileges of a shareholder with respect to shares of the Company's Common Stock subject to the option, until such shares have been issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), notwithstanding the exercise of the option.

17. **Binding Effect; No Third Party Beneficiaries** . These Additional Terms and Conditions shall be binding upon and inure to the benefit of the Company and you and each of our respective heirs, representatives, successors and permitted assigns. These Additional Terms and Conditions shall not confer any rights or remedies upon any person other than the Company and you and each of our respective heirs, representatives, successor and permitted assigns.

18. **Notice** . Any notice required to be given or delivered to the Company under the terms of these Additional Terms and Conditions shall be in writing and addressed to the Company at its principal corporate office. Except to the extent electronic notice is authorized hereunder, any notice required to be given or delivered to you shall be in writing and addressed to you at your most recent address set forth in the Company's records. All

notices shall be deemed effective upon personal delivery (or electronic delivery to the extent authorized hereunder) or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

19. **Section 409A** . The option is intended to be excepted from coverage under Section 409A of the Code ("Section 409A") and shall be administered, interpreted and construed accordingly. The Company may, in its sole discretion and without your consent, modify or amend these Additional Terms and Conditions, impose conditions on the timing and effectiveness of the exercise of the option by you, or take any other action it deems necessary or advisable, to cause the option to be excepted from Section 409A (or to comply therewith to the extent the Company determines it is not excepted). Notwithstanding the foregoing, you recognize and acknowledge that Section 409A may impose upon you certain taxes or interest charges for which you are and shall remain solely responsible.

THE SHERWIN-WILLIAMS COMPANY
2006 EQUITY AND PERFORMANCE INCENTIVE PLAN
(AMENDED AND RESTATED AS OF APRIL 19, 2017)

Incentive Stock Option Award - Additional Terms and Conditions

1. **Grant and Nature of Option.** The Board of Directors (the "Board") of The Sherwin-Williams Company (the "Company") has granted an option to you ("you" or "Grantee") pursuant to an Evidence of Award that has been delivered to you. This option is intended to qualify as an Incentive Stock Option as defined in Section 422 of the Code. Each option entitles you to purchase from the Company one share of Common Stock at the Option Price per share, in accordance with the terms of The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan (Amended and Restated as of April 19, 2017, the "Plan"), the related Prospectus, the Evidence of Award, these Additional Terms and Conditions, and such other rules and procedures as may be adopted by the Company. Capitalized terms used herein without definition shall have the meanings assigned to them in the Plan.

2. **Vesting of Option** .

(A) The option (unless terminated as hereinafter provided) shall become vested and exercisable only to the extent of one-third of the shares after you shall have been in the continuous employ of the Company or any Subsidiary for one full year from the Date of Grant and to the extent of an additional one-third of such shares after each of the next two successive full years thereafter during which you shall have been in the continuous employ of the Company or any Subsidiary.

(B) Notwithstanding Section 2(A) above, the option shall immediately vest and become exercisable in full if you should die while in the employ of the Company or any Subsidiary.

(C) Notwithstanding Section 2(A) above, if you should "Retire" while in the employ of the Company or any Subsidiary, you shall be treated as being in the continuous employ with the Company or any Subsidiary during your "Retirement" for purposes of this Section 2 and, as a result, the option shall continue to vest and become exercisable on the dates set forth in Section 2(A) above notwithstanding your Retirement, consistent with the terms of the Plan; provided, however, that in order to be eligible for continued vesting pursuant to the provisions of this Section 2(C), you must provide the Company with written notice of your Retirement a minimum of 180 days prior to the anticipated date of your Retirement (the "Notice Deadline") (if such written notice is not received by the Company on or before the Notice Deadline, any award granted to you under the Plan during the 180-day period prior to the date of your cessation of employment with the Company or a Subsidiary shall be immediately cancelled and forfeited (unless the reason for such failure is due to your disability as determined in the sole discretion of the Company)). The terms "Retire" or "Retirement" as used in these Additional Terms and Conditions means your voluntary cessation of employment with the Company or any Subsidiary after: (1) the attainment of age 65; (2) the attainment of age 55-59 with at least twenty (20) years of service with the Company or any Subsidiary; or (3) the attainment of age 60 or older and your combination of age and years of service with the Company or any Subsidiary equals at least 75. Notwithstanding the foregoing, if you participate in the Company's Key Employee Separation Plan (the "KESP"), experience a "covered termination" (as defined in the KESP), and meet the age and/or service requirements for a qualifying "Retirement" under this Section 2(C), you shall continue to vest as provided herein and Section 4.2 of the KESP without regard to the Notice Deadline requirement.

(D) Notwithstanding Section 2(A) above, in the event of a Change of Control, any unvested number of options shall vest and become exercisable in accordance with Section 12 of the Plan.

3. **Exercisability of Option.** Notwithstanding anything herein to the contrary:

(A) Except as otherwise provided in Section 3(B) below, the option shall terminate and cease to be exercisable to the extent vested on the earliest of the following dates:

(i) The date on which you cease to be an employee of the Company or a Subsidiary, unless you cease to be such employee by reason of (a) death, (b) disability, or (c) Retirement;

(ii) Three years after the date of your death if (a) you die while an employee of the Company or a Subsidiary or (b) you die following your Retirement;

(iii) Three years after the date you are terminated by the Company or a Subsidiary as a result of expiration of available disability leave of absence pursuant to applicable Company policy due to sickness or bodily injury;

(iv) Ten years from the Date of Grant; or

(v) The date on which you knowingly or willfully engage in misconduct, which is materially harmful to the interests of the Company or a Subsidiary, as may be determined by the Board, in its sole discretion, or the date you violate Section 13 or Section 14 of these Additional Terms and Conditions.

(B) Notwithstanding anything in these Additional Terms and Conditions to the contrary, but subject to applicable law, if and only if, at 4:15 p.m. Eastern Time on the date on which the option would otherwise terminate pursuant to Section 3(A)(iv) above (the "Option Expiration Date"), (i) the closing sales price of one share of Common Stock on the principal stock exchange on which the Common Stock is then listed as of the Option Expiration Date (or, if there are no sales of Common Stock on such Option Expiration Date, on the next preceding trading day during which a sale of Common Stock occurred) exceeds the Option Price per share, (ii) to the extent the option is exercisable and you have not exercised the option, and (iii) to the extent the option has not otherwise expired, terminated, or been cancelled or forfeited, then the Company will deem such remaining exercisable portion of the option to have been exercised by you on the Option Expiration Date (and prior to the option's termination) at such time (the "Automatic Exercise"). Further to such Automatic Exercise, payment of the aggregate Option Price for such Automatic Exercise and any applicable withholding taxes in connection with such Automatic Exercise will be deemed to have been made by the Company withholding a number of shares of Common Stock otherwise issuable in connection with such Automatic Exercise that are equal in value to the amount necessary to satisfy such aggregate Option Price payment and minimum required withholding taxes. To clarify, upon Automatic Exercise, the Company will deliver to you the number of whole shares of Common Stock resulting from such Automatic Exercise less a number of shares of Common Stock equal in value to (x) the aggregate Option Price plus (y) any minimum required withholding taxes; provided, however, that any fractional share otherwise deliverable to you will be settled in cash.

4. **Exercise and Payment of Option** . To the extent exercisable, the option may be exercised in whole or in part from time to time by giving appropriate notice (in any form prescribed by the Company). The Option Price shall be payable (i) in cash or by check acceptable to the Company or by wire transfer of immediately available funds, (ii) by the actual or constructive transfer to the Company by you of nonforfeitable, unrestricted shares of Common Stock of the Company owned by you and having an aggregate fair market value at the time of exercise equal to the total Option Price, (iii) through a special sale and remittance procedure pursuant to which you shall concurrently provide irrevocable instructions (A) to a brokerage firm (with such brokerage firm reasonably satisfactory to the Company for purposes of administering such procedure in compliance with any applicable pre-clearance or pre-notification requirements) to effect the immediate sale of the purchased shares of Common Stock of the Company and remit to the Company, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate exercise price payable for the purchased shares of Common Stock of the Company plus all applicable taxes required to be withheld by the Company by reason of such exercise and (B) to the

Company to deliver the certificates for the purchased shares directly to such brokerage firm on the settlement date in order to complete the sale, (iv) by a combination of such methods of payment, or (v) by such other methods as may be approved by the Board.

5. **Designation as Incentive Stock Option** . The option is designated as an incentive stock option under Section 422 of the Code. Notwithstanding the foregoing: (i) the option shall not qualify as an incentive stock option under the Code if (A) you make a disposition of the Common Stock you receive upon exercise of the option within two years from the date of grant or within one year after the transfer of such Common Stock to you, or (B) you are not an employee of the Company or its Subsidiaries on the day that is three months (or 12 months in the event of your disability (within the meaning of Section 22(e)(3) of the Code)) before the date you exercise the option; and (ii) if the aggregate fair market value of the Common Stock on the Date of Grant with respect to which incentive stock options are exercisable for the first time by you during any calendar year under the Plan or any other stock option plan of the Company or a parent or subsidiary exceeds $100,000, then the option, as to the excess, shall be treated as a non-qualified stock option that does not meet the requirements of Section 422 of the Code. If and to the extent that the option fails to qualify as an incentive stock option under the Code, the option shall remain outstanding according to its terms as a non-qualified stock option. You acknowledge and agree that (A) favorable incentive stock option tax treatment is available only if the option is exercised while you are an employee of the Company or a parent or subsidiary of the Company or within a period of time specified in the Code after you cease to be an employee, (B) you are responsible for the income tax consequences of the option and, among other tax consequences, you understand that you may be subject to the alternative minimum tax under the Code in the year in which the option is exercised, (C) you will consult with your tax adviser regarding the tax consequences of the option, and (D) you shall immediately notify the Company in writing, and provide the Company with any information requested by it, if you sell or otherwise dispose of any shares of the Company's Common Stock acquired upon the exercise of the option and such sale or other disposition occurs on or before the later of (i) two years after the date of grant or (ii) one year after the exercise of the option.

6. **Transferability, Binding Effect** . The option is not transferable by you otherwise than by will or the laws of descent and distribution, and in no event shall this award be transferred for value. This option is exercisable, during your lifetime, only by you. These Additional Terms and Conditions bind you and your guardians, legal representatives and heirs.

7. **Compliance with Law** . The option shall not be exercisable if such exercise would involve a violation of any law.

8. **Withholding; Taxes** . If the Company shall be required to withhold (including required to account to any tax authorities for) any federal, state, local or foreign tax or other amounts in connection with exercise of the option, it shall be a condition to such exercise that you pay or make provision satisfactory to the Company for payment of all such taxes and other amounts. Notwithstanding any other provision of this option award or the Plan, the Company shall not be obligated to guarantee any particular tax result for you with respect to any award and/or payment provided to you hereunder, and you shall be responsible for any taxes or other amounts imposed on you with respect to such award and/or payment.

9. **No Right to Future Awards or Employment** . The option award is a voluntary, discretionary bonus being made on a one-time basis and does not constitute a commitment to make any future awards. The option award and any related payments made to you will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law. Nothing contained herein will confer upon you any right with respect to continuance of employment or other service with the Company or any Subsidiary, nor will it interfere in any way with any right the Company or any Subsidiary would otherwise have to terminate your employment or other service at any time.

10. **Severability** . If any provision of these Additional Terms and Conditions or the application of any provision hereof to any person or circumstances is held invalid, unenforceable or otherwise illegal, the remainder of these Additional Terms and Conditions and the application of such provision to any other

person or circumstances shall not be affected, and the provisions so held to be invalid, unenforceable or otherwise illegal shall be reformed to the extent (and only to the extent) necessary to make it enforceable, valid and legal.

11. **Governing Law.** These Additional Terms and Conditions shall be governed by and construed with the internal substantive laws of the State of Ohio, without giving effect to any principle of law that would result in the application of the law of any other jurisdiction.

12. **Application of The Sherwin-Williams Company Executive Compensation Adjustment and Recapture Policy** . You acknowledge and agree that the terms and conditions set forth in The Sherwin-Williams Company Executive Compensation Adjustment and Recapture Policy ("Policy") are incorporated in these Additional Terms and Conditions by reference. To the extent the Policy is applicable to you, it creates additional rights for the Company with respect to your option award. Notwithstanding any provisions in these Additional Terms and Conditions to the contrary, any option granted hereunder will be subject to mandatory repayment by you to the Company to the extent you are, or in the future become, subject to (A) any Company clawback or recoupment policy that is adopted to comply with the requirements of any applicable laws, rules or regulations, or otherwise, or (B) any applicable laws which impose mandatory recoupment, under circumstances set forth in such applicable laws, including as required by the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or other applicable law, regulation or stock exchange listing requirement, as may be in effect from time to time, and which may operate to create additional rights for the Company with respect to awards and recovery of amounts relating thereto. By accepting this option award, you hereby agree and acknowledge that you are obligated to cooperate with, and provide any and all assistance necessary to, the Company to recover or recoup this option award or amount paid under this award subject to clawback pursuant to such law, government regulation, stock exchange listing requirement or Company policy. Such cooperation and assistance shall include, but is not limited to, executing, completing and submitting any documentation necessary to recover or recoup this grant or amounts paid hereunder from your accounts, or pending or future compensation awards that may be made to you.

13. **Ownership and Protection of Intellectual Property and Confidential Information.**

(A) All information, ideas, concepts, improvements, innovations, developments, methods, processes, designs, analyses, drawings, reports, discoveries, and inventions, whether patentable or not or reduced to practice, which are conceived, made, developed or acquired by Grantee, individually or in conjunction with others, during Grantee's employment by the Company or any of its Subsidiaries, both before and after the Date of Grant (whether during business hours or otherwise and whether on the Company's premises or otherwise) which relate to the business, products or services of the Company or its Subsidiaries (including, without limitation, all such information relating to corporate opportunities, research, financial and sales data, pricing and trading terms, evaluations, opinions, interpretations, acquisition prospects, the identity of customers or their requirements, the identity of key contacts within the customer's organizations or within the organization of acquisition prospects, or marketing and merchandising techniques, prospective names, marks, and any copyrightable work, trade mark, trade secret or other intellectual property rights (whether or not composing confidential information), and all writings or materials of any type embodying any of such items (collectively, "Work Product"), shall be the sole and exclusive property of the Company or a Subsidiary, as the case may be, and shall be treated as "work for hire." It is recognized that the Grantee is an experienced executive in the business of the Company and its Subsidiaries and through several decades of prior work in the industry acquired and retains knowledge, contacts, and information which are not bound by this Section 13.

(B) Grantee shall promptly and fully disclose all Work Product to the Company and shall cooperate and perform all actions reasonably requested by the Company (whether during or after the term of employment) to establish, confirm and protect the Company's and/or its Subsidiaries' right, title and interest in such Work Product. Without limiting the generality of the foregoing, the Grantee agrees to assist the Company, at the Company's expense, to secure the Company's and its Subsidiaries' rights in the Work Product in any and all countries, including the execution by the Grantee of all applications and all other instruments and documents which the Company and/or its Subsidiaries shall deem necessary in order to

apply for and obtain rights in such Work Product and in order to assign and convey to the Company and/or its Subsidiaries the sole and exclusive right, title and interest in and to such Work Product. If the Company is unable because of Grantee's mental or physical incapacity or for any other reason (including Grantee's refusal to do so after request therefor is made by the Company) to secure Grantee's signature to apply for or to pursue any application for any United States or foreign patents or copyright registrations covering Work Product belonging to or assigned to the Company and/or its Subsidiaries pursuant to Section 13(A) above, then the Grantee by these Additional Terms and Conditions irrevocably designates and appoints the Company and its duly authorized officers and agents as Grantee's agent and attorney-in-fact to act for and in Grantee's behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of patents or copyright registrations thereon with the same legal force and effect as if executed by Grantee. The Grantee agrees not to apply for or pursue any application for any United States or foreign patents or copyright registrations covering any Work Product other than pursuant to this Section 13 in circumstances where such patents or copyright registrations are or have been or are required to be assigned to the Company or any of its Subsidiaries.

(C) Grantee acknowledges that the businesses of the Company and its Subsidiaries are highly competitive and that their strategies, methods, books, records, and documents, their technical information concerning their products, equipment, services, and processes, procurement procedures and pricing techniques, the names of and other information (such as credit and financial data) concerning their former, present or prospective customers and business affiliates, all comprise confidential business information and trade secrets which are valuable, special, and unique assets which the Company and/or its Subsidiaries use in their business to obtain a competitive advantage over their competitors. The Grantee further acknowledges that protection of such confidential business information and trade secrets against unauthorized disclosure and use is of critical importance to the Company and its Subsidiaries in maintaining their competitive position. The Grantee acknowledges that by reason of the Grantee's duties to, and association with, the Company and its Subsidiaries, the Grantee has had and will have access to, and has and will become informed of, confidential business information which is a competitive asset of the Company and its Subsidiaries. The Grantee hereby agrees that the Grantee will not, at any time during or after his or her employment by the Company or its Subsidiaries, make any unauthorized disclosure of any confidential business information or trade secrets of the Company or its Subsidiaries, or make any use thereof, except in the carrying out of his or her employment responsibilities hereunder. The Grantee shall take all necessary and appropriate steps to safeguard confidential business information and protect it against disclosure, misappropriation, misuse, loss and theft. Confidential business information shall not include information in the public domain (but only if the same becomes part of the public domain through a means other than a disclosure prohibited hereunder). The above notwithstanding, a disclosure shall not be unauthorized if (i) it is required by law or by a court of competent jurisdiction or (ii) it is in connection with any judicial, arbitration, dispute resolution or other legal proceeding in which Grantee's legal rights and obligations as an employee or under these Additional Terms and Conditions are at issue; provided, however, that the Grantee shall, to the extent practicable and lawful in any such events, give prior notice to the Company of his or her intent to disclose any such confidential business information in such context so as to allow the Company or its Subsidiaries an opportunity (which the Grantee will not oppose) to obtain such protective orders or similar relief with respect thereto as may be deemed appropriate. Any information not specifically related to the Company and its Subsidiaries would not be considered confidential to the Company and its Subsidiaries.

(D) All written materials, records, and other documents made by, or coming into the possession of, the Grantee during the period of Grantee's employment by the Company or its Subsidiaries which contain or disclose confidential business information or trade secrets of the Company or its Subsidiaries, or which relate to Grantee's Work Product described in Section 13(A) above, shall be and remain the property of the Company, or its Subsidiaries, as the case may be. Upon termination of Grantee's employment, for any reason, the Grantee promptly shall deliver the same, and all copies thereof, to the Company.

(E) Nothing in these Additional Terms and Conditions shall prohibit or restrict the Grantee from initiating communications directly with, responding to any inquiries from, providing testimony before, providing confidential information to, reporting possible violations of law or regulation to, or from filing a claim or assisting with an investigation directly with a self-regulatory authority or a government agency or entity, including the U.S. Equal Employment Opportunity Commission, the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General (collectively, the "Regulators"), or from making other disclosures that are protected under the whistleblower provisions of state or federal law or regulation. The Grantee does not need the prior authorization of the Company to engage in conduct protected by this Section 13, and the Grantee does not need to notify the Company that the Grantee has engaged in such conduct. Please take notice that federal law provides criminal and civil immunity to federal and state claims for trade secret misappropriation to individuals who disclose a trade secret to their attorney, a court, or a government official in certain, confidential circumstances that are set forth at 18 U.S.C. §§ 1833(b)(1) and 1833(b)(2), related to the reporting or investigation of a suspected violation of the law, or in connection with a lawsuit for retaliation for reporting a suspected violation of the law.

14. **Covenant Not to Compete.**

(A) Grantee hereby agrees that during his or her employment with the Company or any of its Subsidiaries and for a period of two years following Grantee's termination of employment with the Company and its Subsidiaries (the "Non-Compete Period"), he or she will not, in association with or as an officer, principal, manager, member, advisor, agent, partner, director, material shareholder, employee or consultant of any corporation (or sub-unit, in the case of a diversified business) or other enterprise, entity or association, work on the acquisition or development of, or engage in any line of business, property or project which is, directly or indirectly, competitive with any business that the Company or any of its Subsidiaries engages in or is planning to engage in during the term of Grantee's employment with the Company or any Subsidiary, including but not limited to, any business engaged in the development, manufacture, distribution and sale of paint, coatings and related products to professional, industrial, commercial and retail customers (the "Business"). Such restriction shall cover Grantee's activities anywhere in the contiguous United States.

(B) Grantee agrees that during the Non-Compete Period and for a one (1) year period thereafter, the Grantee will not, directly or indirectly, on behalf of Grantee or any other person or entity, solicit, induce or attempt to solicit or induce any person who is or was employed by, or in a contractor relationship with, the Company or its Subsidiaries within the one (1) year period immediately preceding the date of solicitation or inducement, to (i) interfere with the activities or businesses of the Company or any of its Subsidiaries, (ii) discontinue employment or contractor status with the Company or any of its Subsidiaries, or (iii) interfere with, alter or modify their employment or contractor relationship with the Company or any of its Subsidiaries. Grantee also agrees that during the Non-Compete Period and for a one (1) year period thereafter, the Grantee will not, on behalf of Grantee or any other person or entity, hire, attempt to hire, assist in any way with the hiring of, or otherwise employ or engage, or attempt to employ or engage, any person who is or was employed by or in a contractor relationship with the Company or its Subsidiaries within the one (1) year period immediately preceding the date of such hiring, assistance with hiring, employment or engagement.

(C) Grantee agrees that during the Non-Compete Period, the Grantee will not, directly or indirectly, influence or attempt to influence any customers, distributors or suppliers of the Company or any of its Subsidiaries to divert their business to any competitor of the Company or any of its Subsidiaries or in any way interfere with the relationship between any such customer, distributor or supplier and the Company and/or any of its Subsidiaries (including, without limitation, making any negative statements or communications about the Company and its Subsidiaries). During such Non-Compete Period, the Grantee will not, directly or indirectly, acquire or attempt to acquire any business in the contiguous United States to which the Company or any of its Subsidiaries, prior to the Grantee's termination of employment with the Company and its Subsidiaries, has made an acquisition proposal relating to the possible acquisition of such

business by the Company or any of its Subsidiaries, or has planned, discussed or contemplated making such an acquisition proposal (such business, an "Acquisition Target"), or take any action to induce or attempt to induce any Acquisition Target to consummate any acquisition, investment or other similar transaction with any person other than the Company or any of its Subsidiaries.

(D) Grantee understands that the provisions of Section 13 and Section 14 hereof may limit his or her ability to earn a livelihood in a business in which he or she is involved, but as a member of the management group of the Company and its Subsidiaries he or she nevertheless agrees and hereby acknowledges that: (i) such provisions do not impose a greater restraint than is necessary to protect the goodwill or other business interests of the Company and any of its Subsidiaries; (ii) such provisions contain reasonable limitations as to time, scope of activity, and geographical area to be restrained; and (iii) the consideration provided hereunder is sufficient to compensate the Grantee for the restrictions contained in Section 13 and Section 14 hereof. In consideration of the foregoing and in light of the Grantee's education, skills and abilities, the Grantee agrees that he or she will not assert that, and it should not be considered that, any provisions of Section 13 and Section 14 otherwise are void, voidable or unenforceable or should be voided or held unenforceable.

(E) If, at the time of enforcement of Section 13 or Section 14 of these Additional Terms and Conditions, a court shall hold that the duration, scope, or area restrictions stated herein are unreasonable under circumstances then existing, the parties hereto agree that the maximum period, scope or geographical area reasonable under such circumstances shall be substituted for the stated period, scope or area and that the court shall be allowed and directed to revise the restrictions contained herein to cover the maximum period, scope and area permitted by law. The Grantee acknowledges that he or she is a member of the Company's and its Subsidiaries' management group with access to the Company's and its Subsidiaries' confidential business information and his or her services are unique to the Company and its Subsidiaries. The Grantee therefore agrees that the remedy at law for any breach by him or her of any of the covenants and agreements set forth in Section 13 or Section 14 hereof will be inadequate and that in the event of any such breach, the Company and its Subsidiaries may, in addition to the other remedies which may be available to them at law, apply to any court of competent jurisdiction to obtain specific performance and/or injunctive relief prohibiting the Grantee (together with all those persons associated with him or her) from the breach of such covenants and agreements and to enforce, or prevent any violations of, the provisions of these Additional Terms and Conditions. In addition, in the event of a breach or violation by the Grantee of this Section 14, the Non-Compete Period set forth herein shall be tolled until such breach or violation has been cured.

(F) Each of the covenants of Section 13 and Section 14 hereof are given by the Grantee as part of the consideration for the option award granted hereunder and as an inducement to the Company to grant such options and accept the obligations thereunder.

15. **Electronic Delivery** . The Company may, in its sole discretion, deliver any documents relating to your options and your participation in the Plan, or future awards that may be granted under the Plan, by electronic means or request your consent to participate in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and, if requested, agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third-party designated by the Company.

16. **Construction** . Your option award is made and granted pursuant to the Plan and is in all respects limited by and subject to the terms of the Plan. In the event of any inconsistency between the Plan and these Additional Terms and Conditions, the terms of the Plan shall control.

17. **Compliance with Laws and Regulations; No Shareholder Rights** . The issuance of shares of Common Stock pursuant to your exercise of your option shall be subject to compliance by you with all applicable requirements of law relating thereto and with all applicable regulations of any stock exchange on which the Company's Common Stock may be listed for trading at the time of such issuance. Neither you, nor any person entitled to exercise your rights in the event of your death, shall have any of the rights and/or privileges of a

shareholder with respect to shares of the Company's Common Stock subject to the option, until such shares have been issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), notwithstanding the exercise of the option.

18. **Binding Effect; No Third Party Beneficiaries** . These Additional Terms and Conditions shall be binding upon and inure to the benefit of the Company and you and each of our respective heirs, representatives, successors and permitted assigns. These Additional Terms and Conditions shall not confer any rights or remedies upon any person other than the Company and you and each of our respective heirs, representatives, successor and permitted assigns.

19. **Notice** . Any notice required to be given or delivered to the Company under the terms of these Additional Terms and Conditions shall be in writing and addressed to the Company at its principal corporate office. Except to the extent electronic notice is authorized hereunder, any notice required to be given or delivered to you shall be in writing and addressed to you at your most recent address set forth in the Company's records. All notices shall be deemed effective upon personal delivery (or electronic delivery to the extent authorized hereunder) or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

20. **Section 409A** . The option is intended to be excepted from coverage under Section 409A of the Code ("Section 409A") and shall be administered, interpreted and construed accordingly. The Company may, in its sole discretion and without your consent, modify or amend these Additional Terms and Conditions, impose conditions on the timing and effectiveness of the exercise of the option by you, or take any other action it deems necessary or advisable, to cause the option to be excepted from Section 409A (or to comply therewith to the extent the Company determines it is not excepted). Notwithstanding the foregoing, you recognize and acknowledge that Section 409A may impose upon you certain taxes or interest charges for which you are and shall remain solely responsible.

EXHIBIT 10(aa)

THE SHERWIN-WILLIAMS COMPANY
2006 EQUITY AND PERFORMANCE INCENTIVE PLAN
(AMENDED AND RESTATED AS OF APRIL 19, 2017)

Restricted Stock Units Award Agreement

Grantee: _____

Date of Grant: _____
Date of Vesting: _____

Target number of Performance-Based EPS RSUs ("Target EPS RSUs") _____
Target number of Performance-Based RONAE RSUs ("Target RONAE RSUs") ____
Target number of Performance-Based Restricted Stock Units ("Total RSUs") _____

1. **Grant of Restricted Stock Units.** The Compensation and Management Development Committee of the Board of Directors (the "Committee") of The Sherwin-Williams Company (the "Company") or its delegate has granted to you ("Grantee") the Restricted Stock Unit awards (the "RSUs") set forth above in accordance with the terms of this Restricted Stock Units Award Agreement (this "Agreement") and the terms of The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan (Amended and Restated as of April 19, 2017) (the "Plan"), the related Prospectus and any Prospectus Supplement, and such other rules and procedures as may be adopted by the Company. The Total RSUs consist of the Target EPS RSUs and Target RONAE RSUs (collectively, the "Target RSUs"), as set forth above, and subject to the terms and conditions set forth herein, in the Plan, and on file with the Committee. Capitalized terms used herein without definition or other identification shall have the meanings assigned to them in the Plan.

2. **Vesting of RSUs** .

(A) **Vesting of Performance-Based EPS RSUs.** Subject to Section 3 hereof, provided Grantee is continuously employed with the Company or a Subsidiary from the Date of Grant through the Date of Vesting, inclusive (the "Restriction Period"), in Grantee's present position or in such other position that, as the Committee may determine, entitles Grantee to retain the rights under this grant (each such position being hereinafter referred to as a "Participating Position"), a percentage ranging from 0% to 200% of the Target EPS RSUs shall become nonforfeitable ("Vested," "Vested RSUs" or similar terms) in accordance with the relative level of achievement of the Management Objective set forth below (the "Vesting Percentage") and shall be settled in accordance with the terms of Section 4 hereof. The determination of the Vesting Percentage shall be made after such time as the Committee has obtained the information, made the decisions, and completed the calculations necessary to make such determination. The Vesting Percentage is based upon the Company's Earnings Per Share ("Cumulative EPS") during the three-year period ending on December 31 of the most recently completed fiscal year prior to the Date of Vesting (the "Measurement Period"), as determined in accordance with the following table:

Cumulative EPS	**Vesting Percentage**
Equal to or greater than	200%
	175%
	150%
	125%
	100%
	88%
	75%
	63%
	50%
	38%
	25%
Less than	0%

When the Cumulative EPS results during the Measurement Period fall between the table values, straight-line mathematical interpolation will be used to determine the Vesting Percentage calculated to the nearest hundredth of a percentage. The manner in which the Committee will determine Cumulative EPS during the Measurement Period is set forth on Exhibit A attached hereto, subject to terms set by and on file with the Committee.

(B) **Vesting of Performance-Based RONAE RSUs.** Subject to Section 3 hereof, provided Grantee is continuously employed with the Company or a Subsidiary during the Restriction Period, in Grantee's Participating Position, a percentage ranging from 0% to 200% of the Target RONAE RSUs shall become Vested in accordance with the Vesting Percentage (as set forth below) and shall be settled in accordance with the terms of Section 4 hereof. The determination of the Vesting Percentage shall be made after such time as the Committee has obtained the information, made the decisions, and completed the calculations necessary to make such determination. The Vesting Percentage is based upon the Company's Return On Net Assets Employed ("Average Annual RONAE") during the Measurement Period, as determined in accordance with the following table:

Average Annual RONAE	**Vesting Percentage**
Equal to or greater than	200%
	175%
	150%
	125%
	100%
	88%
	75%
	63%
	50%
	38%
	25%
Less than	0%

When the Average Annual RONAE results during the Measurement Period fall between the table values, straight-line mathematical interpolation will be used to determine the Vesting Percentage calculated to the nearest hundredth of a percentage. The manner in which the Committee will determine Average Annual RONAE during the Measurement Period is set forth on Exhibit B attached hereto, subject to terms set by and on file with the Committee.

3. **Termination of Rights to Total RSUs; Acceleration of Vesting.** Notwithstanding anything herein to the contrary:

(A) On the date Grantee ceases to be continuously employed in any Participating Position(s) at any time during the Restriction Period, the Total RSUs shall be forfeited and Grantee shall forfeit and lose all rights to the Total RSUs that are not Vested as of such date, except as otherwise provided below or as otherwise provided in an agreement between the Grantee and the Company or a plan in which the Grantee is a participant:

(i) In the event of the death of Grantee during the Restriction Period, the greater of (I) 100% of the Target RSUs or (II) the Vesting Percentage of the Target RSUs based on the actual Cumulative EPS and Average Annual RONAE measured as of the end of the last completed fiscal quarter preceding the date of Grantee's death and the projected forecast of Cumulative EPS and Average Annual RONAE over the remaining Restriction Period, shall immediately be Vested.

(ii) In the event Grantee becomes Disabled, the greater of (I) 100% of the Target RSUs or (II) the Vesting Percentage of the Target RSUs based on the actual Cumulative EPS and Average Annual RONAE measured as of the end of the last completed fiscal quarter preceding the date on which Grantee becomes Disabled and the projected forecast of Cumulative EPS and Average Annual RONAE over the remaining Restriction Period, shall immediately be Vested.

(iii) In the event Grantee's employment terminates as a result of "Retirement," all rights of Grantee under this grant with respect to the Target RSUs shall continue as if Grantee had continued employment in a Participating Position, and the Vesting Percentage of the Target RSUs will be determined as if Grantee had remained employed in a Participating Position throughout the Restriction Period; provided, however, that Grantee must provide the Company with written notice of Grantee's Retirement at least 180 days prior to the anticipated date of Retirement in order to be eligible for

continued vesting under this Section 3(A)(iii) (the "Notice Deadline") (if such written notice is not received by the Company on or before the Notice Deadline, any award granted to you under the Plan during the 180-day period prior to the date of your cessation of employment with the Company or a Subsidiary shall be immediately cancelled and forfeited (unless the reason for such failure is due to the Grantee becoming "Disabled")). "Retirement" shall be defined as your voluntary cessation of employment with the Company or any Subsidiary after: (x) the attainment of age 65; (y) the attainment of age 55-59 with at least twenty (20) years of service with the Company or a Subsidiary; or (z) the attainment of age 60 or older and the Grantee's combination of age and service with the Company or any Subsidiary equals at least 75. Notwithstanding the foregoing, if Grantee participates in the Company's Key Employee Separation Plan (the "KESP"), experiences a "covered termination" (as defined in the KESP), and meets the age and/or service requirements for a qualifying "Retirement" under this Section 3(A)(iii), the Grantee shall continue to vest as provided herein and Section 4.2 of the KESP without regard to the Notice Deadline requirement.

(iv) Notwithstanding Section 2 above, in the event of a Change of Control, the Total RSUs shall Vest on fulfillment of the conditions specified in Section 12 of the Plan, and, for clarification in this regard, the phrase "as if 100% of the Management Objectives have been achieved" contained in Section 12 of the Plan, as applied to this Agreement, means as if all Management Objectives have been achieved (i.e., achievement at or above the maximum target levels set forth in this Agreement).

(B) With respect to a Grantee that is a corporate officer and operating management, in the event Grantee is transferred from a Participating Position, the Committee shall have the right to cancel Grantee's rights hereunder, continue Grantee's rights hereunder in full, or prorate the number of Total RSUs evidenced hereby for the portion of the Restriction Period completed as of the date of such transfer or as the Committee may otherwise deem appropriate. In the event Grantee's rights hereunder continue in full or the number of Total RSUs is prorated, the other requirements for Vesting will continue to apply, including that Grantee remain continuously employed by the Company or a Subsidiary through the Date of Vesting, subject to earlier Vesting pursuant to Section 3(A). Any such Award will be settled in accordance with Section 4.

(C) In the event that Grantee knowingly or willfully engages in misconduct, which is materially harmful to the interests of the Company or a Subsidiary, as may be determined by the Committee, in its sole discretion, or violates Section 14 or Section 15 of this Agreement, all rights of Grantee to the RSUs shall terminate.

4. **Settlement of RSUs.**

(A) General . Upon satisfaction of the Vesting requirements set forth in Sections 2 and/or 3 hereof, and as soon as administratively practicable following (but no later than thirty (30) days following) the Date of Vesting, the Company shall issue Grantee one share of Common Stock free and clear of any restrictions for each Vested RSU.

(B) Other Payment Events for Vested RSUs . Notwithstanding Section 4(A), to the extent that prior to the Date of Vesting there are any Vested RSUs pursuant to Section 3 hereof, such Vested RSUs shall be settled prior to the date set forth under Section 4(A) as follows:

(i) Death . In the event of the death of the Grantee during the Restriction Period, the Company shall issue to Grantee's proper beneficiaries one share of Common Stock free and clear of any restrictions for each Vested RSU within thirty (30) days of the date of Grantee's death.

(ii) Disability . In the event that Grantee becomes "Disabled" during the Restriction Period, the Company shall issue Grantee one share of Common Stock free and clear of any restrictions for each Vested RSU within thirty (30) days of the date on which Grantee becomes Disabled. "Disabled" shall mean that Grantee (x) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (y) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Company.

(iii) Change of Control . In the event of a Change of Control during the Restriction Period, Vested RSUs shall be settled in accordance with Section 12 of the Plan. Notwithstanding any provision of this Agreement or the Plan to the contrary, if Section 409A of the Code applies to the payment and Grantee experiences a termination of employment after the Change of Control resulting in Vested RSUs under Section 12 of the Plan, Grantee is entitled to receive settlement of any Vested RSUs under Section 12 of the Plan on the date that would have otherwise applied pursuant to Sections 4(A), 4(B)(i) or 4(B)(ii) as though such Change of Control had not occurred. Notwithstanding any provision of this Agreement or the Plan to

the contrary and to the extent required to comply with Section 409A, if any Target RSU is Assumed, any outstanding Target RSUs which at the time of the Change of Control are not subject to a "substantial risk of forfeiture" (within the meaning of Section 409A of the Code) will be deemed to be not Assumed and will be payable in accordance with Section 12(b) of the Plan.

5. **Dividend Equivalents; Other Rights.** From and after the Date of Grant and until the earlier of (A) the time when the RSUs Vest and are settled in accordance with Section 4 hereof or (B) the time when Grantee's rights to the RSUs are forfeited in accordance with Section 3 hereof, on the date that the Company pays a cash dividend (if any) to holders of Common Stock generally, Grantee shall be entitled to a deferred cash payment equal to the value of the product of (x) the dollar amount of the cash dividend paid per share of Common Stock on such date and (y) 200% of the Target RSUs; however, such dividend equivalents (if any) shall be paid in cash only, and shall not be paid unless and until the Restriction Period has lapsed, and shall be subject to such other applicable terms and conditions (including payment or forfeitability) as the RSUs on which the dividend equivalents were credited. In this regard, the right to any such dividend equivalent payment shall Vest at the same time as the RSUs to which they relate and shall be distributed to Grantee concurrently with the RSUs (and in proportion to the percentage of the RSUs that Vest and are to be paid in Common Stock in settlement of such RSUs), without regard to the number of shares of Common Stock withheld to pay any applicable withholding tax obligations. The obligations of the Company hereunder will be merely that of an unfunded and unsecured promise of the Company to deliver shares of Common Stock or cash, as the case may be, in the future, and the rights of Grantee will be no greater than that of an unsecured general creditor. No assets of the Company will be held or set aside as security for the obligations of the Company hereunder.

6. **No Shareholder/Voting Rights.** Grantee will not be a shareholder of record and shall have no voting rights with respect to shares of Common Stock underlying an RSU prior to the Company's issuance of such shares following the Date of Vesting or the otherwise applicable settlement date.

7. **Transferability.** During the Restriction Period, Grantee shall not be permitted to sell, transfer, pledge, encumber, assign or dispose of the RSUs.

8. **Withholding; Taxes.** If the Company shall be required to withhold (including required to account to any tax authority for) any federal, state, local or foreign taxes or other amounts in connection with the RSUs or the underlying shares of Common Stock, the Company shall automatically and mandatorily withhold a number of shares of Common Stock issuable hereunder equal to the Grantee's minimum statutory withholding tax obligation. Notwithstanding any other provision of this Agreement or the Plan, the Company shall not be obligated to guarantee any particular tax result for Grantee with respect to any payment provided to Grantee hereunder, and Grantee shall be responsible for any taxes imposed on Grantee with respect to any such payment.

9. **No Right to Future Awards or Employment.** The grant is a voluntary, discretionary bonus being made on a one-time basis and it does not constitute a commitment to make any future awards. The grant and any related payments made to Grantee will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law. Nothing contained herein will confer upon Grantee any right with respect to continuance of employment or other service with the Company or any Subsidiary, nor will it interfere in any way with any right the Company or any Subsidiary would otherwise have to terminate Grantee's employment or other service at any time.

10. **Nature of Grant.** Grantee acknowledges that (A) the future value of the underlying shares of Common Stock is unknown and cannot be predicted with certainty and (B) in consideration of the grant of the RSUs, no claim or entitlement to compensation or damages shall arise from termination of the RSUs or diminution in value of the shares received upon settlement including (without limitation) any claim or entitlement resulting from termination of Grantee's active employment by the Company or a Subsidiary (for any reason whatsoever and whether or not in breach of local labor laws) and Grantee hereby releases the Company and its Subsidiaries from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, then, by accepting the RSUs and this Agreement, Grantee shall be deemed irrevocably to have waived his or her entitlement to pursue such claim.

11. **Severability.** If any provision of this grant or the application of any provision hereof to any person or circumstances is held invalid, unenforceable or otherwise illegal, the remainder of this grant and the application of such provision to any other person or circumstances shall not be affected, and the provisions so held to be invalid, unenforceable or otherwise illegal shall be reformed to the extent (and only to the extent) necessary to make it enforceable, valid and legal.

12. **Governing Law.** This grant shall be governed by and construed with the internal substantive laws of the State of Ohio, without giving effect to any principle of law that would result in the application of the law of any other jurisdiction.

13. **Recapture/Recoupment Rights and Policies.** Grantee acknowledges and agrees that the terms and conditions set forth in The Sherwin-Williams Company Executive Compensation Adjustment and Recapture Policy ("Policy") are incorporated in this Agreement by reference. To the extent the Policy is applicable to Grantee, it creates additional rights for the Company with respect to Grantee's RSUs. Notwithstanding any provisions in this Agreement to the contrary, any RSU granted under this Agreement will be subject to mandatory repayment by the Grantee to the Company to the extent the Grantee is, or in the future becomes, subject to (A) any Company clawback or recoupment policy that is adopted to comply with the requirements of any applicable laws, rules or regulations, or otherwise, or (B) any applicable laws which impose mandatory recoupment, under circumstances set forth in such applicable laws, including as required by the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or other applicable law, regulation or stock exchange listing requirement, as may be in effect from time to time, and which may operate to create additional rights for the Company with respect to awards and recovery of amounts relating thereto. By accepting this grant of RSUs, Grantee agrees and acknowledges that Grantee is obligated to cooperate with, and provide any and all assistance necessary to, the Company to recover or recoup the grant of RSUs or amount paid under this grant subject to clawback pursuant to such law, government regulation, stock exchange listing requirement or Company policy. Such cooperation and assistance shall include, but is not limited to, executing, completing and submitting any documentation necessary to recover or recoup this grant or amounts paid hereunder from a Grantees' accounts, or pending or future compensation awards that may be made to Grantee.

14. **Ownership and Protection of Intellectual Property and Confidential Information.**

(A) All information, ideas, concepts, improvements, innovations, developments, methods, processes, designs, analyses, drawings, reports, discoveries, and inventions, whether patentable or not or reduced to practice, which are conceived, made, developed or acquired by Grantee, individually or in conjunction with others, during Grantee's employment by the Company or any of its Subsidiaries, both before and after the Date of Grant (whether during business hours or otherwise and whether on the Company's premises or otherwise) which relate to the business, products or services of the Company or its Subsidiaries (including, without limitation, all such information relating to corporate opportunities, research, financial and sales data, pricing and trading terms, evaluations, opinions, interpretations, acquisition prospects, the identity of customers or their requirements, the identity of key contacts within the customer's organizations or within the organization of acquisition prospects, or marketing and merchandising techniques, prospective names, marks, and any copyrightable work, trade mark, trade secret or other intellectual property rights (whether or not composing confidential information), and all writings or materials of any type embodying any of such items (collectively, "Work Product"), shall be the sole and exclusive property of the Company or a Subsidiary, as the case may be, and shall be treated as "work for hire." It is recognized that the Grantee is an experienced executive in the business of the Company and its Subsidiaries and through several decades of prior work in the industry acquired and retains knowledge, contacts, and information which are not bound by this Section 14.

(B) Grantee shall promptly and fully disclose all Work Product to the Company and shall cooperate and perform all actions reasonably requested by the Company (whether during or after the term of employment) to establish, confirm and protect the Company's and/or its Subsidiaries' right, title and interest in such Work Product. Without limiting the generality of the foregoing, the Grantee agrees to assist the Company, at the Company's expense, to secure the Company's and its Subsidiaries' rights in the Work Product in any and all countries, including the execution by the Grantee of all applications and all other instruments and documents which the Company and/or its Subsidiaries shall deem necessary in order to apply for and obtain rights in such Work Product and in order to assign and convey to the Company and/or its Subsidiaries the sole and exclusive right, title and interest in and to such Work Product. If the Company is unable because of Grantee's mental or physical incapacity or for any other reason (including Grantee's refusal to do so after request therefor is made by the Company) to secure Grantee's signature to apply for or to pursue any application for any United States or foreign patents or copyright registrations covering Work Product belonging to or assigned to the Company and/or its Subsidiaries pursuant to Section 14(A) above, then the Grantee by this Agreement irrevocably designates and appoints the Company and its duly authorized officers and agents as Grantee's agent and attorney-in-fact to act for and in Grantee's behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of patents or copyright registrations thereon with the same legal force and effect as if executed by Grantee. The Grantee agrees not to apply for or pursue any application for any United States or foreign patents or copyright registrations covering any Work Product other than pursuant to this Section 14 in circumstances where such patents or copyright registrations are or have been or are required to be assigned to the Company or any of its Subsidiaries.

(C) Grantee acknowledges that the businesses of the Company and its Subsidiaries are highly competitive and that their strategies, methods, books, records, and documents, their technical information concerning their products, equipment, services, and processes, procurement procedures and pricing techniques, the names of and other information (such as credit and financial data) concerning their former, present or prospective customers and business affiliates, all comprise confidential business information and trade secrets which are valuable, special, and unique assets which the Company and/or its Subsidiaries use in their business to obtain a competitive advantage over their competitors. The Grantee

further acknowledges that protection of such confidential business information and trade secrets against unauthorized disclosure and use is of critical importance to the Company and its Subsidiaries in maintaining their competitive position. The Grantee acknowledges that by reason of the Grantee's duties to, and association with, the Company and its Subsidiaries, the Grantee has had and will have access to, and has and will become informed of, confidential business information which is a competitive asset of the Company and its Subsidiaries. The Grantee hereby agrees that the Grantee will not, at any time during or after his or her employment by the Company or its Subsidiaries, make any unauthorized disclosure of any confidential business information or trade secrets of the Company or its Subsidiaries, or make any use thereof, except in the carrying out of his or her employment responsibilities hereunder. The Grantee shall take all necessary and appropriate steps to safeguard confidential business information and protect it against disclosure, misappropriation, misuse, loss and theft. Confidential business information shall not include information in the public domain (but only if the same becomes part of the public domain through a means other than a disclosure prohibited hereunder). The above notwithstanding, a disclosure shall not be unauthorized if (i) it is required by law or by a court of competent jurisdiction or (ii) it is in connection with any judicial, arbitration, dispute resolution or other legal proceeding in which Grantee's legal rights and obligations as an employee or under this Agreement are at issue; provided, however, that the Grantee shall, to the extent practicable and lawful in any such events, give prior notice to the Company of his or her intent to disclose any such confidential business information in such context so as to allow the Company or its Subsidiaries an opportunity (which the Grantee will not oppose) to obtain such protective orders or similar relief with respect thereto as may be deemed appropriate. Any information not specifically related to the Company and its Subsidiaries would not be considered confidential to the Company and its Subsidiaries.

(D) All written materials, records, and other documents made by, or coming into the possession of, the Grantee during the period of Grantee's employment by the Company or its Subsidiaries which contain or disclose confidential business information or trade secrets of the Company or its Subsidiaries, or which relate to Grantee's Work Product described in Section 14(A) above, shall be and remain the property of the Company, or its Subsidiaries, as the case may be. Upon termination of Grantee's employment, for any reason, the Grantee promptly shall deliver the same, and all copies thereof, to the Company.

(E) Nothing in this Agreement shall prohibit or restrict the Grantee from initiating communications directly with, responding to any inquiries from, providing testimony before, providing confidential information to, reporting possible violations of law or regulation to, or from filing a claim or assisting with an investigation directly with a self-regulatory authority or a government agency or entity, including the U.S. Equal Employment Opportunity Commission, the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General (collectively, the "Regulators"), or from making other disclosures that are protected under the whistleblower provisions of state or federal law or regulation. The Grantee does not need the prior authorization of the Company to engage in conduct protected by this Section 14, and the Grantee does not need to notify the Company that the Grantee has engaged in such conduct. Please take notice that federal law provides criminal and civil immunity to federal and state claims for trade secret misappropriation to individuals who disclose a trade secret to their attorney, a court, or a government official in certain, confidential circumstances that are set forth at 18 U.S.C. §§ 1833(b)(1) and 1833(b)(2), related to the reporting or investigation of a suspected violation of the law, or in connection with a lawsuit for retaliation for reporting a suspected violation of the law.

15. **Covenant Not to Compete** .

(A) Grantee hereby agrees that during his or her employment with the Company or any of its Subsidiaries and for a period of two years following Grantee's termination of employment with the Company and its Subsidiaries (the "Non-Compete Period"), he or she will not, in association with or as an officer, principal, manager, member, advisor, agent, partner, director, material shareholder, employee or consultant of any corporation (or sub-unit, in the case of a diversified business) or other enterprise, entity or association, work on the acquisition or development of, or engage in any line of business, property or project which is, directly or indirectly, competitive with any business that the Company or any of its Subsidiaries engages in or is planning to engage in during the term of Grantee's employment with the Company or any Subsidiary, including but not limited to, any business engaged in the development, manufacture, distribution and sale of paint, coatings and related products to professional, industrial, commercial and retail customers (the "Business"). Such restriction shall cover Grantee's activities anywhere in the contiguous United States.

(B) Grantee agrees that during the Non-Compete Period and for a one (1) year period thereafter, the Grantee will not, directly or indirectly, on behalf of Grantee or any other person or entity, solicit, induce or attempt to solicit or induce any person who is or was employed by, or in a contractor relationship with, the Company or its Subsidiaries within the one (1) year period immediately preceding the date of solicitation or inducement, to (i) interfere with the activities or businesses of the Company or any of its Subsidiaries, (ii) discontinue employment or contractor status with the Company or any of its Subsidiaries, or (iii) interfere with, alter or modify their employment or contractor relationship with the Company or

any of its Subsidiaries. Grantee also agrees that during the Non-Compete Period and for a one (1) year period thereafter, the Grantee will not, on behalf of Grantee or any other person or entity, hire, attempt to hire, assist in any way with the hiring of, or otherwise employ or engage, or attempt to employ or engage, any person who is or was employed by or in a contractor relationship with the Company or its Subsidiaries within the one (1) year period immediately preceding the date of such hiring, assistance with hiring, employment or engagement.

(C) Grantee agrees that during the Non-Compete Period, the Grantee will not, directly or indirectly, influence or attempt to influence any customers, distributors or suppliers of the Company or any of its Subsidiaries to divert their business to any competitor of the Company or any of its Subsidiaries or in any way interfere with the relationship between any such customer, distributor or supplier and the Company and/or any of its Subsidiaries (including, without limitation, making any negative statements or communications about the Company and its Subsidiaries). During such Non-Compete Period, the Grantee will not, directly or indirectly, acquire or attempt to acquire any business in the contiguous United States to which the Company or any of its Subsidiaries, prior to the Grantee's termination of employment with the Company and its Subsidiaries, has made an acquisition proposal relating to the possible acquisition of such business by the Company or any of its Subsidiaries, or has planned, discussed or contemplated making such an acquisition proposal (such business, an "Acquisition Target"), or take any action to induce or attempt to induce any Acquisition Target to consummate any acquisition, investment or other similar transaction with any person other than the Company or any of its Subsidiaries.

(D) Grantee understands that the provisions of Section 14 and Section 15 hereof may limit his or her ability to earn a livelihood in a business in which he or she is involved, but as a member of the management group of the Company and its Subsidiaries he or she nevertheless agrees and hereby acknowledges that: (i) such provisions do not impose a greater restraint than is necessary to protect the goodwill or other business interests of the Company and any of its Subsidiaries; (ii) such provisions contain reasonable limitations as to time, scope of activity, and geographical area to be restrained; and (iii) the consideration provided hereunder is sufficient to compensate the Grantee for the restrictions contained in Section 14 and Section 15 hereof. In consideration of the foregoing and in light of the Grantee's education, skills and abilities, the Grantee agrees that he or she will not assert that, and it should not be considered that, any provisions of Section 14 and Section 15 otherwise are void, voidable or unenforceable or should be voided or held unenforceable.

(E) If, at the time of enforcement of Section 14 or Section 15 of this Agreement, a court shall hold that the duration, scope, or area restrictions stated herein are unreasonable under circumstances then existing, the parties hereto agree that the maximum period, scope or geographical area reasonable under such circumstances shall be substituted for the stated period, scope or area and that the court shall be allowed and directed to revise the restrictions contained herein to cover the maximum period, scope and area permitted by law. The Grantee acknowledges that he or she is a member of the Company's and its Subsidiaries' management group with access to the Company's and its Subsidiaries' confidential business information and his or her services are unique to the Company and its Subsidiaries. The Grantee therefore agrees that the remedy at law for any breach by him or her of any of the covenants and agreements set forth in Section 14 or Section 15 hereof will be inadequate and that in the event of any such breach, the Company and its Subsidiaries may, in addition to the other remedies which may be available to them at law, apply to any court of competent jurisdiction to obtain specific performance and/or injunctive relief prohibiting the Grantee (together with all those persons associated with him or her) from the breach of such covenants and agreements and to enforce, or prevent any violations of, the provisions of this Agreement. In addition, in the event of a breach or violation by the Grantee of this Section 15, the Non-Compete Period set forth herein shall be tolled until such breach or violation has been cured.

(F) Each of the covenants of Section 14 and Section 15 hereof are given by the Grantee as part of the consideration for the RSUs granted hereunder and as an inducement to the Company to grant such RSUs and accept the obligations thereunder.

16. **Data Privacy.** Grantee explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Grantee's personal data as described in this document by and among, as applicable, Grantee's employer ("Employer") and the Company and its Subsidiaries, for the exclusive purpose of implementing, administering and managing Grantee's participation in the Plan. Grantee understands that Employer and the Company and its Subsidiaries hold (but only process or transfer to the extent required or permitted by local law) the following personal information about Grantee: Grantee's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of Common Stock or directorships held in the Company, details of all RSUs or any other entitlement to shares of Common Stock awarded, canceled, exercised, vested, unvested or outstanding in Grantee's favor, for the purpose of implementing, administering and managing the Plan (collectively, the "Data"). Grantee understands that Data may be transferred to third parties assisting in the implementation, administration and management of the Plan, including Fidelity Stock Plan Service LLC, that these recipients may be located in Grantee's country or elsewhere (including countries outside of the European Union or the European Economic Area, such as the United States of America), and that the recipient's

country may have different data privacy laws and protections than those that apply in Grantee's country. Grantee understands that Grantee may request a list with the names and addresses of any potential recipients of the Data by contacting Grantee's local human resources representative. Grantee authorizes these recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing Grantee's participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom Grantee may elect to deposit any shares acquired upon vesting or earning of the RSUs. Grantee understands that Data will be held only as long as is necessary to implement, administer and manage Grantee's participation in the Plan and in accordance with local law. Grantee understands that Grantee may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing Grantee's local human resources representative. Grantee understands, however, that refusing or withdrawing Grantee's consent may affect Grantee's ability to participate in the Plan. For more information on the consequences of Grantee's refusal to consent or withdrawal of consent, Grantee hereby understands that Grantee may contact his or her local human resources representative.

17. **Electronic Delivery.** The Company may, in its sole discretion, deliver any documents related to the RSUs and Grantee's participation in the Plan, or future awards that may be granted under the Plan, by electronic means or request Grantee's consent to participate in the Plan by electronic means. Grantee hereby consents to receive such documents by electronic delivery and, if requested, agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

18. **Compliance with Section 409A of the Code.** The award covered by this Agreement is intended to be excepted from coverage under, or compliant with, the provisions of Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations and other guidance promulgated thereunder ("Section 409A"). Notwithstanding the foregoing or any other provision of this Agreement or the Plan to the contrary, if the award is subject to the provisions of Section 409A (and not exempted therefrom), the provisions of this Agreement and the Plan shall be administered, interpreted and construed in a manner necessary to comply with Section 409A (or disregarded to the extent such provision cannot be so administered, interpreted or construed). If any payments or benefits hereunder may be deemed to constitute nonconforming deferred compensation subject to taxation under the provisions of Section 409A, Grantee agrees that the Company may, without the consent of Grantee, modify the Agreement to the extent and in the manner the Company deems necessary or advisable or take such other action or actions, including an amendment or action with retroactive effect, that the Company deems appropriate in order either to preclude any such payment or benefit from being deemed "deferred compensation" within the meaning of Section 409A or to provide such payments or benefits in a manner that complies with the provisions of Section 409A such that they will not be subject to the imposition of taxes and/or interest thereunder. If, at the time of Grantee's separation from service (within the meaning of Section 409A of the Code), (A) Grantee shall be a specified employee (within the meaning of Section 409A of the Code and using the identification methodology selected by the Company from time to time) and (B) the Company shall make a good faith determination that an amount payable hereunder constitutes deferred compensation (within the meaning of Section 409A of the Code) the settlement of which is required to be delayed pursuant to the six-month delay rule set forth in Section 409A of the Code in order to avoid taxes or penalties under Section 409A of the Code, then the Company shall not settle such amount on the otherwise scheduled settlement date but shall instead settle it, without interest, on the first business day of the month after such six-month period. Notwithstanding the foregoing, the Company makes no representations and/or warranties with respect to compliance with Section 409A, and Grantee recognizes and acknowledges that Section 409A could potentially impose upon Grantee certain taxes and/or interest charges for which Participant is and shall remain solely responsible.

19. **Construction** . This Agreement is made and granted pursuant to the Plan and is in all respects limited by and subject to the terms of the Plan. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control.

20. **Compliance with Laws and Regulations** . The issuance of shares of Common Stock pursuant to this Agreement shall be subject to compliance by Grantee with all applicable requirements of law relating thereto and with all applicable regulations of any stock exchange on which Company's stock may be listed for trading at the time of such issuance.

21. **Binding Effect; No Third Party Beneficiaries** . This Agreement shall be binding upon and inure to the benefit of the Company and Grantee and their respective heirs, representatives, successors and permitted assigns. This Agreement shall not confer any rights or remedies upon any person other than the Company and Grantee and their respective heirs, representatives, successors and permitted assigns.

22. **Notice** . Any notice required to be given or delivered to the Company under the terms of this Agreement shall be in writing and addressed to the Company at its principal corporate office. Except to the extent electronic notice is authorized

hereunder, any notice required to be given or delivered to Grantee shall be in writing and addressed to Grantee at Grantee's most recent address set forth in the Company's records. All notices shall be deemed effective upon personal delivery (or electronic delivery to the extent authorized hereunder) or upon deposit in the U.S. mail, postage, prepaid and properly addressed to the party to be notified.

Exhibit A

Cumulative Earnings Per Share shall be equal to the sum of the Earnings Per Share ("EPS") for each fiscal year of the Company during the Measurement Period.

Example :

Year 1 EPS	$[____]
Year 2 EPS	$[____]
Year 3 EPS	$[____]
Cumulative EPS	$[____]

Cumulative EPS = $[_____]

Exhibit B

Average Annual Return On Net Assets Employed shall be equal to the sum of the Return On Net Assets Employed ("RONAE") for each fiscal year of the Company during the Measurement Period divided by three.

Example :

Year 1 RONAE	[_____]%
Year 2 RONAE	[_____]%
Year 3 RONAE	[_____]%
Average Annual RONAE	[_____]%

Average Annual RONAE = [_____]%

EXHIBIT 10(ff)

Plan Document

and

Summary Plan Description

of

The Sherwin-Williams Company

Key Employee Separation Plan

As Amended and Restated Effective March 1, 2019

THE SHERWIN-WILLIAMS COMPANY

KEY EMPLOYEE SEPARATION PLAN

ARTICLE 1. PURPOSE

The purpose of The Sherwin-Williams Company Key Employee Separation Plan is to assist the Company to retain the services of key employees by providing eligible employees of the Company and its Affiliates with certain severance and welfare benefits in the event their employment is involuntarily terminated. This document is designed to serve as both the Plan document and the summary plan description for the Plan. The legal rights and obligations of any person having an interest in the Plan are determined solely by the provisions of the Plan as interpreted by the Committee. Unless otherwise defined elsewhere in the Plan, defined terms are set forth in Article 12 hereof.

ARTICLE 2. TERM

The Plan shall generally be effective as of the Effective Date, but subject to amendment from time to time in accordance with Article 7 hereof. The Plan shall continue until terminated pursuant to Article 7 hereof.

ARTICLE 3. PARTICIPATION

3.1 Employees of the Company or any Affiliate who are selected for participation by the Committee, in its sole and absolute discretion, as provided in Article 5 hereof, shall be eligible to participate in the Plan. Any such employee selected to participate in the Plan shall be referred to herein as a "Participant" and shall be expressly listed in a schedule maintained by the Committee (the " Participant Schedule "), with such severance benefits hereunder to be provided in accordance with the Participant's designation level as set forth in the benefits schedule attached hereto as Exhibit A (the " Benefits Schedule "). The Participants and their respective participation levels (as described in Section 4.1) shall be selected and approved by the Committee, and communicated to the Participant by the Company. The Committee, in its discretion, may add Participants to the Plan and assign and approve for each of them their respective participation levels, from time to time, and shall periodically review and update the schedule or list of Participants. For purposes of clarity, a person is not a "Participant" in the Plan, unless expressly added as a "Participant" by the Committee.

3.2 Notwithstanding the foregoing and subject to Article 7 hereof, the Committee may terminate a Participant's participation in the Plan at any time, in its sole and absolute discretion. Subject to Article 7 hereof, a termination of Participant's employment with the Company and any Affiliate, except under the circumstances described in Section 4.1, shall automatically, with no further act on the part of the Company or any Affiliate, terminate any right of such Participant to participate, or receive any benefits under, the Plan.

ARTICLE 4. BENEFITS

4.1 Compensation and Benefits Upon Covered Termination .

Subject to Participant's timely execution and non-revocation of the Release described in Section 4.3, in the event of a Covered Termination, the Company shall pay and provide to the Participant after his or her Date of Termination:

(a) (i) any Base Pay earned, accrued or owing to him or her through the Date of Termination, (ii) any Annual Incentive Bonus not yet paid, but due and payable for year prior to the year of Participant's Date of Termination, (iii) reimbursement for all reasonable and customary expenses incurred by Participant in performing services for the Company prior to the Date of Termination, subject to receipt by the Company of appropriate documentation in accordance with policies established by the Company from time to time, and (iv) payment equal to the amount of accrued, but unused, vacation time in accordance with the Company's policies and practices with respect to vacation time, with any such amounts to be paid in a lump sum within 30 days following the Date of Termination or at such other time prescribed by any applicable plan or agreement.

(b) An aggregate amount, as set forth in the Benefits Schedule, and based upon a Participant's Sherwin-Williams Management Incentive Plan (" SWMIP ") employee designation level (with such designation and the amount of Base Pay each as in effect on the Date of Termination).

(c) A pro rata share of any individual Annual Incentive Bonus for the year in which Participant's Date of Termination occurs based on the portion of such year that Participant was employed by the Company and any Affiliate; provided, however, that the payment of individual Annual Incentive Bonus will continue to be subject to the attainment of performance goals and paid in accordance with the terms as specified in the applicable plan.

(d) To the extent permitted by applicable law and the Benefit Plans, the Company shall maintain Participant's paid coverage for health insurance (through the payment of Participant's COBRA premiums) and other dental insurance benefits for the period corresponding with Participant's participation level as set forth in the Benefits Schedule, but ending upon the earlier to occur of: (a) Participant obtaining the age of 65, (b) the date Participant is eligible for similar benefits to the benefits provided by the Benefit Plans from another employer (and Participant must provide prompt notice of eligibility with respect thereto to the Company), or (c) the expiration of the COBRA Continuation Period (i.e., generally 18 months following the Date of Termination). During the applicable period of coverage described in the Benefits Schedule, to the extent permitted by applicable law and the Benefit Plans, Participant shall be entitled to benefits, on substantially the same basis as would have otherwise been provided had Participant not been terminated and the Company will have no obligation to pay any benefits to, or premiums on behalf of, Participant after such period ends. To the extent that such benefits are available under the Benefit Plans and Participant had such coverage immediately prior to the Date of Termination, such continuation of benefits for Participant shall also cover Participant's spouse and/or dependents for so long as Participant is receiving such benefits as provided in the Benefits Schedule. The COBRA Continuation Period for medical and dental insurance under this Section 4.1(d) shall be deemed to run concurrent with the continuation period federally mandated by COBRA, or any other legally mandated and applicable federal, state, or local coverage period for benefits provided to terminated employees under the health care plan.

(e) Payment of, or reimbursement for, the reasonable cost of appropriate outplacement assistance services actually used by Participant and other expenses actually incurred by Participant associated with seeking another employment position, in each case that are approved by the Committee in its discretion.

All payments to be made pursuant to Section 4.1(b) shall be made in equal installments in accordance with the Company's payroll procedures for the period corresponding with such Participant's participation level set forth in the Benefit Schedule, subject to the execution, delivery and non-revocation of the Release set forth in Section 4.3. All payments due under Sections 4.1(c), (d) and (e) shall be made as provided thereunder, in each case, subject to the execution, delivery and non-revocation of the Release set forth in Section 4.3.

4.2 Vesting of Equity . With respect to any equity awards or grants made by the Company or any Affiliate and notwithstanding any provision to the contrary in any applicable plan, program or award agreement, upon a Participant's Date of Termination pursuant to Section 4.1, all such equity awards or grants held by Participant will continue to vest for the period set forth in the Benefits Schedule after the Date of Termination as if Participant remained an employee of the Company in the same or in a Participating Position (as defined therein), if applicable, for such period (or for such longer period as may be provided in the applicable award agreement as measured and determined from the last day payments or benefits are provided under the Benefits Schedule), and all such stock options held by Participant shall remain exercisable until the expiration date of the applicable option term; provided, however, that the payment of performance-based awards will continue to be subject to the attainment of the performance goals as specified in the applicable plan or award agreement and will be paid, if at all, based on a Participant's service and additional deemed service (as provided in the Benefits Schedule or for such longer period as provided in the applicable award agreement as measured and determined from the last day payments or benefits are provided under the Benefits Schedule) for the applicable performance period.

4.3 Release . Notwithstanding any other provision of the Plan to the contrary, no payment or benefit otherwise provided for under or by virtue of Section 4.1 and/or Section 4.2 of the Plan shall be paid or otherwise made available unless and until the Participant executes and does not revoke a general release, non-disparagement and non-competition agreement, in a form provided by the Company and substantially as attached as Exhibit B hereto (modified as necessary to conform to then existing legal requirements or applicable law) (the " Release "). The Release must be executed, delivered and not revoked by the Participant or no amounts or benefits under Section 4.1 and/or Section 4.2 shall be or become payable.

4.4 WARN . Notwithstanding any other provision of the Plan to the contrary, payments made pursuant to the Plan are not intended to be in addition to pay-in-lieu-of notice under the Worker Adjustment and Retraining Notification Act (" WARN "), Labor Code Section 1400 et seq., or any other applicable federal, state or local law or regulation. Should benefits under any such law or regulation become payable, payment of any benefit payable hereunder to a Participant as a consequence of the Participant's Covered Termination shall be reduced accordingly or, alternatively, payments previously made under the Plan will be treated as having been paid to satisfy such other benefit obligations (other than state unemployment compensation if applicable).

4.5 Termination of Employment on Account of Disability, Cause or Death or New Job Position . Notwithstanding anything in this Plan to the contrary, if the Participant's employment with the Company and any Affiliate terminates on account of Disability, Cause or because of his or her death or the Participant assumes a New Job Position, the Participant shall not be considered to have terminated employment under Section 4.1 of this Plan and shall not receive benefits pursuant to Section 4.1 and/or Section 4.2. Notwithstanding, the Participant shall be entitled to receive disability benefits under any disability program then maintained by the Company or any Affiliate that covers the Participant as provided under the terms of such disability program.

ARTICLE 5. ADMINISTRATION

5.1 The Plan shall be administered by the Committee. The Committee shall be the "administrator" and a "named fiduciary" under the Plan for purposes of ERISA.

5.2 The Committee shall have the full and absolute power, authority and sole discretion to construe, interpret and administer the Plan, to make factual determinations, to correct deficiencies therein, and to supply omissions, including resolving any ambiguity or uncertainty arising under or existing in the terms and provisions of the Plan, which determinations shall be final, conclusive, and binding on the Company, its Affiliates, the Participant and any and all interested parties.

5.3 The Committee may delegate any and all of its powers and responsibilities hereunder to other persons by formal resolution as provided in Article 6 hereof. Any such delegation may be rescinded at any time by written notice from the Committee to the person to whom delegation is made.

5.4 The Committee shall have the full and absolute authority to employ and rely on such legal counsel, actuaries and accountants (which may also be those of the Company and its Affiliates), and other agents, designees and delegatees, as it may deem advisable to assist in the administration of the Plan.

ARTICLE 6. DELEGATION OF AUTHORITY .

The Committee shall have the power and authority to allocate among themselves and to delegate any responsibility or power reserved to it hereunder to any person or persons, the Board or any committee of the Board, as it may, in its sole discretion, deems appropriate. Pursuant to this Article 6 hereof, the Senior Vice President - Human Resources of Sherwin-Williams shall be delegated authority by the Committee to conduct administrative functions with respect to the Plan and make changes to the Plan as he or she deems appropriate (including, without limitation, adding or removing Participants in the Plan); provided that, if such changes relate to amounts, or potential amounts, payable to the "officers" of Sherwin-Williams as defined under Rule 16a-1(f) of the Securities Exchange Act, approval of the Committee will be obtained. For the avoidance of doubt, any and all decisions of the Committee's designee(s) shall be governed by the provisions of the Plan as if they were made by the full Committee.

ARTICLE 7. AMENDMENT AND TERMINATION

7.1 Subject to Section 7.2, the Committee shall have the right in its discretion at any time to amend the Plan in any respect or to terminate the Plan.

7.2 Notwithstanding any other provision of the Plan to the contrary, the Plan (including, without limitation, this Section 7.2) as applied to any particular Participant may not be amended or terminated at any time within the 90 day period immediately prior to the occurrence of a Change of Control in any manner adverse to the interests of such Participant, without the express written consent of such Participant, except in the event (a) of a termination of Participant's employment with the Company and its Affiliates under the circumstances described in Section 4.5 and/or (b) the Committee determines to amend the Plan in order to conform the provisions of the Plan with 409A, the regulations issued thereunder or an exception thereto, regardless of whether such modification, amendment, or termination of the Plan shall adversely affect the rights of a Participant under the Plan.

ARTICLE 8. EMPLOYMENT RIGHTS

Nothing expressed or implied in the Plan will create any right or duty on the part of the Company, any Affiliate or the Participant to have the Participant remain in the employment of the Company or any Affiliate.

ARTICLE 9. CLAIMS PROCEDURE

Adverse Benefit Determinations

Each terminated Participant may contest the administration of the benefits (but not the level of benefits) by completing and filing a written claim for reconsideration with the Committee (which, for purposes of this Article 9 and Article 10, includes any designee(s) or delegatee(s) of the Committee pursuant to Article 6), within 90 days of the time that the Participant has knowledge of the relevant facts constituting the basis for the Participant's claim. If the Committee denies a claim in whole or in part, the Committee will provide notice to the Participant, in writing, within 90 days after the claim is filed, unless the Committee determines that an extension of time for processing is required. In the event that the Committee determines that such an extension is required, written notice of the extension shall be furnished to the Participant prior to the termination of the initial 90-day period. The extension shall not exceed a period of 90 days from the end of the initial period of time and the extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Committee expects to render the benefit decision.

The written notice of a denial of a claim shall set forth, in a manner calculated to be understood by the terminated employee:

* the specific reason(s) for the denial;

* specific reference to the specific Plan provisions on which the denial is based;

* a description of any additional material or information which must be submitted for the Participant to perfect the claim, and an explanation of why such material or information is necessary; and

* an explanation of the Plan's claims review procedure and the time limits applicable to such procedures, including a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on appeal.

Appeal of Adverse Benefit Determinations

The Participant or the Participant's duly authorized representative shall have an opportunity to appeal a claim denial to the Committee for a full and fair review. The Participant or the Participant's duly authorized representative may:

1. request a review upon written notice to the Committee within 60 days after receipt of a notice of the denial of a claim for benefits;

2. submit written comments, documents, records, and other information relating to the claim for benefits; and

3. examine the Plan and obtain, upon request and without charge, copies of all documents, records, and other information relevant to the Participant's claim for benefits.

The Committee's review shall take into account all comments, documents, records, and other information submitted by the terminated employee relating to the claim, without regard to whether such information was submitted or considered by the Committee in the initial benefit determination. A determination on the review by the Committee will be made not later than 60 days after receipt of a request for review, unless the Committee determines that an extension of time for processing is required. In the event that the Committee determines that such an extension is required, written notice of the extension shall be furnished to the terminated employee prior to the termination of the initial 60-day period. The extension shall not exceed a period of 60 days from the end of the initial period and the extension notice shall indicate the special circumstances requiring an extension of time and the date on which the Committee expects to render the determination on review.

The written determination of the Committee shall set forth, in a manner calculated to be understood by the terminated employee:

1. the specific reason or reasons for the decision;

2. specific reference to the specific Plan provisions on which the decision is based;

3. the terminated employee's right to receive, upon request and without charge, reasonable access to, and copies of, all documents, records and other information relevant to the claim for benefits; and

4. a statement of the employee's right to bring a civil action under section 502(a) of ERISA.

No person may bring an action for any alleged wrongful denial of Plan benefits in a court of law unless the claims and appeals procedures set forth above are exhausted and a final determination is made by the Committee. If the Participant or other interested person challenges a decision of the Committee, a review by the court of law will be limited to the facts, evidence and issues presented to the Committee during the claims and appeals procedure set forth above. Issues not raised with the Committee will be deemed waived. Any lawsuit claiming entitlement to benefits under the Plan, seeking clarification of any right to future benefits or alleging any other right or remedy derived from or related to the Plan shall be brought no later than six (6) months after the claims and appeals procedure has been exhausted.

ARTICLE 10. STATEMENT OF ERISA RIGHTS

As a Participant in the Plan, each Participant is entitled to certain rights and protections under ERISA. ERISA provides that all Participants shall be entitled to:

Receive Information About the Plan and Benefits

Examine, without charge, at the Committee's office, all documents governing the Plan.

Obtain, upon written request to the Committee, copies of documents governing the operation of the Plan and an updated summary plan description. The Committee may make a reasonable charge for the copies.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for Participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate the Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other Plan Participants and beneficiaries. No one, including a Participant's employer or any other person, may fire such Participant or otherwise discriminate against a Participant in any way to prevent such Participant from obtaining a welfare benefit or exercising such Participant's rights under ERISA. However, this rule neither guarantees continued employment, nor affects the Company's right to terminate a Participant's employment for other reasons.

Enforce Participant Rights

If a Participant's claim for a benefit is denied or ignored, in whole or in part, a Participant has a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps a Participant can take to enforce the above rights. For instance, if a Participant requests a copy of Plan documents and does not receive them within 30 days, such Participant may file suit in a Federal court. In such a case, the court may require the Committee to provide the materials and pay such Participant up to $110 a day until Participant receives the materials, unless the materials were not sent because of reasons beyond the control of the Committee. If a Participant has a claim for benefits which is denied or ignored, in whole or in part, such Participant may file suit in a state or Federal court. If a Participant is discriminated against for asserting such Participant's rights, such Participant may seek assistance from the U.S. Department of Labor, or may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If a Participant is successful, the court may order the person such Participant has sued to pay these costs and fees. If a Participant loses, the court may order such Participant to pay these costs and fees, for example, if it finds such Participant's claim is frivolous.

Assistance with Participant Question

If a Participant has any questions about the Plan, such Participant should contact the Committee. If a Participant has any questions about this statement or about such Participant's rights under ERISA, or if a Participant needs assistance in obtaining documents from the Committee, such Participant should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in such Participant's telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. A Participant may also obtain certain publications about such Participant's rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

ARTICLE 11. MISCELLANEOUS

11.1 (a) The Company and its Affiliates shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company and its Affiliates (taken as a whole) expressly to assume and agree to perform under the terms of the Plan in the same manner and to the same extent that the Company and its Affiliates would be required to perform it if no such succession had taken place (provided that such a requirement to perform which arises by operation of law shall be deemed to satisfy the requirements for such an express assumption and agreement), and in such event the Company and its Affiliates (as constituted prior to such succession) shall have no further obligation under or with respect to the Plan. Failure of the Company and its Affiliates to obtain such assumption and agreement with respect to any particular Participant prior to the effectiveness of any such succession shall be a breach of the terms of the Plan with respect to such Participant. Effective upon a transfer or assignment of this Plan, the term "Company" shall mean any successor to the Company's business or assets as aforesaid which assumes and agrees (or is otherwise required) to perform the Plan.

(b) To the maximum extent permitted by law, the right of any Participant or other person to any amount under the Plan may not be subject to voluntary or involuntary anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment by creditors of the Participant or such other person.

(c) The terms of the Plan shall inure to the benefit of and be enforceable by the personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees of each Participant. If a Participant shall die while an amount would still be payable to the Participant hereunder if they had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of the Plan to the Participant's devisee, legatee or other designee or, if there is no such designee, their estate.

11.2 Except as expressly provided in Section 4.1, Participants shall not be required to mitigate damages or the amount of any payment or benefit provided for under the Plan by seeking other employment or otherwise, nor will any payments or benefits hereunder be subject to offset in the event a Participant does mitigate.

11.3 Payments to be made under the Plan are intended to comply with, or be excepted from coverage under, 409A and shall be construed accordingly. Notwithstanding any provision of the Plan to the contrary, if any benefit provided under the Plan is subject to the provisions of 409A (and not excepted therefrom), the provisions of the Plan shall be administered, interpreted and construed in a manner necessary to comply with 409A, the regulations issued thereunder (or disregarded to the extent such provision cannot be so administered, interpreted, or construed). Accordingly, if a Participant is a "specified employee" for purposes of 409A (as such term is defined in 409A, and determined in accordance with the procedures established by the Company) and a payment subject to 409A to the Participant is due upon Separation from Service, such payment shall be delayed for a period of six (6) months after the date the Participant Separates from Service (or, if earlier, the death of the Participant). Each payment under the Plan shall be treated as a separate payment for purposes of 409A. In no event may a Participant directly or indirectly designate the calendar year of any payment to be made under the Plan. If the maximum period during which a Participant has the ability to consider and revoke a release hereunder would span two taxable years then, regardless of when the Participant signs the release and the revocation period expires, payment of the severance benefits hereunder that are subject to 409A will be made or commence no earlier than the beginning of the second of such taxable years. The Company reserves the right to accelerate, delay or modify distributions to the extent permitted under 409A, the regulations and other binding guidance promulgated thereunder. *Notwithstanding any provision of this Plan to the contrary, the Company shall not be liable for, and nothing provided or contained in the Plan will be construed to obligate or cause the Company to be liable for, any tax, interest or penalties imposed on a Participant related to or arising with respect to any violation of 409A.*

11.4 All notices under the Plan shall be in writing, and if to the Company or the Committee, shall be delivered to the General Counsel of Sherwin-Williams, or mailed to Sherwin-Williams' principal office, addressed to the attention of the General Counsel of Sherwin-Williams; and if to a Participant (or the estate or beneficiary thereof), shall be delivered personally or mailed to the Participant at the address appearing in the records of the Company and its Affiliates.

11.5 Unless otherwise determined by the Company in an applicable plan or arrangement, no amounts payable hereunder upon a Covered Termination, shall be deemed salary or compensation for the purpose of computing benefits under any employee benefit plan or other arrangement of the Company and/or any Affiliate for the benefit of employees unless the Company shall determine otherwise.

11.6 Participation in the Plan shall not limit any right of a Participant to receive any payments or benefits under any employee benefit or executive compensation plan of the Company and/or its Affiliates; provided that in no event shall any Participant be entitled to any payment or benefit under the Plan which provides for a payment or benefit received or receivable by the Participant

that is otherwise provided to Participant under any severance or similar plan, agreement or policy of the Company and/or its Affiliates, including, without limitation, any change in control severance agreement and/or individual employment agreement. The total reduction to Plan payments or benefits as required by this Section 10.6 shall be first made against payments and/or benefits under the Plan that are exempt from 409A.

11.7 Any payments hereunder shall be made out of the general assets of the Company. Each Participant shall have the status of general unsecured creditors of the Company, and the Plan constitutes a mere promise by the Company to make payments under the Plan in the future as and to the extent provided herein.

11.8 The Company shall be entitled to withhold from any payments or deemed payments any amount of tax withholding required by law.

11.9 The invalidity or unenforceability of any provision of the Plan shall not affect the validity or enforceability of any other provision of the Plan which shall remain in full force and effect.

11.10 The use of captions in the Plan is for convenience. The captions are not intended to and do not provide substantive rights.

11.11 Except as otherwise preempted by the laws of the United States, the Plan shall be construed, administered and enforced according to the laws of the State of Ohio, without regard to principles of conflicts of law, and any action relating to this Plan must be brought in state and federal courts located in the State of Ohio.

ARTICLE 12. DEFINITIONS

Except as may otherwise be specified, the following terms shall have the respective meanings set forth below whenever used herein:

(a) "Affiliate" shall mean any parent entities, affiliated Subsidiaries and/or groups or divisions of the Company.

(b) "Annual Incentive Bonus" shall mean annual incentive compensation granted to a Participant with a performance period of January 1 through December 31, and awarded under the Sherwin-Williams 2007 Executive Annual Performance Bonus Plan (and any successor thereof) for performance in a particular year.

(c) "Base Pay" shall mean the Participant's annual base salary rate, exclusive of bonuses, commissions, employee benefits and other incentive and/or stock-based compensation, as in effect immediately preceding the Participant's Date of Termination.

(d) "Benefit Plans" shall mean the insurance and health and welfare benefits plans and policies to which Participant is entitled to participate.

(e) "Board" shall mean the Board of Directors of Sherwin-Williams.

(f) "Cause" shall mean that the Participant shall have:

(i) caused material injury to the reputation of Company;

(ii) committed fraud, embezzlement, or theft from the Company;

(iii) materially interfered with the business operations of the Company;

(iv) engaged in self-dealing or committed material violations of any policies of the Company, including, without limitation, its codes of ethics and conduct;

(v) repeatedly failed to perform assigned duties or willful misconduct in the performance of such duties; or

(vi) been charged, indicted or convicted of, or plead guilty or nolo contendere to, a felony, whether or not in connection with the performance by the Participant of his or her duties or obligations to the Company.

Determination as to whether or not Cause exists for termination of Participant's employment will be made by the Committee in its sole discretion.

(g) "Change of Control" shall mean the first to occur, after the Effective Date, of any of the following:

(i) any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act) (a " Person ") is or becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act) of 30% or more of the combined voting power of the then-outstanding Voting Stock of Sherwin-Williams; provided, however, that:

(1) for purposes of this subsection (i), the following acquisitions will not constitute a Change of Control: (A) any acquisition of Voting Stock directly from Sherwin-Williams that is approved by a majority of the Incumbent Directors, (B) any acquisition of Voting Stock by Sherwin-Williams or any Subsidiary, (C) any acquisition of Voting Stock by the trustee or other fiduciary holding securities under any Benefit Plan (or related trust) sponsored or maintained by Sherwin-Williams or any Subsidiary, and (D) any acquisition of Voting Stock by any Person pursuant to a Business Transaction that complies with clauses (1), (2) and (3) of subsection (iii) below;

(2) if any Person is or becomes the beneficial owner of 30% or more of combined voting power of the then-outstanding Voting Stock as a result of a transaction described in clause (A) of subsection (i)(1) above and such Person thereafter becomes the beneficial owner of any additional shares of Voting Stock representing 1% of more of the then-outstanding Voting Stock, other than in an acquisition directly from Sherwin-Williams that is approved by a majority of the Incumbent Directors or other than as a result of a stock dividend, stock split or similar transaction effected by Sherwin-Williams in which all holders of Voting Stock are treated equally, such subsequent acquisition shall be treated as a Change of Control;

(3) a Change of Control will not be deemed to have occurred if a Person is or becomes the beneficial owner of 30% or more of the Voting Stock as a result of a reduction in the number of shares of Voting Stock outstanding pursuant to a transaction or series of transactions that is approved by a majority of the Incumbent Directors unless and until such Person thereafter becomes the beneficial owner of any additional shares of Voting Stock representing 1% or more of the then-outstanding Voting Stock, other than as a result of a stock dividend, stock split or similar transaction effected by Sherwin-Williams in which all holders of Voting Stock are treated equally; and

(4) if at least a majority of the Incumbent Directors determine in good faith that a Person has acquired beneficial ownership of 30% or more of the Voting Stock inadvertently, and such Person divests as promptly as practicable but no later than the date, if any, set by the Incumbent Directors a sufficient number of shares so that such Person beneficially owns less than 30% of the Voting Stock, then no Change of Control shall have occurred as a result of such Person's acquisition; or

(ii) a majority of the Board ceases to be comprised of Incumbent Directors; or

(iii) the consummation of a reorganization, merger or consolidation, or sale or other disposition of all or substantially all of the assets of Sherwin-Williams or the acquisition of the stock or assets of another corporation, or other similar transaction (each, a " Business Transaction "), unless, in each case, immediately following such Business Transaction (1) the Voting Stock outstanding immediately prior to such Business Transaction continues to represent (either by remaining outstanding or by being converted into voting stock of the surviving entity or any parent thereof), more than 50% of the combined voting power of the then-outstanding shares of voting stock of the entity resulting from such Business Transaction (including, without limitation, an entity which as a result of such transaction owns Sherwin-Williams or all or substantially all of Sherwin-Williams assets either directly or through one or more subsidiaries), (2) no Person (other than Sherwin-Williams, such entity resulting from such Business Transaction, or any employee benefit plan (or related trust) sponsored or maintained by Sherwin-Williams, any Subsidiary or such entity resulting from such Business Transaction) beneficially owns, directly or indirectly, 30% or more of the combined voting power of the then-outstanding shares of voting stock of the entity resulting from such Business Transaction, and (3) at least a majority of the members of the board of directors of the entity resulting from such Business Transaction were Incumbent Directors at the time of the execution of the initial agreement or of the action of the Board providing for such Business Transaction; or

(iv) approval by the shareholders of Sherwin-Williams of a complete liquidation or dissolution of Sherwin-Williams, except pursuant to a Business Transaction that complies with clauses (1), (2) and (3) of subsection (iii).

For purposes of this section, the terms (A) ”Incumbent Directors” shall mean, during any period of two consecutive years, individuals who at the beginning of such period constituted the Board and any new director (other than a director initially elected or nominated as a director as a result of an actual or threatened election contest with respect to directors or any other actual or threatened solicitation of proxies by or on behalf of such director, including any director nominated or elected to the Board pursuant to any proxy access procedures included in Sherwin-Williams' organizational documents) whose election by the Board or nomination for election by Sherwin-Williams' shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved and (B) ”Voting Stock” shall mean the voting securities of Sherwin-Williams which have the right to vote on the election of members of the Board.

(h) “COBRA” means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

(i) “COBRA Continuation Period” shall mean the continuation period for medical and dental insurance to be provided under the terms of the Plan which shall commence on the first day of the calendar month following the month in which the Date of Termination falls.

(j) “Code” shall mean the Internal Revenue Code of 1986, as amended.

(k) “Committee” shall mean the Compensation and Management Development Committee of the Board, and/or any such person(s) to whom the Committee delegates its authority to pursuant to Article 6 hereof.

(l) “Company” shall mean Sherwin-Williams and its parent entities, Subsidiaries and Affiliates as may employ Participant from time to time; provided that a Subsidiary which ceases to be, directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with Sherwin-Williams shall, automatically and without any further action, cease to be (or be a part of) the Company and its Affiliates for purposes hereof.

(m) “Covered Termination” shall mean, at any time prior to a Change of Control, the Participant's involuntary Separation from Service with the Company by the Company and any Affiliate for any reason other than (i) Cause, (ii) the Participant's death, or (iii) the Participant's Disability. For purposes of clarity, a “Covered Termination” shall not be deemed to have occurred if a Participant has entered into a severance agreement with Sherwin-Williams that provides for the payment of severance compensation relating to qualifying employment termination events in connection with a Change of Control and Participant is entitled to payment thereunder.

(n) “Date of Termination” shall mean the last day of active employment on or following the date on which a Covered Termination occurs; provided, however, that with respect to any benefits provided under the Plan that are subject to (and not excepted from) Section 409A of the Code and the regulations promulgated thereunder, Date of Termination for purposes of determining the date on which severance payments and/or benefits are to commence hereunder shall mean the date on which a Covered Termination occurs.

(o) “Disability” shall mean the Participant's physical or mental incapacity to perform his or her usual duties with such condition likely to remain continuously and permanently as determined by the Committee.

(p) “Effective Date” shall mean January 1, 2018.

(q) “New Job Position” shall mean a change in the Participant's position, authority, duties or responsibilities with the Company or any Affiliate due to the Participant's demonstrated inadequate or unsatisfactory performance, provided the Participant had been notified of such inadequate performance and had been given at least 30 days to cure such inadequate performance.

(r) “Notice of Termination” shall mean a notice given by the Company or Participant, as applicable, relating to the Participant's termination of employment.

(s) “Participant” shall have the meaning ascribed by Article 3 hereof.

(t) “Plan” shall mean The Sherwin-Williams Company Key Employee Separation Plan, as it may be amended from time to time in accordance with Article 7 hereof.

(u) “Release” shall have the meaning ascribed by Section 4.3.

(v) "Securities Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(w) "Separation from Service" shall mean a Participant's termination of employment with the Company and all of its controlled group members within the meaning of Section 409A of the Code and the regulations promulgated thereunder (" 409A "). The determination of controlled group members shall be made pursuant to the provisions of Section 414(b) and 414(c) of the Code; provided that the language "at least 50 percent" shall be used instead of "at least 80 percent" in each place it appears in Section 1563(a)(1),(2) and (3) of the Code and Treas. Reg. Sec. 1.414(c)-2; provided, further, where legitimate business reasons exist (within the meaning of Treas. Reg. Sec. 1.409A-1(h)(3)), the language "at least 20 percent" shall be used instead of "at least 80 percent" in each place it appears. Whether a Participant has Separated from Service will be determined based on all of the facts and circumstances and in accordance with the guidance issued under 409A. A Participant will be presumed to have experienced a Separation from Service when the level of bona fide services performed permanently decreases to a level less than twenty percent (20%) of the average level of bona fide services performed during the immediately preceding thirty-six (36)-month period or such other period as provided by regulation.

(x) "Sherwin-Williams" shall mean The Sherwin-Williams Company, an Ohio corporation, and its successors.

(y) "Stock" shall mean the common stock, par value $1.00 per share, of Sherwin-Williams.

(z) "Subsidiary" shall mean any Company controlled entity.

ARTICLE 13. SUMMARY INFORMATION

The Plan is intended to be an "employee welfare benefit plan" within the meaning of Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended (" ERISA "), 29 U.S.C. Section 1002(1), and 29 C.F.R. Section 2510.3-2(b). The Plan is intended to be a "separation pay plan" under Section 409A of the Code in accordance with the regulations issued thereunder and related guidance, and shall be maintained, interpreted and administered accordingly. Please review Article 7 hereof entitled "Amendment and Termination" regarding the Company's reservation of rights to amend and terminate the Plan.

Name of Plan : The name of the plan under which benefits are provided is The Sherwin-Williams Company Key Employee Separation Plan.

Plan Number : 502

Plan Sponsor : The Sponsor of the Plan is:

The Sherwin-Williams Company
101 West Prospect Avenue
Cleveland, Ohio 44115-1075

Plan Administrator : The plan administrator of the Plan is:

The Compensation and Management Development Committee
of the Board of Directors of The Sherwin-Williams Company

Attention: Senior Vice President - Human Resources
101 West Prospect Avenue
Cleveland, Ohio 44115-1075

Employer Identification Number : The Employer Identification Number (EIN) assigned to the Plan Sponsor by the Internal Revenue Service is 34-0526850.

Type of Plan : Severance Pay Employee Welfare Benefit Plan.

Type of Administration : The Plan is self-administered.

Funding : Benefits payable under the Plan are provided from the general assets of the Company.

Agent for Service of Legal Process : For disputes arising under the Plan, service of legal process may be made upon the General Counsel of Plan Sponsor.

Plan Year : The Plan's fiscal records are kept on a calendar year basis (January 1 to December 31).

EXHIBIT A

BENEFITS SCHEDULE

THE FOLLOWING BENEFITS SCHEDULE SHALL APPLY FOR ALL PARTICIPANTS IDENTIFIED BY THE COMMITTEE ON A PARTICIPANT SCHEDULE WHO HAVE 12 MONTHS OR MORE OF SERVICE WITH THE COMPANY (EXCEPT AS PROVIDED BELOW):

Participation Level	Severance Payment (Section 4.1(b)) [1]	COBRA, Benefit Coverage (Section 4.1(d))	Continued Equity Vesting (Section 4.2)
Sherwin-Williams' Chief Executive Officer	2.0 x Base Pay plus Annual Incentive Bonus (Measured at Target for Year in which the Date of Termination Occurs)	18 months	24 months
SWMIP IV, V & VI	1.5 x Base Pay plus Annual Incentive Bonus (Measured at Target for Year in which the Date of Termination Occurs)	18 months	18 months
SWMIP III	1.0 x Base Pay plus Annual Incentive Bonus (Measured at Target for Year in which the Date of Termination Occurs)	12 months	12 months
SWMIP I & II	1.0 x Base Pay	12 months	12 months

[1] SUBJECT TO THE TERMS OF THE PLAN, A SEVERANCE PAYMENT WILL BE PAID HEREUNDER TO A PARTICIPANT WITH LESS THAN 12 MONTHS OF SERVICE WITH THE COMPANY ON A PRORATED BASIS BASED UPON THE PARTICIPANT'S APPLICABLE PARTICIPATION/DESIGNATION LEVEL AND NUMBER OF FULL MONTHS OF SERVICE WITH THE COMPANY DURING THE 12 MONTH PERIOD, BUT IN NO EVENT SHALL THE SEVERANCE PAYMENT BE LESS THAN 50% OF THE APPLICABLE SEVERANCE PAYMENT ABOVE. FOR EXAMPLE, FOR A SWMIP III PARTICIPANT WHO EXPERIENCES A COVERED TERMINATION AFTER 7 FULL MONTHS OF SERVICE WITH THE COMPANY, SUCH PARTICIPANT SHALL BE ENTITLED TO 7/12THS OF THE APPLICABLE SEVERANCE PAYMENT AMOUNT.

EXHIBIT B

GENERAL RELEASE, NON-DISPARAGEMENT AND NON-COMPETITION AGREEMENT

THIS GENERAL RELEASE, NON-DISPARAGEMENT AND NON-COMPETITION AGREEMENT (the " Agreement ") is made as of this _____ day of _____, _____, by and between _____ (the " Company ") and _____ (the " Employee ").

WHEREAS, the Employee formerly was employed by the Company;

WHEREAS, the Employee was designated by the Compensation and Management Development Committee of the Board of Directors (the " Board ") of The Sherwin-Williams Company to receive certain severance benefits in the event of a termination of Employee's employment under the circumstances set forth in the Key Employee Separation Plan (the " Plan ") and;

WHEREAS, an express condition of the Employee's entitlement to the payments and benefits under the Plan is the execution without revocation of this Agreement; and

WHEREAS, the Employee and the Company mutually desire to effectuate a full and final general release of all claims and rights the Employee may have against the Company to the fullest extent permitted by law, excepting only those rights and claims that cannot, as a matter of law, be released with this Agreement; and

WHEREAS, the Employee and the Company mutually desire to terminate the Employee's employment effective _____ ____, ____ ("Date of Termination"); and

WHEREAS, the Company advises the Employee to consult with an attorney as to its effect before signing this Agreement.

NOW, THEREFORE, IT IS HEREBY AGREED by and between the Employee and the Company as follows:

1. (a) The Employee, for and in consideration of the commitments of the Company as set forth in paragraph 7 of this Agreement and the Plan, and intending to be legally bound, does hereby REMISE, RELEASE AND FOREVER DISCHARGE the Company, its affiliates, predecessors, subsidiaries and parents, and their present or former officers, directors, managers, stockholders, employees, members and agents, and its and their respective successors, assigns, heirs, executors, and administrators and the current and former trustees or administrators of any pension or other benefit plan applicable to the employees or former employees of the Company (collectively, " Releasees ") from all causes of action, suits, debts, claims and demands whatsoever in law or in equity, which the Employee ever had, now has, or hereafter may have, whether known or unknown, or which the Employee's heirs, executors, or administrators may have, by reason of any matter, cause or thing whatsoever, from any time prior to the date of this Agreement, and particularly, but without limitation of the foregoing general terms, any claims arising from or relating in any way to the Employee's employment relationship with the Company, the terms and conditions of that employment relationship, and the termination of that employment relationship, including, but not limited to, any claims arising under the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, Title VII of the Americans with Disabilities Act, the Employee Retirement Income Security Act of 1974, the Civil Rights Act of 1991, the Genetic Information Non-Discrimination Act, the Family and Medical Leave Act, Section 1981 of U.S.C, Title VII of the Civil Rights Act, Ohio Fair Employment Practices Law/Civil Rights Act, Ohio Equal Pay Act, Ohio Whistleblower Law, Ohio Pregnancy Discrimination/Maternity Leave Act, Ohio Wage Payment Anti-Retaliation Law, Ohio Minimum Wage/Fair Standards Law, Ohio Miscellaneous Labor Provisions, Ohio Workers' Compensation Anti-Retaliation Statute, Ohio Constitution Art. II, §34 & 34a, as well as any claims for alleged wrongful discharge, discrimination or harassment, breach of an express or implied contract, breach of the implied covenant of good faith and fair dealing, defamation, intentional or negligent infliction of emotional distress, promissory estoppel, whistleblower retaliation, other personal injury, fraud or misrepresentation, invasion of privacy, negligence, retaliation, violation of public policy and any other claims under any federal, state or local common law, statutory, or regulatory provision, now or hereafter recognized, and any claims for attorneys' fees and costs. This Agreement is effective without regard to the legal nature of the claims raised and without regard to whether any such claims are based upon tort, equity, implied or express contract or discrimination of any sort. The Employee is not waiving Employee's right to vested benefits under the written terms of the Company's 401(k) Plan, claims for unemployment or workers' compensation benefits, any medical claim incurred during Employee's employment that is payable under applicable medical plans or an employer-insured liability plan, or claims that are not otherwise waivable under applicable law [**State specific release language, as required**].

(b) To the fullest extent permitted by law, and subject to the provisions of paragraph 12 and paragraph 14 below, the Employee represents and affirms that the Employee has not filed or caused to be filed on the Employee's behalf any charge, complaint or claim for relief against the Company or any Releasee and, to the best of the Employee's knowledge and belief, no outstanding charges, complaints or claims for relief have been filed or asserted against the Company or any Releasee on the Employee's behalf; and the Employee has not reported any improper, unethical or illegal conduct or activities to any supervisor, manager, department head, human resources representative, agent or other representative of the Company or any Releasee, to any member of the Company's or any Releasee's legal or compliance departments, or to the ethics hotline, and has no knowledge of any such improper, unethical or illegal conduct or activities. In the event that there is outstanding any such charge, complaint or claim for relief, the Employee agrees to seek its immediate withdrawal and dismissal with prejudice. In the event that for any reason said charge, complaint or claim for relief cannot be immediately withdrawn with prejudice, the Employee shall execute such other papers or documents as the Company's counsel determines may be necessary from time to time to have said charge, complaint or claim for relief dismissed with prejudice at the earliest appropriate time. Nothing herein shall prevent the Employee from testifying in any cause of action when required to do so by process of law. The Employee shall promptly inform the Company if called upon to testify on matters relating to the Company.

(c) Employee does not waive any right to file a charge with the Equal Employment Opportunity Commission (" EEOC ") or participate in an investigation or proceeding conducted by the EEOC, but explicitly waives any right to file a personal lawsuit or receive monetary damages that the EEOC might recover if said charge results in an EEOC lawsuit against the Company or Releasees.

(d) Employee does not waive the right to challenge the validity of this Agreement as a release of claims arising under the federal Age Discrimination in Employment Act.

(e) Employee does not waive rights or claims that may arise after the date this Agreement is executed.

2. In consideration of the Company's agreements as set forth in paragraph 7 herein, the Employee agrees to comply with the limitations set forth in paragraphs 3 and 4 of this Agreement.

3. Ownership and Protection of Intellectual Property and Confidential Information .

(a) All information, ideas, concepts, improvements, innovations, developments, methods, processes, designs, analyses, drawings, reports, discoveries, and inventions, whether patentable or not or reduced to practice, which are conceived, made, developed or acquired by Employee, individually or in conjunction with others, during Employee's employment by the Company or any of its affiliates, both before and after the date hereof (whether during business hours or otherwise and whether on the Company's premises or otherwise) which relate to the business, products or services of the Company or its affiliates (including, without limitation, all such information relating to corporate opportunities, research, financial and sales data, pricing and trading terms, evaluations, opinions, interpretations, acquisition prospects, the identity of customers or their requirements, the identity of key contacts within the customer's organizations or within the organization of acquisition prospects, or marketing and merchandising techniques, prospective names, marks, and any copyrightable work, trade mark, trade secret or other intellectual property rights (whether or not composing confidential information), and all writings or materials of any type embodying any of such items (collectively, " Work Product "), shall be the sole and exclusive property of the Company or a Company affiliate, as the case may be, and shall be treated as "work for hire." It is recognized that the Employee is an experienced executive in the business of the Company and its affiliates and through several decades of prior work in the industry acquired and retains knowledge, contacts, and information which are not bound by this Section 3.

(b) Employee shall promptly and fully disclose all Work Product to the Company and shall cooperate and perform all actions reasonably requested by the Company (whether during or after the term of employment) to establish, confirm and protect the Company's and/or its affiliates' right, title and interest in such Work Product. Without limiting the generality of the foregoing, the Employee agrees to assist the Company, at the Company's expense, to secure the Company's and its affiliates' rights in the Work Product in any and all countries, including the execution by the Employee of all applications and all other instruments and documents which the Company and/or its affiliates shall deem necessary in order to apply for and obtain rights in such Work Product and in order to assign and convey to the Company and/or its affiliates the sole and exclusive right, title and interest in and to such Work Product. If the Company is unable because of Employee's mental or physical incapacity or for any other reason (including Employee's refusal to do so after request therefor is made by the Company) to secure Employee's signature to apply for or to pursue any application for any United States or foreign patents or copyright registrations covering Work Product belonging to or assigned to the Company and/or its affiliates pursuant to Section 3(a) above, then the Employee by this Agreement irrevocably designates and appoints the Company and its duly authorized officers and agents as Employee's agent and attorney-in-fact to act for and in Employee's behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of patents or copyright registrations thereon with the same legal force and effect as if

executed by Employee. The Employee agrees not to apply for or pursue any application for any United States or foreign patents or copyright registrations covering any Work Product other than pursuant to this paragraph in circumstances where such patents or copyright registrations are or have been or are required to be assigned to the Company or any of its affiliates.

(c) Employee acknowledges that the businesses of the Company and its affiliates are highly competitive and that their strategies, methods, books, records, and documents, their technical information concerning their products, equipment, services, and processes, procurement procedures and pricing techniques, the names of and other information (such as credit and financial data) concerning their former, present or prospective customers and business affiliates, all comprise confidential business information and trade secrets which are valuable, special, and unique assets which the Company and/or its affiliates use in their business to obtain a competitive advantage over their competitors. The Employee further acknowledges that protection of such confidential business information and trade secrets against unauthorized disclosure and use is of critical importance to the Company and its affiliates in maintaining their competitive position. The Employee acknowledges that by reason of the Employee's duties to, and association with, the Company and its affiliates, the Employee has had and will have access to, and has and will become informed of, confidential business information which is a competitive asset of the Company and its affiliates. The Employee hereby agrees that the Employee will not, at any time during or after his or her employment by the Company, make any unauthorized disclosure of any confidential business information or trade secrets of the Company or its affiliates, or make any use thereof, except in the carrying out of his employment responsibilities hereunder. The Employee shall take all necessary and appropriate steps to safeguard confidential business information and protect it against disclosure, misappropriation, misuse, loss and theft. Confidential business information shall not include information in the public domain (but only if the same becomes part of the public domain through a means other than a disclosure prohibited hereunder). The above notwithstanding, a disclosure shall not be unauthorized if (i) it is required by law or by a court of competent jurisdiction or (ii) it is in connection with any judicial, arbitration, dispute resolution or other legal proceeding in which Employee's legal rights and obligations as an employee or under this Agreement are at issue; provided, however, that the Employee shall, to the extent practicable and lawful in any such events, give prior notice to the Company of his or her intent to disclose any such confidential business information in such context so as to allow the Company or its affiliates an opportunity (which the Employee will not oppose) to obtain such protective orders or similar relief with respect thereto as may be deemed appropriate. Any information not specifically related to the Company and its affiliates would not be considered confidential to the Company and its affiliates.

(d) All written materials, records, and other documents made by, or coming into the possession of, the Employee during the period of Employee's employment by the Company which contain or disclose confidential business information or trade secrets of the Company or its affiliates, or which relate to Employee's Work Product described in paragraph 3(a) above, shall be and remain the property of the Company, or its affiliates, as the case may be. Upon termination of Employee's employment, for any reason, the Employee promptly shall deliver the same, and all copies thereof, to the Company.

4. Covenant Not To Compete.

In the event of the Employee's Covered Termination (as defined in the Plan), the Company's obligations to provide the payments and benefits set forth in Sections 4.1 and 4.2 of the Plan shall be expressly conditioned upon the Employee's covenants of confidentiality, not to compete and not to solicit as provided herein. In the event the Employee breaches his obligations to the Company as provided herein, the Company's obligations to provide the payments and benefits set forth in Sections 4.1 and 4.2 of the Plan shall cease without prejudice to any other remedies that may be available to the Company.

(a) If the Employee is entitled to receive or is receiving payment and benefits under Sections 4.1 and 4.2 of the Plan, the Employee agrees that, for a period of **[two years] [18 months] [one year]** following Employee's Date of Termination (the " Non-Compete Period "), he or she will not, in association with or as an officer, principal, manager, member, advisor, agent, partner, director, material stockholder, employee or consultant of any corporation (or sub-unit, in the case of a diversified business) or other enterprise, entity or association, work on the acquisition or development of, or engage in any line of business, property or project which is, directly or indirectly, competitive with any business that the Company or any of its affiliates engages in or is planning to engage in during the term of Employee's employment with the Company or any affiliate of the Company, including but not limited to, any business engaged in the development, manufacture, distribution and sale of paint, coatings and related products to professional, industrial, commercial and retail customers (the " Business "). Such restriction shall cover Employee's activities anywhere in the contiguous United States.

(b) If the Employee is entitled to receive or is receiving payments and benefits under Sections 4.1 and 4.2 of the Plan, the Employee agrees that during the Non-Compete Period and for a one (1) year period thereafter, the Employee will not solicit or induce any person who is or was employed by any of the Company or its affiliates at any time during such term or period (i) to interfere with the activities or businesses of the Company or any of its affiliates or (ii) to discontinue his or her employment with the Company or any of its affiliates.

(c) If the Employee is entitled to receive or is receiving payments and benefits under Section 4.1 and Section 4.2 of the Plan, the Employee agrees that during the Non-Compete Period, the Employee will not, directly or indirectly, influence or attempt to influence any customers, distributors or suppliers of the Company or any of its affiliates to divert their business to any competitor of the Company or any of its affiliates or in any way interfere with the relationship between any such customer, distributor or supplier and the Company and/or any of its affiliates (including, without limitation, making any negative statements or communications about the Company and its affiliates). During such Non-Compete Period, the Employee will not, directly or indirectly, acquire or attempt to acquire any business in the contiguous United States to which the Company or any of its affiliates, prior to the Employee's Date of Termination, has made an acquisition proposal relating to the possible acquisition of such business by the Company or any of its affiliates, or has planned, discussed or contemplated making such an acquisition proposal (such business, an "Acquisition Target"), or take any action to induce or attempt to induce any Acquisition Target to consummate any acquisition, investment or other similar transaction with any person other than the Company or any of its affiliates.

(d) Employee understands that the provisions of paragraphs 4(a), 4(b) and 4(c) hereof may limit his or her ability to earn a livelihood in a business in which he or she is involved, but as a member of the management group of the Company and its affiliates he or she nevertheless agrees and hereby acknowledges that: (i) such provisions do not impose a greater restraint than is necessary to protect the goodwill or other business interests of the Company and any its affiliates; (ii) such provisions contain reasonable limitations as to time, scope of activity, and geographical area to be restrained; and (iii) the consideration provided hereunder, including without limitation, any amounts or benefits provided under Section 4.1 and Section 4.2 of the Plan, is sufficient to compensate the Employee for the restrictions contained in paragraphs 4(a), 4(b) and 4(c) hereof. In consideration of the foregoing and in light of the Employee's education, skills and abilities, the Employee agrees that he or she will not assert that, and it should not be considered that, any provisions of paragraphs 4(a), 4(b) and 4(c) otherwise are void, voidable or unenforceable or should be voided or held unenforceable.

(e) If, at the time of enforcement of paragraphs 3 or 4 of this Agreement, a court shall hold that the duration, scope, or area restrictions stated herein are unreasonable under circumstances then existing, the parties hereto agree that the maximum period, scope or geographical area reasonable under such circumstances shall be substituted for the stated period, scope or area and that the court shall be allowed and directed to revise the restrictions contained herein to cover the maximum period, scope and area permitted by law. The Employee acknowledges that he or she is a member of the Company's and its affiliates' management group with access to the Company's and its affiliates' confidential business information and his services are unique to the Company and its affiliates. The Employee therefore agrees that the remedy at law for any breach by him of any of the covenants and agreements set forth in paragraphs 3 and 4 will be inadequate and that in the event of any such breach, the Company and its affiliates may, in addition to the other remedies which may be available to them at law, apply to any court of competent jurisdiction to obtain specific performance and/or injunctive relief prohibiting the Employee (together with all those persons associated with him or her) from the breach of such covenants and agreements and to enforce, or prevent any violations of, the provisions of this Agreement. In addition, in the event of a breach or violation by the Employee of this paragraph 4, the Non-Compete Period set forth in this paragraph shall be tolled until such breach or violation has been cured.

(f) Each of the covenants of paragraphs 3 and 4 are given by the Employee as part of the consideration for the benefits to be received by the Employee under the Plan and as an inducement to the Company to grant such benefits under the Plan and accept the obligations thereunder.

(g) Provisions of paragraph 4 shall not be binding on the Employee if the Company fails to materially perform any material obligation under the Plan, including, without limitation, the failure of the Company to make timely payments of monies due to the Employee under Section 4.1 and Section 4.2 of the Plan; provided, that (i) the Employee has notified the Company in writing within 30 days of the date of the failure of the Company to perform such material obligation and (ii) such failure remains uncorrected and/or uncontested by the Company for 15 days following the date of such notice.

5. To the extent that the Company, in its reasonable judgment, determines that Employee possess information relevant to litigation, potential litigation, investigations by government agencies, potential investigations by government agencies, internal investigations conducted by the Company, contract negotiations or matters arising therefrom, or otherwise, which relates to activities that occurred during his or her employment with the Company, or thereafter, and about which he or she has or may have knowledge, Employee agrees to make himself or herself available at the Company's request to provide information and assistance, including, but not limited to, interviews, deposition testimony, pretrial preparation and trial testimony, to respond to requests for information from the Company's counsel, government authorities and otherwise. In the event that Employee elects not to be represented by counsel chosen by the Company, Employee shall have the right to be represented in any such matters by counsel of his choosing and at his or her sole cost and expense. Nothing in this Agreement is to be construed as prohibiting Employee from providing any truthful information or testimony to a state or federal agency or court when requested or required to do so by such agency or court.

6. The Employee further agrees that the Employee will not disparage or subvert the Company or any Releasee, or make any statement reflecting negatively on the Company, its affiliated corporations or entities, or any of their officers, directors, managers, members, employees, agents or representatives, including, but not limited to, any matters relating to the operation or management of the Company or any Releasee, the Employee's employment and the termination of the Employee's employment, irrespective of the truthfulness or falsity of such statement.

7. In consideration for the Employee's promises, as set forth herein, the Company agrees to pay or provide to or for the Employee the payments and benefits described in the Plan, the provisions of which are incorporated herein by reference. Except as set forth in this Agreement, it is expressly agreed and understood that Releasees do not have, and will not have, any obligations to provide the Employee at any time in the future with any payments, benefits or considerations other than those recited in this paragraph, or those required by law, other than under the terms of any benefit plans which provide benefits or payments to former employees according to their terms.

8. The Employee understands and agrees that the payments, benefits and agreements provided in this Agreement are being provided to him or her in consideration for the Employee's acceptance and execution of, and in reliance upon the Employee's representations in, this Agreement. The Employee acknowledges that if the Employee had not executed this Agreement containing a release of all claims against the Releasees, including, without limitation, the covenants relating to confidentiality, non-competition and non-disparagement, the Employee would not have been entitled to the payments and benefits set forth in the Plan.

9. The Employee acknowledges and agrees that this Agreement and the Plan supersede any other agreement the Employee has with the Company or any Releasee as to the subjects set forth in this Agreement. To the extent the Employee has entered into any other enforceable written agreement with the Company or any Releasee that contains provisions that are outside the scope of this Agreement and the Plan and are not in direct conflict with the provisions in this Agreement or the Plan, the terms in this Agreement and the Plan shall not supersede, but shall be in addition to, any other such agreement. Except as set forth expressly herein, no promises or representations have been made to the Employee in connection with the termination of the Employee's employment agreement, if any, or offer letter, if any, with the Company, or the terms of this Agreement or the Plan.

10. The Employee agrees not to disclose the terms of this Agreement or the Plan to anyone, except the Employee's spouse, attorney and, as necessary, tax/financial advisor. It is expressly understood that any violation of the confidentiality obligation imposed hereunder constitutes a material breach of this Agreement.

11. The Employee represents that the Employee does not, without the Company's prior written consent, presently have in the Employee's possession any records and business documents, whether on computer or hard copy, and other materials (including but not limited to computer disks and tapes, computer programs and software, office keys, correspondence, files, customer lists, technical information, customer information, pricing information, business strategies and plans, sales records and all copies thereof) (collectively, the " Corporate Records ") provided by the Company and/or its predecessors, subsidiaries or affiliates or obtained as a result of the Employee's prior employment with the Company and/or its predecessors, subsidiaries or affiliates, or created by the Employee while employed by or rendering services to the Company and/or its predecessors, subsidiaries or affiliates. The Employee acknowledges that all such Corporate Records are the property of the Company. In addition, the Employee shall promptly return in good condition any and all Company owned equipment or property, including, but not limited to, automobiles, personal data assistants, facsimile machines, copy machines, pagers, credit cards, cellular telephone equipment, business cards, laptops, computers, and any other items requested by the Company. As of the Date of Termination, the Company will make arrangements to remove, terminate or transfer any and all business communication lines including network access, cellular phone, fax line and other business numbers.

12. Nothing in this Agreement, including the release clauses, shall prohibit or restrict the Employee from initiating communications directly with, responding to any inquiries from, providing testimony before, providing confidential information to, reporting possible violations of law or regulation to, or from filing a claim or assisting with an investigation directly with a self-regulatory authority or a government agency or entity, including the U.S. Equal Employment Opportunity Commission, the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General (collectively, the "Regulators"), or from making other disclosures that are protected under the whistleblower provisions of state or federal law or regulation. However, to the maximum extent permitted by law, the Employee is waiving his or her right to receive any individual monetary relief from Employer or any others covered by the release of claims resulting from such claims or conduct, regardless of whether the Employee or another party has filed them, and in the event the Employee obtains such monetary relief, Employer will be entitled to an offset for the payments made pursuant to this Agreement. This Agreement does not limit Employee's right to receive an award from any Regulator that provides awards for providing information relating to a potential violation of law. The Employee does not need the prior authorization of Employer to engage in conduct protected by this paragraph, and the Employee does not need to notify Employer that the Employee has

engaged in such conduct. Please take notice that federal law provides criminal and civil immunity to federal and state claims for trade secret misappropriation to individuals who disclose a trade secret to their attorney, a court, or a government official in certain, confidential circumstances that are set forth at 18 U.S.C. §§ 1833(b)(1) and 1833(b)(2), related to the reporting or investigation of a suspected violation of the law, or in connection with a lawsuit for retaliation for reporting a suspected violation of the law.

13. The Employee agrees and acknowledges that the agreement by the Company described herein, and the settlement and termination of any asserted or unasserted claims against the Releasees, are not and shall not be construed to be an admission of any violation of any federal, state or local statute or regulation, or of any duty owed by any of the Releasees to the Employee.

14. The Employee agrees and recognizes that should the Employee breach any of the obligations or covenants set forth in this Agreement, the Company will have no further obligation to provide the Employee with the consideration set forth herein, and will have the right to seek repayment of all consideration paid up to the time of any such breach. Further, the Employee acknowledges in the event of a breach of this Agreement, Releasees may seek any and all appropriate relief for any such breach, including equitable relief and/or money damages, attorneys' fees and costs.

15. The Employee further agrees that the Company shall be entitled to preliminary and permanent injunctive relief, without the necessity of proving actual damages, as well as to an equitable accounting of all earnings, profits and other benefits arising from any violations of this Agreement, which rights shall be cumulative and in addition to any other rights or remedies to which the Company may be entitled.

16. This Agreement and the obligations of the parties hereunder shall be construed, interpreted and enforced in accordance with the laws of the State of Ohio.

17. The parties agree that this Agreement shall be deemed to have been made and entered into in Cleveland, Ohio. Jurisdiction and venue in any proceeding by the Company or the Employee to enforce their rights hereunder is specifically limited to any court geographically located in Cuyahoga County, Ohio.

18. The Employee certifies and acknowledges as follows:

(a) That the Employee has read the terms of this Agreement, and that the Employee understands its terms and effects, including the fact that the Employee has agreed to RELEASE AND FOREVER DISCHARGE the Releasees from any legal action arising out of the Employee's employment relationship with the Company and the termination of that employment relationship; and

(b) That the Employee has signed this Agreement voluntarily and knowingly in exchange for the consideration described herein, which the Employee acknowledges is adequate and satisfactory to him and which the Employee acknowledges is in addition to any other benefits to which the Employee is otherwise entitled; and

(c) That the Company advises the Employee (in writing) to consult with an attorney before signing this Agreement; and

(d) That the Employee does not waive rights or claims that may arise after the date this Agreement is executed; and

(e) That the Company has provided the Employee with a period of **[forty-five (45)]** days within which to consider this Agreement, and that the Employee has signed on the date indicated below after concluding that this General Release, Non-Disparagement and Non-Competition Agreement is satisfactory to Employee; and

(f) The Employee acknowledges that this Agreement may be revoked by him within seven (7) days after execution, and it shall not become effective until the expiration of such seven (7) day revocation period. In the event of a timely revocation by the Employee, this Agreement will be deemed null and void and the Company will have no obligations hereunder.

[SIGNATURE PAGE FOLLOWS]

Intending to be legally bound hereby, the Employee and the Company executed the foregoing General Release, Non-Disparagement and Non-Competition Agreement this _____ day of _____, _____.

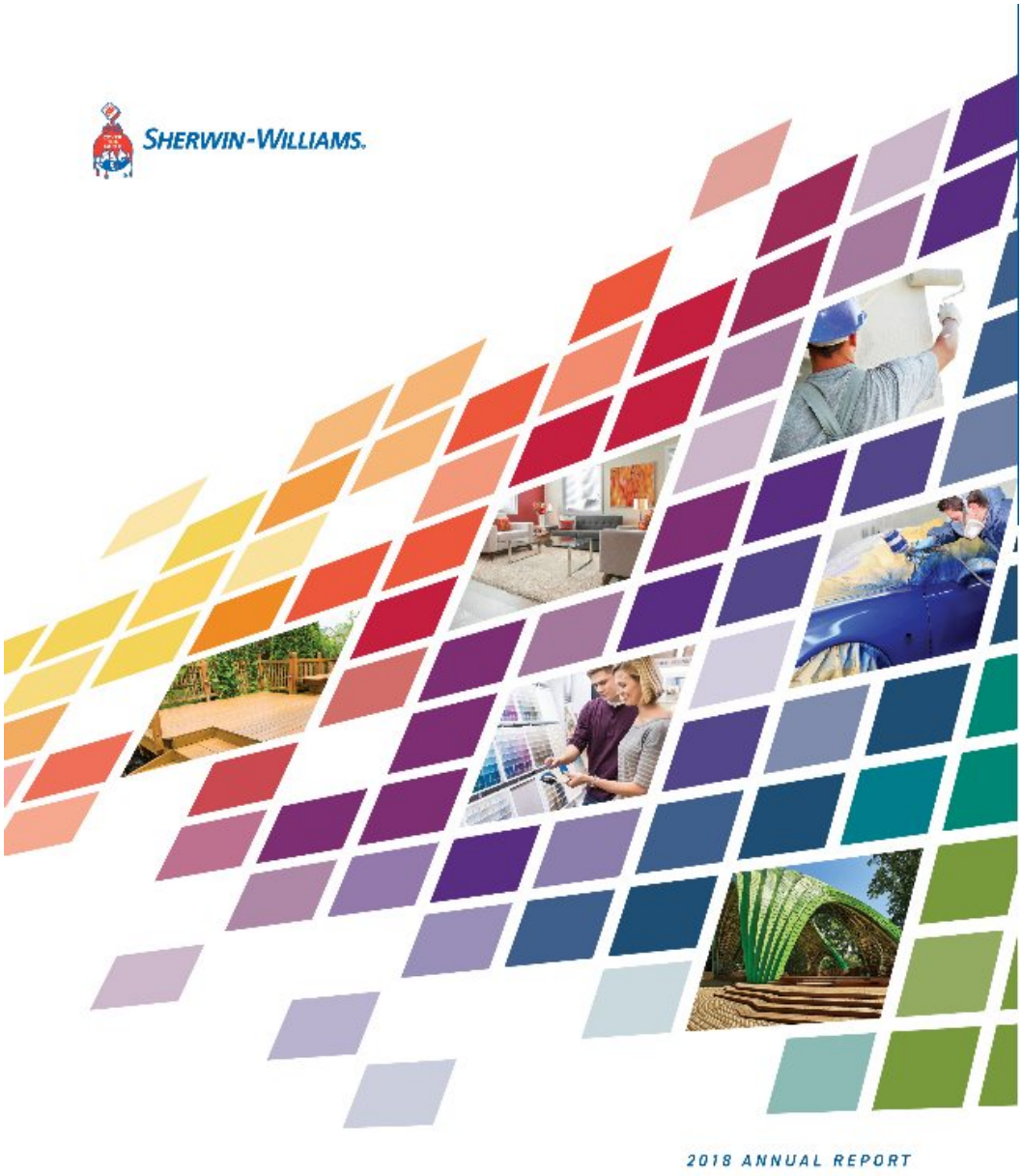
Witness: _____

EMPLOYEE

[COMPANY]

By: _____ Witness: _____Name: _____
Title: _____

Exhibit 13



The Sherwin-Williams Company *was founded by Henry Sherwin and Edward Williams in 1866. Today, we are a global leader in the manufacture, development, distribution and sale of paint, coatings and related products to professional, industrial, commercial and retail customers.*

The Company manufactures products under well-known brands such as Sherwin-Williams®, Valspar®, Dutch Boy®, HGTV HOME™ by Sherwin-Williams, Krylon®, Minwax®, Cabot®, Thompson's® Water Seal,® and many more. With global headquarters in Cleveland, Ohio, Sherwin-Williams® branded products are sold primarily through more than 5,100 company-operated stores and facilities, while the Company's other brands are sold through leading mass merchandisers, home centers, independent paint dealers, hardware stores, automotive retailers and industrial distributors. For more information, visit **www.sherwin-williams.com**.

The Company is comprised of three reportable segments, which together provide our customers with innovative solutions to ensure their success, no matter where they work, or what surfaces they are coating.

- **The Americas Group** operates the exclusive outlets for Sherwin-Williams® branded paints, stains, supplies, equipment and floor covering in the U.S., Canada and the Caribbean. The Group also manufactures and sells a wide range of architectural paint, industrial coatings and related products across Latin America through company-operated stores and dedicated dealers.
- **Consumer Brands Group** sells one of the industry's most recognized portfolios of branded and private-label products through retailers across North America and in parts of Europe, Australia, New Zealand and China, and also operates a highly efficient global supply chain for paint, coatings and related products.
- **Performance Coatings Group** sells a wide range of industrial coatings and finishes to general industrial, industrial wood, protective and marine, coil & extrusion, packaging and automotive customers in more than 120 countries.

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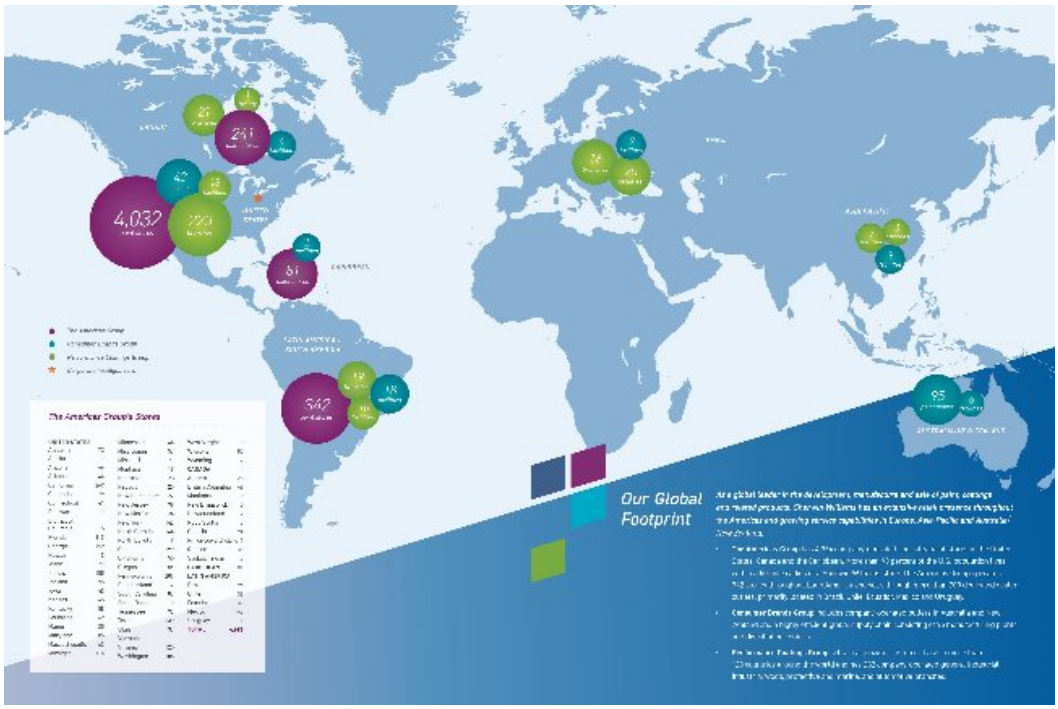
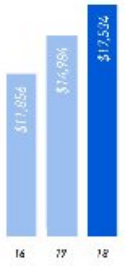
The Sherwin-Williams Company is an equal opportunity employer. All qualified applicants will receive consideration for employment without regard to race, color, religion, sex, sexual orientation, gender identity, national origin, protected veteran status, disability, age, pregnancy, genetic information or any other characteristic protected by law.


4,032
241
223
51
542
95
Our Global Footprint

Financial Highlights

(thousands of dollars except per share data)	2018	2017	2016
Net sales	$ 17,534,499	$ 14,983,788	$ 11,855,602
Net income from continuing operations[1][2][3]	$ 1,108,746	$ 1,769,488	$ 1,132,703
Per share:			
Diluted net income per share from continuing operations[1][2][3]	$ 11.67	$ 18.64	$ 11.99
Cash dividends	$ 3.44	$ 3.40	$ 3.36
Average shares outstanding – diluted (thousands)	94,988	94,927	94,488
Return on sales[4][1]	6.3%	11.8%	9.6%
Return on assets[5]	5.8%	8.9%	16.8%
Return on beginning shareholders' equity[6][1]	30.4%	94.2%	150.5%
Total debt to capitalization[7]	71.5%	74.3%	51.0%
Interest coverage[7][3]	4.7x	6.6x	11.4x

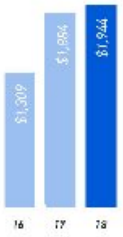
Net Sales
millions of dollars



Net Income from Continuing Operations[1][2][3]
millions of dollars

Diluted Net Income Per Share from Continuing Operations[1][2][3]

Net Operating Cash
millions of dollars



(1) 2017 has been adjusted to reflect the early adoption of accounting guidance changes in 2018.
(2) 2018 includes a net charge of $(0.17) per share for the remeasurement of deferred tax balances at the lower enacted tax rate of 21% and a benefit of $0.04 per share for the one-time transition tax on undistributed foreign earnings. 2017 includes a net benefit of $0.81 per share for the remeasurement of deferred tax balances at the lower enacted tax rate of 21% and a charge of $(0.04) per share for the one-time transition tax on undistributed foreign earnings. 2016 includes a charge of $(0.01) per share for debt refinancing costs.
(3) 2018 includes charges of $(0.15) per share for acquisition-related costs, $(1.32) per share for environmental reserve adjustments, $(1.09) per share for California fire, net of insurance and $(0.38) per share for settlement costs. 2017 includes charges of $(0.10) per share for acquisition-related costs, restructuring and other charges of $(0.72) per share for insurance recoveries, net of related costs. 2016 includes a charge of $(0.04) per share for acquisition-related costs.
(4) Based on net income and total revenues.
(5) Ratio of income before income taxes and interest expense to interest expense.
(6) Based on net income and shareholders' equity at beginning of year.
(7) Ratio of income before income taxes and interest expense to interest expense.

Letter to Shareholders

We are pleased to report that Sherwin-Williams delivered record performance across many measures in 2018, including sales, earnings before interest, taxes, depreciation and amortization (EBITDA), and net operating cash. Our success stems from our continued focus on innovative products and services to help our customers improve their productivity, profitability and projects.

We posted these outstanding results while also making tremendous progress on the integration of Valspar, the largest acquisition in our history. Integration synergies in 2018 exceeded the target we set at the beginning of the year. We also faced significant and persistent raw material inflation for the second year in a row, which we responded to with selling price increases, some of which were still flowing in as we entered 2019. Tariffs, global trade uncertainty, interest rate hikes and other headwinds also impacted the operating environment. Still, Sherwin-Williams employees delivered. Specific financial highlights from 2018* include:

- Sales increased $2.55 billion, or 17%, to a record $17.53 billion. Keeping in mind that the Valspar transaction closed on June 1, 2017, incremental Valspar sales from January through May 2018 increased consolidated sales by 12.4% for the year. Organic growth for the full year was 4.7%.
- EBITDA – or "Earnings Before Interest, Taxes, Depreciation and Amortization" – increased 4.4% to a record $2.32 billion.
- GAAP diluted net income per share for 2018 decreased to $11.67 per share from $18.20 per share in 2017. The $11.67 per share includes non-operating expenses of $2.71 per share and acquisition-related expenses of $4.15 per share. The $18.20 per share includes a charge of $0.44 related to discontinued operations, acquisition-related expenses of $3.47 per share and a one-time benefit of $7.04 per share from Deferred Income Tax Reductions.

*2018 reported results include purchase accounting adjustments, acquisition-related expenses and a non-operating charge for pension settlement costs. 2017 reported results include purchase accounting adjustments, acquisition-related expenses and a one-time benefit from Deferred Income Tax Reductions. The Company also incurred a Non-operating Pension Charge in the fourth quarter of 2018, which may recur in future years. As a result of this change, and in accordance with U.S. Generally Accepted Accounting Principles (GAAP), a retrospective one-time expense adjustment to cost of goods sold of $61.9 million, or $0.42 per share, was made, resulting in reported GAAP 2017 fourth-quarter and full-year amounts. The reported increases in acquisition-related costs and reduced property-optimized segment profit for Performance Coatings and Consumer Brands Groups by $37.7 million and $22.2 million, respectively, for both the fourth quarter and full year 2017 compared to what was previously reported.

John G. Morikis, Chairman, President and Chief Executive Officer, and Allen J. Misyuyn, Senior Vice President – Finance and Chief Financial Officer

- We believe investors gain a more meaningful view of our underlying performance by excluding non-operating and acquisition-related items from results in both years. On this adjusted basis, 2018 diluted earnings per share from continuing operations increased 23.0% to $18.53 from $15.07 per share in 2017.

Organic growth increased 4.7% and adjusted diluted net income per share from continuing operations increased 23% compared to the prior year.

- Net operating cash for the year increased $60 million to a record $1.94 billion. This cash generation enabled us to continue investing in growth and return capital directly to our shareholders. During the year, we invested $251 million in our business through capital expenditures, paid $323 million in cash dividends, invested $613 million to return 1.525 million shares of common stock to treasury and retired $1.1 billion in debt. Net debt to adjusted EBITDA at the end of the year was approximately 3.3 times.
- Our acquisition integration effort is on track. We delivered approximately $180 million in synergy benefits to the income statement in 2018, about $30 million above the midpoint of our expectations at the start of the year. We exited the year with an annual synergy run rate of approximately $360 million. To date, we have completed 437 value-capture projects. An additional 157 projects are currently in progress with 53 more under evaluation.

Amid these highlights, we did receive some disappointing news during the year, as the United States Supreme Court declined to hear our appeal of a lower court decision related to California lead paint abatement. This resulted in a pre-tax charge of $136.3 million, or one-third of the amount of an abatement fund as recalculated by the trial court. We continue to believe the California verdict is wrong on the facts and law, and we will vigorously defend any potential future litigation as we have in the past.

The Americas Group introduced 25 new architectural products in North America, the eighth consecutive year of double-digit product introductions in the region.

The Americas Group

Sales for The Americas Group increased $507.9 million in 2018, or 5.6% compared to 2017, to $9.63 billion. This growth comes on top of a strong prior year during which sales grew 8.8%. Currency translation rate changes reduced 2018 sales by 1%. Comparable-store sales in the U.S., Canada and the Caribbean – that is, sales by stores open more than 12 calendar months – increased 5.1% in the year. Full-year segment profit increased 7.3% to $1.92 billion, and segment operating margin increased 30 basis points to 19.7% from 19.4% last year.

Sales to residential repaint contractors remained our strongest customer end market in the year, with sales increasing by a double-digit percentage. All other customer categories were also positive for the year. We continued to serve these customers by investing in innovation. We introduced 25 new products in North America in 2018 – our eighth consecutive year of double-digit product introductions in the region – and 30 more in Latin America. Particularly well-received products include Loxon® Self-Cleaning Exterior Acrylic Coating, SuperDeck® Solid Color Stain with new Cool Feel® Color Technology, Extreme Block® Primer/Sealer and Duration Home® Interior Paint with Moisture Resistant Technology.

Our value proposition rests on combining innovative products with premium service. We believe our company-operated stores offer professional painting contractors and DIYers the best service experience available. We further invested in this model in 2018, opening 76 net new stores, including 87 in North America, which was partially offset by some store consolidation in Latin America. Total store count at year-end was 4,696. Our service model also includes our e-business platform, which we enhanced in 2018 and which enables pro customers to better manage their businesses with 24/7 access to ordering, pricing, purchase history and more.

Consumer Brands Group

2018 sales for the Consumer Brands Group increased $584.3 million, or 27.1% compared to 2017, to $2.74 billion. Incremental Valspar sales from the five months ended May 2018 increased Group sales 26.9% in the year. Segment profit increased 28.7% to $261.1 million due to increments. Valspar operations profit for the first five months of $75.8 million, increased selling prices and reduced impacts of a voluntary inventory accounting change, partially offset by increased raw material costs and lower sales to some of the Group's customers. Reported segment operating margin increased to 9.5% in 2018 from 9.4% last year. Excluding purchase accounting expense in both years and the voluntary inventory accounting change adjustment to 2017, adjusted segment operating margin decreased to 13.6% in 2018 from 15.5% in 2017. The margin decrease was driven mainly by incremental expenses related to the launch of our new partnership with Lowe's and raw material inflation, not all of which were anticipated.

Since the acquisition of Valspar in June 2017, the Consumer Brands Group has integrated two distinct teams into one. Evidence of the value provided by this combination came early in 2018, as we announced an expanded partnership with Lowe's. The partnership positions Lowe's as the only national home center in the United States to offer our Valspar® brand paints and stains, HGTV HOME™ by Sherwin-Williams paints, Minwax®, Cabot® and Thompson's® Water Seal® stains, Krylon® aerosols and Purdy® applicators. We executed six major product category resets and trained 20,000 Lowe's associates during the year, providing Lowe's customers with an improved experience throughout the paint department. We began to see the benefits of this expanded partnership in 2018, and our expectations for longer-term success remain high.

We partner with other premier retailers as well, such as Menards, Ace, Orgill, Do It Best and others. The Valspar acquisition also provides us with the opportunity to grow outside of North America through the Valspar®, Huarun® and Wattyl® brands in Europe, China and Australia/New Zealand, respectively.

The success of each of our reportable segments is supported by a highly efficient global supply chain and research and development organization, all managed within the Consumer Brands Group. This team performed admirably in 2018, keeping pace with the incremental load-in demand of the new Lowe's program while also supporting what is traditionally the peak period of architectural paint sales volume in North America. This effort resulted in approximately $20 million in incremental costs that were not included in our earnings outlook for the full year. Deep thanks goes to the many members of our global supply chain for their efforts in putting our customers first. Their dedication is a great source of pride to all of us.

This team also remained crucial to our acquisition value-capture efforts in 2018, especially in the area of optimizing our manufacturing and distribution footprint. We consolidated four manufacturing plants and three distribution centers in 2018 while completing seven capacity expansion projects to support global growth. We also began to more fully realize the benefits of our new distribution center in Waco, Texas, and new manufacturing facility in Nantong, China, both of which opened in 2017. Health and safety remained priorities for us as well, and we had 31 U.S. VPP Star sites and 12 OHSAS 18001 and 45150 14001 sites globally at the end of 2018.

This team also operates our commercial transportation fleet, which was honored again in 2018 with the SmartWay Excellence Award. This annual award honors top shipping and logistics company partners for superior environmental performance and additional actions to reduce freight emissions through effective collaboration and operational practices. The fleet also earned 2nd Place for the National Private Truck Council's Fleet of the Year Safety Award.

Performance Coatings Group

2018 sales for the Performance Coating Group increased $1.46 billion, or 39.4% compared to 2017, to $5.17 billion. Incremental Valspar sales from the five months ended May 2018 increased Group sales 34.3% in the year. Segment profit increased 72.0% to $452.1 million due to incremental Valspar operations profit for the first five months of $97.6 million.

We continued to innovate in the area of coatings that reduce impacts to the environment.

selling price increases and reduced impacts of a voluntary inventory accounting change, partially offset by increased raw material costs and increased purchase accounting impacts. Reported segment operating margin increased to 8.8% in 2018 from 7.1% last year. Excluding purchase accounting expense in both years and a voluntary inventory accounting change adjustment to 2017, adjusted segment operating margin was essentially flat at 12.9% in 2018 compared to 13.0% in 2017. Given the level of raw material inflation this segment experienced in 2018, flat operating margin year over year is evidence that our pricing actions have had success.

Like the Consumer Brands Group, this segment has integrated distinct Sherwin-Williams and Valspar teams into a single global organization with a common purpose: delivering value to customers through differentiated products and solutions that focus on both application performance and enhancing productivity. This starts with innovation, especially in the area of coatings that reduce impacts to the environment.

where the Performance Coatings Group continues to make advancements in next-generation waterborne technology, low-cure powder coatings, renewable bio-based raw materials, and non-isocyanate and non-formaldehyde formulated coatings. We're also maximizing our large-batch/small-batch capabilities to serve a broader range of customer needs.

All product categories managed by this Group generated growth in the year, led by General Industrial and Packaging, which were both up by double-digit percentages. General Industrial's Color Express™ program is reducing the time it takes for powder finishers to match, receive and apply powder. And in Packaging, our ValPure® V70 Series of non-BPA epoxy coatings has emerged as a top choice among can coaters.

Industrial Wood customers are benefiting from our latest flooring coatings, including Ultra-Cure® ManGuard™ Clear Topcoat, which provides resistance to stains, scratches and abrasion. In Automotive Finishes, our Ultra 9K™ Waterborne System is a great example of synergy, combining basecoat technologies from Valspar with primer and clearcoats from Sherwin-Williams to deliver a truly differentiated offering.

For Coil & Extrusion customers, we continued to deliver value with our Fluropon® 70% Polyvinylidene Fluoride (PVDF) coatings for metal architecture.

In the Protective and Marine space, our patented Firetex® FX6002 is an ultrafast-drying intumescent coating for structural steel surfaces that provides fire resistance for up to 2 hours.

Leadership Announcements

Our continued focus on internal talent development resulted in several leadership appointments during the year. **Pete Ippolito** was promoted to President of The Americas Group, succeeding Jay Davisson, who retired after 31 years of service to the Company. Pete took on leadership of our largest operating segment early in 2018, with his 32 years of experience at Sherwin-Williams preparing him extremely well for the role. After joining the Company as a management trainee, Pete progressed through a variety of leadership roles, most recently as President & General Manager of the Mid Western Division of The Americas Group.

Todd Stephenson succeeds Pete as President & General Manager of the Mid Western Division. Todd joined Sherwin-Williams in 1992 and most recently served as Senior Vice President of Sales, Protective & Marine Division, Performance Coatings Group. **Tom Hablitzel** was promoted to Senior Vice President, Enterprise Strategic Accounts, succeeding Mark Henderson, who retired after 36 years of service to the Company. Tom joined the Company in 2003 and most recently served as President of the Automotive Finishes Division, Performance Coatings Group. **Justin Binns** succeeds Tom as President & General Manager of the Automotive Finishes Division. Justin joined the Company in 2001 and takes on his new role after serving most recently as President & General Manager of the Eastern Division within The Americas Group. **Mark Provenson** succeeds Justin as President & General Manager of the Eastern Division. Mark joined Sherwin-Williams in 2000 and most recently served as Vice President of Sales, Mid Western Division. **Jonathan Reid** was promoted to President & General Manager of the South Western Division in The Americas Group, succeeding Monty Griffin, who retired after 33 years of service to the Company. Jon joined Sherwin-Williams in 1993 and most recently served as Vice President of Sales in the South Western Division. These seamless transitions during the year demonstrate our thoughtful approach to succession planning and the depth of our talent pool.

Outlook

We enter 2019 with confidence in the sustainability of demand across most of our end markets, and we see significant opportunities for profitable growth throughout the business. In The Americas Group, we will continue to invest in our store model and best-in-class products while executing on share of wallet and new account activation initiatives. In the Consumer Brands Group, we are excited by the exclusive national home center relationship and shared commitment to

growth we have with our largest retail partner, as well as by our strong relationships with other leading retailers. And in the Performance Coatings Group, we are focused on maximizing the combined capabilities of our integrated organization across the various end markets and geographies we serve. We are also confident in our team's ability to execute on the key initiatives that drive our success in the short and long term, and in our ability to continue delivering significant value to customers. We are well positioned and focused on what we can control.

We expect 2019 sales to increase 4% to 7% compared to 2018.

There are a number of economic, political and social variables that are beyond our control, including government shutdowns, federal interest rate hikes, tariffs, global trade uncertainty, immigration and security, among others. While it is our job to focus on those things we can control, and adapt to those things we cannot, these factors have the potential to affect our business and expand the range of potential outcomes in our results.

Against this backdrop, we expect 2019 net sales to increase 4% to 7% compared to 2018. In terms of profitability, we should continue to benefit from operating expense control, volume growth and acquisition synergies. One key assumption embedded in this outlook is that raw material inflation for 2019 will be in the low single digits compared to 2018. We expect the rate of year-over-year inflation will be highest in the first quarter, and, assuming stable petrochemical feedstocks and no supply disruptions, it should diminish as we go through the second half of 2019.

Over the past two years, we allocated a significant share of capital generated to debt reduction, retiring approximately $1 billion in both 2017 and 2018. In 2019, we expect to begin moving back toward our more traditional capital allocation philosophy. Capital expenditures will remain modest, at approximately 1.7% of sales. We still expect to reduce debt by $600 million in 2019, which should reduce our net debt-to-EBITDA ratio to below 3 times by the end of the year.

Historically, we have targeted dividends at about 30% of prior year GAAP earnings. At its February 2019 meeting, our Board of Directors approved a quarterly dividend increase of 31% to $1.13 per share, up from $0.86 last year. It is also part of our longstanding philosophy not to hold excess cash on the balance sheet. We expect to use this cash to make open-market purchases of Company stock in 2019 at a level beyond what is necessary to offset dilution from option exercises. On December 31, 2018, we had remaining authorization to acquire approximately 10.13 million shares. We will also continue to evaluate acquisitions that fit our strategy.

Let me close this letter by thanking the more than 60,000 employees of Sherwin-Williams for their hard work and dedication. There is no better team in the industry, and I am continually inspired by your passion for our company and our customers. I also offer my sincere thanks to you, our shareholders, for your continued trust and confidence in us. We expect to deliver strong performance in 2019 and in the years to come.

John G. Morikis
Chairman, President and Chief Executive Officer

2018
At a Glance

The Americas Group

55%
of total sales

The Americas Group operates the exclusive outlets for Sherwin-Williams® branded paints, stains, supplies, equipment and floor covering in the United States, Canada and the Caribbean. The Group also manufactures and sells a wide range of architectural paints, industrial coatings and related products across Latin America through company-operated stores, dedicated dealers and selected retailers.

PRODUCTS SOLD: Paints, stains, aerosols, applicators, caulks, varnishes, protective and marine coatings, spray equipment and related products in the United States, Canada, the Caribbean and Latin America. Wall covering and floor covering in the United States, Canada and the Caribbean. OEM product finishes in Latin America.

CUSTOMERS SERVED: Do-it-yourselfers, professional painting contractors, home builders, property maintenance, healthcare, hospitality, architects, interior designers, industrial, marine, coating and original equipment manufacturer (OEM) product finishers.

MAJOR BRANDS SOLD: Sherwin-Williams®, A-100®, Cashmere®, Colorgin®, Condor®, Dynacraft®, Duration Home®, Duration®, Emerald®, Harmony®, HGTV HOME™ by Sherwin-Williams, Kem Cati®, Kem Tone®, Krylon®, Loxon®, Marson®, Metalatex®, Minwax®, Novacor®, Paint Shield®, Prep Rite®, ProClassic®, ProCraft®, ProConstructor®, ProIndustrial™, ProMar®, ProPark®, Solo®, Sumare®, Super Deck®, SuperPaint®, Ultra Protección®, Woodscapes®

OUTLETS: 4,354 Sherwin-Williams paint stores in the United States, Canada and the Caribbean, and 342 in Brazil, Chile, Ecuador, Mexico and Uruguay. Dedicated dealers, home centers, distributors and hardware stores in Argentina, Brazil, Chile, Ecuador, Mexico and Uruguay. Licensee in El Salvador serves Central America.

Consumer Brands Group

16%
of total sales

Our Consumer Brands Group sells one of the industry's most recognized portfolios of branded and private-label products through retailers across North America and in parts of Europe, China, Australia and New Zealand. The Group also operates a highly efficient global supply chain for paint, coatings and related products.

PRODUCTS SOLD: Branded, private-label and licensed brand paints, stains, varnishes, industrial products, wood finishing products, wood preservatives, applicators, corrosion inhibitors, aerosols, caulks and adhesives, and related products

CUSTOMERS SERVED: Do it yourselfers, professional painting contractors, industrial, maintenance and flooring contractors

MAJOR BRANDS SOLD: Accurate Dispersions™, Altax™, Bestt Liebco®, Cabot®, Dutch Boy®, Duckback®, Dupli-Color®, DuraSeal®, Dutch Boy®, Geocel®, Granosite®, H&C®, HGTV HOME™ by Sherwin-Williams, Huarun®, Kool Seal®, Krylon®, Minwax®, Pratt & Lambert®, Purdy®, Ronseal®, Rubberset®, Solver®, Sprayon®, SuperDeck®, Thompson's® WaterSeal®, Tri-Flow®, Uniflex®, Valspar®, VHT®, Watty®, White Lightning®

OUTLETS: Over 10,000 points of distribution with leading mass merchandisers, home centers, independent paint dealers, hardware stores, craft stores, fine art stores, automotive retailers and industrial distributors in the United States, Canada, Poland, United Kingdom, China, Australia and New Zealand

Performance Coatings Group

29%
of total sales

The Performance Coatings Group sells a broad range of coatings and finishing solutions to general industrial, industrial wood, protective and marine, automotive, packaging and coil & extrusion customers in more than 120 countries.

PRODUCTS SOLD: Asset protection products, wood finishes, powder coatings, coatings for plastic and glass, aerosols, high-performance interior and exterior coatings for the automotive, aviation, fleet, packaging, heavy truck, material handling, agriculture and construction, and building products segments

CUSTOMERS SERVED: Coatings for commercial construction, industrial maintenance, protective and marine, OEM coatings for military, heavy equipment, appliances, electronics, building products, furniture, cabinetry and flooring, architects and specifiers, bridge & highway, water & waste water treatment, collision repair facilities, dealerships, auto interior, fleet owners, auto refinishers, production shops, metal packaging and manufacturers

MAJOR BRANDS SOLD: Sherwin-Williams®, Acrolon®, Armorseal®, Arti™, ATX™, AWX Performance Plus™, Baco®, Conely®, DeBeer®, DFL™ Dimension®, Duraspar®, EcoDex®, Enviroplastic®, Euronavy®, Excelo®, ExDex®, Fastline®, Finish 1™, Firelex®, Fluroclad®, Genesis®, Heat-Flex®, House of Kolor®, Huarun®, Inchem®, Inver®, Kem Aqua®, Lanet™, Lazurit®, Macropoxy®, Magnalux™, Martin Senour®, Matrix®, MI Campbell®, Nova™, PermaClad®, Planet Color™, Polane®, Powcure®, Prospray®, Sayerlack®, Sher Wood®, Ultra Cure®, Ultra 7, USI®, ValPure® Valspar®, Watty®

OUTLETS: 780 company-operated branches serving automotive, general industrial, industrial wood and coil customers in the United States, Australia, Belarus, Belgium, Brazil, Canada, Chile, China, Czech Republic, Denmark, Finland, France, Germany, India, Indonesia, Ireland, Italy, Lithuania, Malaysia, Mexico, Norway, Peru, Poland, Portugal, Romania, Russia, Singapore, Spain, Sweden, Thailand, Ukraine, United Kingdom and Vietnam. Distribution in 44 other countries through wholly-owned subsidiaries, joint ventures, distributors, export options, and licensees of technology, trademarks and trade names

The Americas Group

The Americas Group operates specialty stores that serve as the exclusive outlets for Sherwin-Williams® branded paints, stains, supplies, equipment and floor covering in the U.S., Canada and the Caribbean. The Group also serves Latin America through company-operated stores, dedicated dealers and selected retailers. In 2018, the Group delivered record performance as net sales increased 5.6% to $9.63 billion and segment profit grew 7.3% to $1.90 billion.

Throughout the Americas, our store employees and field reps are trained to understand their customers' needs. We then combine our innovative products, color expertise, application know-how, business service and support programs to offer highly customized solutions that meet and exceed customer needs.

This time-tested approach led to another strong year for our business. We opened 76 net new stores in 2018, bringing our total to 4,696 throughout the Americas. We also have more than 700 Sherwin-Williams dedicated dealers in Latin America, enabling us to further serve that region. We launched 25 new products in the U.S., Canada and the Caribbean and 30 in Latin America during the year. Among the highlights:

- **Loxon® Self-Cleaning Exterior Acrylic Coating** easily sheds dirt to keep properties looking fresh. Designed for exterior above-grade masonry, the self-cleaning formula provides advanced durability, water shedding and wind-driven rain and dirt pickup resistance.
- **SuperDeck® Solid Color Stain with Cool Feel® Color Technology** can reduce deck surface temperatures by up to 20°F compared to conventional technology, making these spaces cooler and more enjoyable for homeowners and their guests.
- **Extreme Block® Primer/Sealer** reduces the need for repaints by sealing off stubborn stains such as smoke, fire and nicotine, making it ideal for quickly restoring a property to fresh condition. Its fast-drying formula helps contractors keep tight timelines and stay on schedule.
- **Duration Home® Interior Paint with Moisture-Resistant Technology** provides enhanced protection in damp environments and defends against unsightly water spotting. It is ideal for kitchens, bathrooms and laundry rooms.
- **ProCraft®** is a comprehensive mid-tier product line designed to meet the needs of painting professionals across a variety of segments. We expanded our offering with new elastomeric, ceiling and texture paints.

Innovation extends beyond our products, too. For example, pro customers continued to adopt mysw.com, our e-business platform, enabling them to better manage their businesses with 24/7 access to ordering, pricing, purchase history and more. Our new ColorSnap™ Match tool lets users scan colors from any item, including paint, textiles, carpet, tile and accessories, then instantly find the closest Sherwin-Williams paint color and palette. We've also embraced augmented reality, as the new Instant Paint feature in our ColorSnap® app allows customers to use their smartphone cameras to "try on and see" any of Sherwin-Williams 1,500 colors on their walls in real time. As we begin 2019, we'll continue to invest in products and services that help make our customers more successful.

Achievements

We were recognized for **Outstanding Customer Satisfaction with Paint Retailers and Exterior Paint** in the 2018 J.D. Power Paint Satisfaction Study.*

We demonstrated "The Power of Paint" during our **7th Annual National Painting Week** as more than 4,000 Sherwin-Williams employees donated 34,000 hours of their time to transform more than 200 community spaces in the U.S., Canada and the Caribbean, using Sherwin-Williams paint and supplies.

Our new **Paint Your Path™** initiative aims to help our professional customers create a stronger, more skilled painting workforce. Our long-term commitment supports employers and potential painters through career advocacy, education and recruitment resources.

The National Association of Building Materials in Brazil (ANAMACO) awarded Colorgin® Spray Paint the Master Award for the **best overall evaluation and best spraying** ability. It also awarded Novacor™ Piso Floor Paint with First Place **for best overall coverage.**

*Sherwin-Williams received the highest score with power paints and second highest score among paint retailers in the J.D. Power 2018 Paint Satisfaction Study of customers' satisfaction with purchased and applied paint. Visit jdpower.com/awards

Consumer Brands Group

The Consumer Brands Group offers one of the industry's most recognized portfolios of branded and private label products through retailers across North America, parts of Europe, China, Australia and New Zealand. It also operates a highly efficient and productive global supply chain. In 2018, the Group delivered record performance as net sales increased 27.1% to $2.74 billion and segment profit grew 28.7% to $261.1 million.

The Consumer Brands Group provides strategic channel partners with access to a portfolio of industry-leading brands supported by best-in-class, high-touch service. There was no better illustration of this value proposition in 2018 than the announcement of our expanded partnership with Lowe's. Lowe's is now the exclusive national home center in the United States to offer Valspar® paints, stains and applicators, HGTV HOME™ by Sherwin-Williams paints, Minwax®, Cabot® and Thompson's® Water Seal® stains, Krylon® aerosols and Purdy® applicators. Both partners executed on significant enhancements to staffing, training, merchandising, advertising, product assortment and supply chain. We began to see the benefits of this expanded partnership in 2018, and our expectations for long-term profitable growth remain high.

We also partner with other premier retailers such as Menards, Ace, Orgill, Do-It-Best and others. Outside of North America, we have established niches in Europe, China and Australia/New Zealand through our Valspar®, Huarun® and Watty® brands, respectively. We continue to assess the most promising opportunities for us to deliver value to customers in these regions.

Throughout the year, we continued to invest in new products to make our customers more successful, including:

- **Valspar® exterior stain** comes in a range of nature-inspired colors to help consumers tap their creativity and enjoy their best life outdoors. It provides all-weather protection in one coat and is available in transparent, semi-transparent and solid color formulations, as well as a clear finish.
- **Dutch Boy® Forever™ paint + primer** is a new line of stain-blocking interior and ceiling paints featuring Arm & Hammer™ Odor Eliminating technology. It is specially formulated to cover and block stubborn stains such as coffee, tea, ketchup, crayon and lipstick. Additionally, Forever™ paint has advanced washability, is stain and mildew resistant and is GREENGUARD® Gold certified.
- **Krylon® Fusion All-In-One™** is a premium product that bonds to difficult surfaces such as plastics and ready-to-assemble furniture without sanding or priming. The product provides maximum rust protection for all outdoor projects and offers a broad color palette with multiple finishes and sheens for indoors and out.

We also completed important organizational work in 2018 that leaves us well positioned for future success. Since the acquisition of Valspar in June 2017, we have integrated two distinct teams into one. A leaner, more effective organizational structure is in place with a deepened focus on employee communication, engagement and alignment. Our value proposition is clear, and we are winning with key strategic partners. We are achieving our value-capture targets, and we will continue to execute on our initiatives in the areas of simplification, merchandising excellence, SKU reduction, brand rationalization, productivity enhancement and talent development.

Achievements

The Valspar Championship drives brand affinity, engages key customers and suppliers, and supports community and charitable partners. The 2018 event in Palm Harbor, Florida, was the highest rated PGA Tour non-major Sunday telecast since 2013 and reached 27.4 million viewers with 150,000 fans in attendance.

Our "Made with Love" campaign reinforced the Minwax® brand's position as "America's No.1 Selling Interior Stain." When shoppers buy applicators, we encourage them to "Make it Perfect. Make Sure it's Purdy. The No. 1 Brand Preferred by Pros." And a robust media campaign for Valspar® paint, inclusive of television, online video, programmatic display, paid search and social marketing, resulted in millions of impressions, views, clicks and incremental store visits.

Performance Coatings Group

The Performance Coatings Group sells a broad range of coatings and finishing solutions through nearly 300 branches to general industrial, industrial wood, automotive, protective and marine, packaging and coil & extrusion customers throughout the world. In 2018, the Group delivered record performance as net sales increased 39.4% to $5.17 billion and segment profit grew 72.0% to $452.1 million.

The diverse set of businesses that makes up the Performance Coatings Group shares a common goal: delivering value to customers through differentiated products and solutions that focus on both application performance and enhancing productivity. Through an array of technologies and capabilities, we help our customers grow their businesses faster and more profitably. This begins with innovation, especially in the area of coatings that reduce impacts to the environment, where we continue to make advancements in next-generation waterborne technology, low-cure powder coatings, products made with bio-based raw materials and non-isocyanate and non-formaldehyde formulated coatings.

In automotive finishes, we continue to be at the forefront of the shift to waterborne coatings. The Ultra 9K™ Waterborne Basecoat System combines basecoat technologies from Valspar with Sherwin-Williams primer and clearcoats. Designed to drive productivity and efficiency in the shop, the Ultra 9K™ system comes with an all-new color retrieval experience, a spectrophotometer and global color box – making even the most difficult color match easy. Our technology in this division extends beyond the road and into the sky with new offerings for aerospace customers. Jet Suede™, a new two-component urethane topcoat, delivers an upscale, textured feel to aircraft interiors.

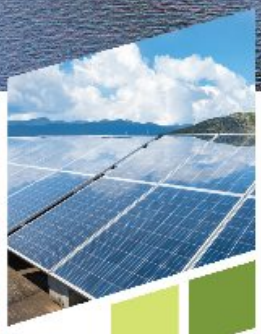
For industrial wood customers, we launched a new line of flooring coatings, including Ultra-Cure® MarGuard™ Clear Topcoat, a high-performance, UV-cure clearcoat, which provides advanced durability and resistance to chemicals, stains, scratches, scuffs and abrasions. We also introduced our Virtual Panel Studio, an online inspiration tool that provides furniture, kitchen cabinet and other wood product designers with access to a complete library of high-resolution images of finished wood panels. These panel images can be saved, downloaded, used in renderings and shared with customers or fellow collaborators to inspire future projects using innovative Sherwin-Williams® coatings.

In the general industrial division, we're reducing the time it takes for powder finishers to match, receive and apply powder. The Color Express™ program uses an affordable handheld reader to match color against powder products stocked at distribution centers and available at Sherwin-Williams locations across North America. The combination of digital technology and locally stocked products can reduce the matching process from weeks down to a few days.

Technology continues to drive rapid growth in our packaging coatings offering. Our ValPure® V70 Series of non-BPA epoxy coatings has emerged as a top choice among can makers. It offers the performance benefits of epoxy coatings for food safety and preservation, answers the need for choices in the marketplace and delivers on consumer preferences.

In the protective and marine space, our patented Firetex® FX6002 is an ultrafast-drying intumescent coating for structural steel surfaces that provides fire resistance for up to 2 hours. The ultrafast cure removes drying bottlenecks in the paint shop, and also means rapid weather resistance for site-applied material.

For coil & extrusion customers, we continued to deliver value with our Fluropon® 70% Polyvinylidene Fluoride (PVDF) coatings for metal architecture. These coatings offer extremely strong bonding properties. They are most appropriate for monumental and high-end residential and commercial architecture as they provide excellent color and gloss retention.



Achievements

We earned the **SSPC (Society for Protective Coatings) Military Coatings Project Award of Excellence** for coatings used in overhauling the USS George Washington (CVN 73), a thousand-foot U.S. Navy aircraft carrier. Using new coatings and technologies, innovative collaborations and solutions with less impact on the environment, we helped preserve and recoat critical areas, from topside to ballast tanks to interior fuel tanks.

We earned the **SSPC George Campbell Award** for coatings used on the suspension spans and towers of the Walt Whitman Bridge, which spans the Delaware River from Pennsylvania to New Jersey. The Award recognizes a single outstanding achievement in the completion of a difficult or complex industrial coatings project.

Shareholder Returns

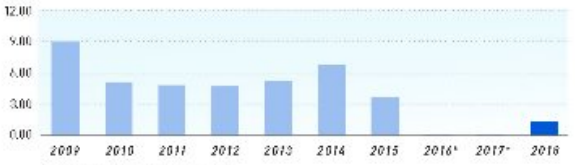
Comparison of Cumulative Five-Year Total Return

Peer group of companies comprised of these issuers: Akzo Nobel NV (AKZOY), [illegible] Company, Benjamin Moore Company, The [illegible] Coatings, Inc., DuPont de Nemours, Inc., Masco Corporation, Nippon Paint [illegible] PPG Industries, Inc., RPM International Inc., Stanley Black & Decker, Inc. and USP Securities.

Five-Year Return

The graph at left compares the cumulative five-year total shareholder return on Sherwin-Williams common stock with the cumulative five-year total return of the companies listed on the Standard & Poor's 500 Stock Index and a peer group of companies selected on a line-of-business basis. The cumulative five-year total return assumes $100 was invested on December 31, 2013 in Sherwin-Williams common stock, the S&P 500 and the peer group. The cumulative five-year total return, including reinvestment of dividends, represents the cumulative value through December 31, 2018.

Stock Repurchase (millions of shares)

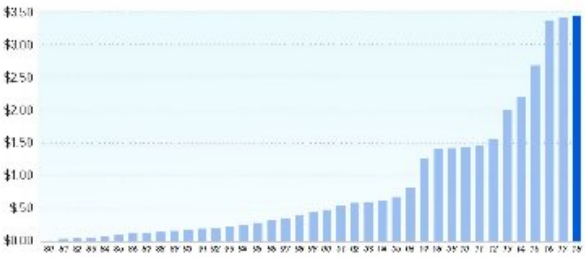


*No common stock purchases in 2016 and 2017

114.5	108.6	105.7	103.9	103.0	98.7	94.5	94.5	94.9	95.0

Average Common Shares Outstanding (fully diluted, in millions)

Dividends Per Share



Returning Cash to Shareholders

We have consistently returned a portion of our cash generated from operations to shareholders through cash dividends and share repurchases. In 2018, the Company increased its cash dividend 1.2 percent to $3.44 per share, marking the 40th consecutive year we increased our dividend. Share repurchases are also an efficient way of returning cash to shareholders in that they return sellers' investment at market value and maximize the value of the remaining shares outstanding. We temporarily suspended share repurchases in 2016 and 2017, using cash to reduce total borrowings required to finance the Valspar transaction in 2016 and reducing debt by $1 billion in 2017. We returned to share repurchases in 2018, buying 1.53 million shares on the open market while also reducing debt by $1.1 billion. Over the past 10 years, we have reduced our average diluted common shares outstanding by more than 19 million shares.

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FINANCIAL SUMMARY
(millions of dollars except as noted and per share data)

	2018	2017 [1]	2016	2015	2014
Operations					
Net sales	**$ 17,534**	$ 14,984	$ 11,856	$ 11,339	$ 11,130
Cost of goods sold [2], [3]	**10,116**	8,265	5,933	5,780	5,965
Selling, general and administrative expenses [2]	**5,034**	4,798	4,159	3,914	3,823
Amortization	**318**	207	26	28	30
Interest expense	**367**	263	154	62	64
Income from continuing operations before income taxes [3], [4]	**1,360**	1,469	1,595	1,549	1,258
Net income from continuing operations [3], [5]	**1,109**	1,769	1,133	1,054	866
Financial Position					
Accounts receivable - net	**$ 2,019**	$ 2,105	$ 1,231	$ 1,114	$ 1,131
Inventories [3]	**1,815**	1,742	1,068	1,019	1,034
Working capital - net [3]	**47**	420	798	515	(115)
Property, plant and equipment - net	**1,777**	1,877	1,096	1,042	1,021
Total assets [3]	**19,134**	19,900	6,753	5,779	5,699
Long-term debt	**8,708**	9,886	1,211	1,907	1,116
Total debt	**9,344**	10,521	1,953	1,950	1,799
Shareholders' equity [3]	**3,731**	3,648	1,878	868	996
Per Share Information					
Average shares outstanding - diluted (thousands)	**94,988**	94,927	94,488	94,543	98,075
Book value [3]	**$ 40.07**	$ 38.86	$ 20.20	$ 9.41	$ 10.52
Net income from continuing operations - diluted [3], [6]	**11.67**	18.64	11.99	11.15	8.77
Cash dividends	**3.44**	3.40	3.36	2.68	2.20
Financial Ratios					
Return on sales [3]	**6.3%**	11.8%	9.6%	9.3%	7.8 %
Asset turnover	**0.9x**	0.8x	1.8x	2.0x	2.0x
Return on assets [3]	**5.8%**	8.9%	16.8%	18.2%	15.2 %
Return on equity [3], [7]	**30.4%**	94.2%	130.5%	105.8%	48.8 %
Dividend payout ratio [8]	**18.5%**	28.4%	30.1%	30.6%	30.3 %
Total debt to capitalization [3]	**71.5%**	74.3%	51.0%	69.2%	64.4 %
Current ratio	**1.0**	1.1	1.3	1.2	1.0
Interest coverage [3], [9]	**4.7x**	6.6x	11.4x	26.1x	20.6x
Net working capital to sales [3]	**0.3%**	2.8%	6.7%	4.5%	(1.0)%
Effective income tax rate [10]	**18.5%**	25.1%	29.0%	32.0%	31.2 %
General					
Earnings before interest, taxes, depreciation and amortization [3]	**$ 2,323**	$ 2,225	$ 1,947	$ 1,809	$ 1,521
Capital expenditures	**251**	223	239	234	201
Total technical expenditures (see Note 1)	**254**	216	153	150	155
Advertising expenditures	**358**	374	351	338	299
Repairs and maintenance	**132**	116	100	99	96
Depreciation	**278**	285	172	170	169
Shareholders of record (total count)	**6,244**	6,470	6,787	6,987	7,250
Number of employees (total count)	**53,368**	52,695	42,550	40,706	39,674
Sales per employee (thousands of dollars)	**$ 329**	$ 284	$ 279	$ 279	$ 281
Sales per dollar of assets	**0.92**	0.75	1.76	1.96	1.95

(1) 2017 includes Valspar financial results since June 1, 2017.
(2) 2017 has been adjusted for the adoption of ASU No. 2017-07. See Note 1.
(3) 2017 has been adjusted for an inventory accounting change made in 2018. See Note 1.
(4) 2018 includes acquisition-related costs of $484.4 million , environmental expense provisions of $167.6 million , California litigation expense of $136.3 million and pension plan settlement expense of $37.6 million . 2017 includes acquisition-related costs of $488.6 million . 2016 includes acquisition-related costs of $133.6 million .
(5) 2018 includes after-tax acquisition-related costs of $394.4 million , after-tax environmental expense provisions of $126.1 million , after-tax California litigation expense of $102.5 million and after-tax pension settlement expense of $28.3 million . 2017 includes a one-time income tax benefit of $668.8 million from Deferred income tax reductions (see Note 15) and after-tax acquisition related costs of $329.4 million . 2016 includes after-tax acquisition-related costs of $81.5 million .
(6) 2018 includes charges of $4.15 per share for acquisition-related costs, $1.32 per share for environmental expense provisions, $1.09 per share for California litigation expense and $0.30 per share for pension settlement expense. 2017 includes a one-time benefit of $7.04 per share from Deferred income tax reductions (see Note 15) and a charge of $3.47 per share for acquisition-related costs. 2016 includes a charge of $0.86 per share for acquisition-related costs.
(7) Based on net income and shareholders' equity at beginning of year.
(8) Based on cash dividends per common share and prior year's diluted net income per common share.
(9) Ratio of income before income taxes and interest expense to interest expense.
(10) Based on income from continuing operations before income taxes. 2017 excludes impact of one-time income tax benefit primarily related to Tax Cuts and Jobs Act.

SUMMARY

The Sherwin-Williams Company, founded in 1866, and its consolidated wholly owned subsidiaries (collectively, the Company) are engaged in the development, manufacture, distribution and sale of paint, coatings and related products to professional, industrial, commercial and retail customers primarily in North and South America with additional operations in the Caribbean region, Europe, Asia and Australia. On June 1, 2017, the Company completed the acquisition (Acquisition) of The Valspar Corporation (Valspar) (See Note 4) for a total purchase price of $8.939 billion , which significantly affected the existing business. As of the close of the Acquisition, our reporting segments changed to better reflect the operations of the combined companies. The Company is structured into three reportable segments – The Americas Group, Consumer Brands Group and Performance Coatings Group (collectively, the Reportable Segments) – and an Administrative Segment in the same way it is internally organized for assessing performance and making decisions regarding allocation of resources. See pages 8 through 15 of this report and Note 19 , on pages 75 through 77 of this report, for more information concerning the Reportable Segments.

The Company's financial condition, liquidity and cash flow continued to be strong in 2018 as net operating cash was a record $1.944 billion primarily due to improved operating results from all three Reportable Segments. Net working capital decreased $373.0 million at December 31, 2018 compared to 2017 due to a significant increase in other accruals included in current liabilities and a decrease in current assets. Cash and cash equivalents decreased $48.7 million , while Other accruals and the California litigation accrual increased $168.4 million and $136.3 million , respectively. On May 16, 2017, in order to fund the Acquisition, the Company issued $6.000 billion of senior notes in a public offering. In April 2016, the Company entered into agreements for a $7.300 billion Bridge Loan and a $2.000 billion Term Loan as committed financing for the Acquisition. On June 1, 2017, the Company terminated the agreement for the Bridge Loan and borrowed the full $2.000 billion on the Term Loan. The remaining balance of the Term Loan was paid off in 2018 and the agreement was terminated. The Company has been able to arrange sufficient short-term borrowing capacity at reasonable rates, and the Company continues to have sufficient total available borrowing capacity to fund its current operating needs. Net operating cash increased $59.7 million in 2018 to a cash source of $1.944 billion from a cash source of $1.884 billion in 2017 .

Strong net operating cash provided the funds necessary to invest in new stores and manufacturing and distribution facilities, return cash to shareholders through dividends and treasury stock purchases, and pay down debt.

A voluntary inventory accounting change was made in the fourth quarter of 2018 driven by the Company's integration activities that impacted the application of last-in, first-out (LIFO) accounting method (Inventory Accounting Change) (See Note 1). As a result of the Inventory Accounting Change in accordance with U.S. generally accepted accounting principles, a retrospective one-time adjustment was made to increase cost of goods sold $58.9 million and related income tax credit $14.6 million which decreased net income $44.3 million and diluted net income per share $.47 for the year ended December 31, 2017. Also, the Inventory Accounting Change increased acquisition-related costs and decreased previously reported segment profit for Performance Coatings and Consumer Brands Groups by $35.7 million and $23.2 million , respectively, for the year ended December 31, 2017. All impacted amounts have been adjusted in this report for the Inventory Accounting Change for the year ended December 31, 2017.

Consolidated net sales increased 17.0 percent in 2018 to $17.534 billion from $14.984 billion in 2017 . The increase was due primarily to incremental Valspar sales from the five months ended May 2018 (Incremental Valspar), higher paint sales volume in The Americas Group and selling price increases. Incremental Valspar sales increased net sales 12.4 percent for the year ended December 31, 2018 . As a result of the new revenue standard (ASC 606) adopted in the first quarter of 2018, certain advertising support that was previously classified as selling, general and administrative expenses is now classified as a reduction of revenue with no effect on net income. The new revenue standard decreased consolidated net sales less than one percent in 2018 . Consolidated gross profit as a percent of consolidated net sales decreased to 42.3 percent in 2018 compared to 44.8 percent in 2017 due primarily to the Acquisition and higher raw material costs, partially offset by price increases. Selling, general and administrative expenses (SG&A) increased $236.1 million in 2018 compared to 2017 and decreased as a percent of consolidated net sales to 28.7 percent in 2018 from 32.0 percent in 2017 primarily due to the impact from Valspar operations. Amortization expense increased $111.3 million to $318.1 million in 2018 versus 2017 due primarily to the Acquisition and related purchase accounting intangible amortization of twelve months in 2018 versus seven months in 2017. Other general expense-net increased $168.3 million in 2018 versus 2017 primarily due to a significant increase in environmental provisions.

Interest expense increased $103.3 million in 2018 versus 2017 primarily due to higher average annual debt levels related to the Acquisition. The California litigation expense recorded in 2018 was $136.3 million . The effective income tax rate for 2018 was 18.5 percent . Excluding the income tax benefit of $668.8 million from the Tax Cuts and Jobs Act of 2017 (Tax Act) and

subsidiary mergers (collectively, Deferred income tax reductions), the effective income tax rate for income from continuing operations was 25.1 percent for 2017 . See Note 15 on pages 71 through 73 for more information on Income taxes. The Company also recorded an income tax provision of $41.5 million in the second quarter of 2017 related to the divestiture of Valspar's North American industrial wood coatings business, which is reported as a discontinued operation and reduced diluted net income per share by $.44 per share. See Notes 1 and 15 for more information. Diluted net income per share for 2018 decreased to $11.67 per share from $18.20 per share for 2017 . Diluted net income per share in 2018 included per share charges for acquisition-related costs of $4.15 and other non-operating expenses totaling $2.71 . Other non-operating expenses included environmental provisions of $1.32 , California litigation of $1.09 and pension plan settlement expense of $.30 per share. Currency translation rate changes decreased diluted net income per share in the year by $.21 per share. Diluted net income per share in 2017 included a one-time benefit of $7.04 per share from Deferred income tax reductions, a one-time charge of $.44 per share for discontinued operations and a charge of $3.47 per share for acquisition-related costs.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation and fair presentation of the consolidated financial statements, accompanying notes and related financial information included in this report are the responsibility of management. The consolidated financial statements, accompanying notes and related financial information included in this report have been prepared in accordance with U.S. generally accepted accounting principles. The consolidated financial statements contain certain amounts that were based upon management's best estimates, judgments and assumptions that were believed to be reasonable under the circumstances. Management considered the impact of the uncertain economic environment and utilized certain outside sources of economic information when developing the basis for their estimates and assumptions. The impact of the global economic conditions on the estimates and assumptions used by management was believed to be reasonable under the circumstances. Management used assumptions based on historical results, considering the current economic trends, and other assumptions to form the basis for determining appropriate carrying values of assets and liabilities that were not readily available from other sources. Actual results could differ from those estimates. Also, materially different amounts may result under materially different conditions, materially different economic trends or from using materially different assumptions. However, management believes that any materially different amounts resulting from materially different conditions or material changes in facts or circumstances are unlikely to significantly impact the current valuation of assets and liabilities that were not readily available from other sources.

All of the significant accounting policies that were followed in the preparation of the consolidated financial statements are disclosed in Note 1 , on pages 45 through 49 , of this report. The following procedures and assumptions utilized by management directly impacted many of the reported amounts in the consolidated financial statements.

Non-Traded Investments

The Company has investments in the U.S. affordable housing and historic renovation real estate markets and certain other investments that have been identified as variable interest entities. The Company does not have the power to direct the day-to-day operations of the investments and the risk of loss is limited to the amount of contributed capital, and therefore, the Company is not considered the primary beneficiary. In accordance with the Consolidation Topic of the ASC, the investments are not consolidated. For affordable housing investments entered into prior to the January 1, 2015 adoption of ASU No. 2014-01, the Company uses the effective yield method to determine the carrying value of the investments. Under the effective yield method, the initial cost of the investments is amortized to income tax expense over the period that the tax credits are recognized. For affordable housing investments entered into on or after the January 1, 2015 adoption of ASU No. 2014-01, the Company uses the proportional amortization method. Under the proportional amortization method, the initial cost of the investments is amortized to income tax expense in proportion to the tax credits and other tax benefits received. The Company has no ongoing capital commitments, loan requirements or guarantees with the general partners that would require any future cash contributions other than the contractually committed capital contributions that are disclosed in the contractual obligations table on page 28 of this report. See Note 1 , on page 45 of this report, for more information on non-traded investments.

Accounts Receivable

Accounts receivable were recorded at the time of credit sales net of provisions for sales returns and allowances. All provisions for allowances for doubtful collection of accounts are included in Selling, general and administrative expenses and were based on management's best judgment and assessment, including an analysis of historical bad debts, a review of the aging of Accounts receivable and a review of the current creditworthiness of customers. Management recorded allowances for such accounts which were believed to be uncollectible, including amounts for the resolution of potential credit and other collection issues such as disputed invoices, customer satisfaction claims and pricing discrepancies.

However, depending on how such potential issues are resolved, or if the financial condition of any of the Company's customers were to deteriorate and their ability to make required payments became impaired, increases in these allowances may be required. At December 31, 2018 , no individual customer constituted more than 5 percent of Accounts receivable.

Inventories

Inventories were stated at the lower of cost or market with cost determined principally on the LIFO method based on inventory quantities and costs determined during the fourth quarter. Inventory quantities were adjusted during the fourth quarter as a result of annual physical inventory counts taken at all locations. If inventories accounted for on the LIFO method are reduced on a year-over-year basis, then liquidation of certain quantities carried at costs prevailing in prior years occurs. Management recorded the best estimate of net realizable value for obsolete and discontinued inventories based on historical experience and current trends through reductions to inventory cost by recording a provision included in Cost of goods sold. Where management estimated that the reasonable market value was below cost or determined that future demand was lower than current inventory levels, based on historical experience, current and projected market demand, current and projected volume trends and other relevant current and projected factors associated with the current economic conditions, a reduction in inventory cost to estimated net realizable value was made. See Note 3 , on page 51 of this report, for more information regarding the impact of the LIFO inventory valuation.

Purchase Accounting, Goodwill and Intangible Assets

In accordance with the Business Combinations Topic of the ASC, the Company used the purchase method of accounting to allocate costs of acquired businesses to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The excess costs of acquired businesses over the fair values of the assets acquired and liabilities assumed were recognized as Goodwill. The valuations of the acquired assets and liabilities will impact the determination of future operating results. In addition to using management estimates and negotiated amounts, the Company used a variety of information sources to determine the estimated fair values of acquired assets and liabilities including: third-party appraisals for the estimated value and lives of identifiable intangible assets and property, plant and equipment; third-party actuaries for the estimated obligations of defined benefit pension plans and similar benefit obligations; and legal counsel or other experts to assess the obligations associated with legal, environmental and other contingent liabilities. The business and technical judgment of management was used in determining which intangible assets have indefinite lives and in determining the useful lives of finite-lived intangible assets in accordance with the Goodwill and Other Intangibles Topic of the ASC.

As required by the Goodwill and Other Intangibles Topic of the ASC, management performs impairment tests of goodwill and indefinite-lived intangible assets on an annual basis, as well as whenever an event occurs or circumstances change that indicate impairment has more likely than not occurred. An optional qualitative assessment allows companies to skip the annual quantitative test if it is not more likely than not that impairment has occurred based on monitoring key Company financial performance metrics and macroeconomic conditions. The qualitative assessment is performed when deemed appropriate.

In accordance with the Goodwill and Other Intangibles Topic of the ASC, management tests goodwill for impairment at the reporting unit level. A reporting unit is an operating segment per the Segment Reporting Topic of the ASC or one level below the operating segment (component level) as determined by the availability of discrete financial information that is regularly reviewed by operating segment management or an aggregate of component levels of an operating segment having similar economic characteristics. At the time of goodwill impairment testing (if performing a quantitative assessment), management determines fair value through the use of a discounted cash flow valuation model incorporating discount rates commensurate with the risks involved for each reporting unit. If the calculated fair value is less than the current carrying value, then impairment of the reporting unit exists. The use of a discounted cash flow valuation model to determine estimated fair value is common practice in impairment testing. The key assumptions used in the discounted cash flow valuation model for impairment testing include discount rates, growth rates, cash flow projections and terminal value rates. Discount rates are set by using the Weighted Average Cost of Capital ("WACC") methodology. The WACC methodology considers market and industry data as well as Company-specific risk factors for each reporting unit in determining the appropriate discount rates to be used. The discount rate utilized for each reporting unit is indicative of the return an investor would expect to receive for investing in such a business. Operational management, considering industry and Company-specific historical and projected data, develops growth rates, sales projections and cash flow projections for each reporting unit. Terminal value rate determination follows common methodology of capturing the present value of perpetual cash flow estimates beyond the last projected period assuming a constant WACC and low long-term growth rates. As an indicator that each reporting unit has been valued appropriately through the use of the discounted cash flow valuation model, the aggregate of all reporting units' fair value is reconciled to the total market capitalization of the Company.

The Company had six components, some of which are aggregated due to similar economic characteristics, to form three reporting units (also the operating segments) with goodwill as of October 1, 2018 , the date of the annual impairment test. The annual impairment review performed as of October 1, 2018 did not result in any of the reporting units having impairment or deemed at risk for impairment.

In accordance with the Goodwill and Other Intangibles Topic of the ASC, management tests indefinite-lived intangible assets for impairment at the asset level, as determined by appropriate asset valuations at acquisition. Management utilizes the royalty savings method and valuation model to determine the estimated fair value for each indefinite-lived intangible asset or trademark. In this method, management estimates the royalty savings arising from the ownership of the intangible asset. The key assumptions used in estimating the royalty savings for impairment testing include discount rates, royalty rates, growth rates, sales projections and terminal value rates. Discount rates used are similar to the rates developed by the WACC methodology considering any differences in Company-specific risk factors between reporting units and trademarks. Royalty rates are established by management and valuation experts and periodically substantiated by valuation experts. Operational management, considering industry and Company-specific historical and projected data, develops growth rates and sales projections for each significant trademark. Terminal value rate determination follows common methodology of capturing the present value of perpetual sales estimates beyond the last projected period assuming a constant WACC and low long-term growth rates. The royalty savings valuation methodology and calculations used in 2018 impairment testing are consistent with prior years. The annual impairment review performed as of October 1, 2018 did not result in an impairment.

The discounted cash flow and royalty savings valuation methodologies require management to make certain assumptions based upon information available at the time the valuations are performed. Actual results could differ from these assumptions. Management believes the assumptions used are reflective of what a market participant would have used in calculating fair value considering the current economic conditions. See Note 5 , on pages 52 through 53 of this report, for a discussion of goodwill and intangible assets and the impairment tests performed in accordance with the Goodwill and Other Intangibles Topic of the ASC.

Property, Plant and Equipment and Impairment of Long-Lived Assets

Property, plant and equipment was stated on the basis of cost and depreciated principally on a straight-line basis using industry standards and historical experience to estimate useful lives. In accordance with the Property, Plant and Equipment Topic of the ASC, if events or changes in circumstances indicated that the carrying value of long-lived assets may not be recoverable or the useful life had changed, impairment tests were performed or the useful life was adjusted. Undiscounted future cash flows were used to calculate the recoverable value of long-lived assets to determine if such assets were impaired. Where impairment was identified, management determined fair values under the Fair Value Topic of the ASC. If the usefulness of an asset was determined to be impaired, then management estimated a new useful life based on the period of time for projected uses of the asset. Fair value approaches and changes in useful life required management to make certain assumptions based upon information available at the time the valuation or determination was performed. Actual results could differ from these assumptions. Management believes the assumptions used are reflective of what a market participant would have used in calculating fair value or useful life considering the current economic conditions. All tested long-lived assets or groups of long-lived assets had undiscounted cash flows that were substantially in excess of their carrying value. See Notes 5 and 6 , on pages 52 through 55 of this report, for a discussion of the reductions in carrying value or useful life of long-lived assets in accordance with the Property, Plant and Equipment Topic of the ASC.

Exit or Disposal Activities

Management is continually re-evaluating the Company's operating facilities against its long-term strategic goals. Liabilities associated with exit or disposal activities are recognized as incurred in accordance with the Exit or Disposal Cost Obligations Topic of the ASC and property, plant and equipment is tested for impairment in accordance with the Property, Plant and Equipment Topic of the ASC. Provisions for qualified exit costs are made at the time a facility is no longer operational, include amounts estimated by management and primarily include post-closure rent expenses or costs to terminate the contract before the end of its term and costs of employee terminations. Adjustments may be made to liabilities accrued for qualified exit costs if information becomes available

upon which more accurate amounts can be reasonably estimated. If impairment of property, plant and equipment exists, then the carrying value is reduced to fair value estimated by management. Additional impairment may be recorded for subsequent revisions in estimated fair value. See Note 6 , on pages 53 through 55 of this report, for information concerning impairment of property, plant and equipment and accrued qualified exit costs.

Other Liabilities

The Company retains risk for certain liabilities, primarily worker's compensation claims, employee medical benefits, and automobile, property, general and product liability claims. Estimated amounts were accrued for certain worker's compensation, employee medical and disability benefits, automobile and property claims filed but unsettled and estimated claims incurred but not reported based upon management's estimated aggregate liability for claims incurred using historical experience, actuarial assumptions followed in the insurance industry and actuarially-developed models for estimating certain liabilities. Certain estimated general and product liability claims filed but unsettled were accrued based on management's best estimate of ultimate settlement or actuarial calculations of potential liability using industry experience and actuarial assumptions developed for similar types of claims.

Defined Benefit Pension and Other Postretirement Benefit Plans

To determine the Company's ultimate obligation under its defined benefit pension plans and postretirement benefit plans other than pensions, management must estimate the future cost of benefits and attribute that cost to the time period during which each covered employee works. To determine the obligations of such benefit plans, management uses actuaries to calculate such amounts using key assumptions such as discount rates, inflation, long-term investment returns, mortality, employee turnover, rate of compensation increases and medical and prescription drug costs. Management reviews all of these assumptions on an ongoing basis to ensure that the most current information available is being considered. An increase or decrease in the assumptions or economic events outside management's control could have a direct impact on the Company's results of operations or financial condition.

In accordance with the Retirement Benefits Topic of the ASC, the Company recognizes each plan's funded status as an asset for overfunded plans and as a liability for unfunded or underfunded plans. Actuarial gains and losses and prior service costs are recognized and recorded in Cumulative other comprehensive loss, a component of Shareholders' equity. The amounts recorded in Cumulative other comprehensive loss will continue to be modified as actuarial assumptions and service costs change, and all such amounts will be amortized to expense over a period of years through the net pension and net periodic benefit costs.

Pension costs for 2019 are expected to decrease significantly due to pension settlement lump sum activity in 2018 and annuity contract purchases planned for 2019. The annuity contract purchases in 2019 are expected to result in a settlement charge of approximately $30 million to $40 million in the first quarter of 2019. The Company will use any remaining overfunded cash surplus balances to fund future company contributions to a replacement defined contribution plan. Postretirement benefit plan costs for 2019 are expected to be approximately the same as 2018 due to similar actuarial assumptions being applied. See Note 7 , on pages 55 through 60 of this report, for information concerning the Company's defined benefit pension plans and postretirement benefit plans other than pensions.

Debt

The fair values of the Company's publicly traded long-term debt were based on quoted market prices. The fair values of the Company's non-traded long-term debt were estimated using discounted cash flow analyses, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. See Note 1 , on page 45 of this report, for the carrying amounts and fair values of the Company's long-term debt, and Note 8 , on pages 61 through 62 of this report, for a description of the Company's long-term debt arrangements.

Environmental Matters

The Company is involved with environmental investigation and remediation activities at some of its currently and formerly owned sites and at a number of third-party sites. The Company accrues for environmental-related activities for which commitments or clean-up plans have been developed and for which costs can be reasonably estimated based on industry standards and professional judgment. All accrued amounts were recorded on an undiscounted basis. Environmental-related expenses included direct costs of investigation and remediation and indirect costs such as compensation and benefits for employees directly involved in the investigation and remediation activities and fees paid to outside engineering, actuarial, consulting and law firms. Due to uncertainties surrounding environmental investigations and remediation activities, the Company's ultimate liability may result in costs that are significantly higher than currently accrued. See page 28 and Note 9 , on pages 62 through 63 of this report, for information concerning the accrual for extended environmental-related activities and a discussion concerning unaccrued future loss contingencies.

Litigation and Other Contingent Liabilities

In the course of its business, the Company is subject to a variety of claims and lawsuits, including, but not limited to, litigation relating to product liability and warranty, personal injury, environmental, intellectual property, commercial, contractual and antitrust claims. Management believes that the Company has properly accrued for all known liabilities that existed and those where a loss was deemed probable for which a fair value was available or an amount could be reasonably estimated in accordance with all present U.S. generally accepted accounting principles. However, because litigation is inherently subject to many uncertainties and the ultimate result of any present or future litigation is unpredictable, the Company's ultimate liability may result in costs that are significantly higher than currently accrued. In the event that the Company's loss contingency is ultimately determined to be significantly higher than currently accrued, the recording of the liability may result in a material impact on net income for the annual or interim period during which such liability is accrued. Additionally, due to the uncertainties involved, any potential liability determined to be attributable to the Company arising out of such litigation may have a material adverse effect on the Company's results of operations, liquidity or financial condition. See Note 10 on pages 63 through 67 of this report for information concerning litigation.

Income Taxes

The Company estimated income taxes in each jurisdiction that it operated. This involved estimating taxable earnings, specific taxable and deductible items, the likelihood of generating sufficient future taxable income to utilize deferred tax assets and possible exposures related to future tax audits. To the extent these estimates change, adjustments to deferred and accrued income taxes will be made in the period in which the changes occur.

On December 22, 2017, the Tax Act was enacted. The Tax Act significantly revised the U.S. corporate income tax system by, among other things, lowering corporate income tax rates from 35% to 21% , implementing a territorial tax system and imposing a repatriation tax on deemed repatriated earnings of foreign subsidiaries. Staff Accounting Bulletin (SAB) No. 118 provides a measurement period that should not extend beyond one year from the enactment date for companies to complete the accounting under the Tax Act. In accordance with SAB No. 118, based on the information available as of December 31, 2018 , the Company recorded provisional decreases in deferred tax liabilities which increased earnings for the year ended December 31, 2017. The majority of this benefit was driven by the effects of the implementation of the territorial tax system and the remeasurement of U.S. deferred tax liabilities on unremitted foreign earnings.

During the second quarter of 2018, the Company made purchase accounting adjustments related to the Acquisition which resulted in the reversal of income tax benefits related to the remeasurement of U.S. deferred tax liabilities. No other material adjustments were made under SAB No. 118 for the 2018 tax year. The Company has completed its analysis of the Tax Act in the fourth quarter and the accounting under the Tax Act has been finalized. See Note 15 , on pages 71 through 73 of this report, for more information.

Stock-Based Compensation

The cost of the Company's stock-based compensation is recorded in accordance with the Stock Compensation Topic of the ASC. The Company estimates the fair value of option rights using a Black-Scholes-Merton option pricing model which requires management to make estimates for certain assumptions. Management and a consultant continuously review the following significant assumptions: risk-free interest rate, expected life of options, expected volatility of stock and expected dividend yield of stock. An increase or decrease in the assumptions or economic events outside management's control could have a direct impact on the Company's results of operations. See Note 13 , on pages 68 and 70 of this report, for more information on stock-based compensation.

Revenue Recognition

The Company's revenue was primarily generated from the sale of products. All sales of products were recognized when shipped and title passed to unaffiliated customers. Collectibility of amounts recorded as revenue is probable at time of sale. Discounts were recorded as a reduction to sales in the same period as the sale resulting in an appropriate net sales amount for the period. Standard sales terms are final and returns or exchanges are not permitted unless expressly stated. Estimated provisions for returns or exchanges, recorded as a reduction resulting in net sales, were established in cases where the right of return existed. The Company offered a variety of programs, primarily to its retail customers, designed to promote sales of its products. Such programs required periodic payments and allowances based on estimated results of specific programs and were recorded as a reduction resulting in net sales. The Company accrued the estimated total payments and allowances associated with each transaction at the time of sale. Additionally, the Company offered programs directly to consumers to promote the sale of its products. Promotions that reduced the ultimate consumer sale prices were recorded as a reduction resulting in net sales at the time the promotional offer was made, generally using estimated redemption and participation levels. The Company continually assesses the adequacy of accruals for customer and consumer promotional program costs earned but not yet paid. To the extent total program payments differ from

estimates, adjustments may be necessary. Historically, these total program payments and adjustments have not been material. See Note 2 on page 49 for information on the new revenue standard.

FINANCIAL CONDITION, LIQUIDITY AND CASH FLOW

Overview

On June 1, 2017, the Company completed the Acquisition for a total purchase price of $8.939 billion . On May 16, 2017, the Company issued $6.000 billion of senior notes (New Notes) in a public offering. The net proceeds from the issuance of the New Notes were used to fund the Acquisition. In April 2016, the Company entered into a $7.300 billion bridge credit agreement (Bridge Loan) and a $2.000 billion term loan credit agreement (Term Loan) as committed financing for the Acquisition. On June 1, 2017, the Company terminated the agreement for the Bridge Loan and borrowed the full $2.000 billion on the Term Loan. The Company continues to maintain sufficient short-term borrowing capacity at reasonable rates, and the Company has sufficient cash on hand and total available borrowing capacity to fund its current operating needs.

The Acquisition significantly affected the Company's financial condition, liquidity and cash flow. See Note 4 for a table detailing the final opening balance sheet. Net working capital decreased $373.0 million at December 31, 2018 compared to 2017 due to a significant increase in other accruals included in current liabilities and a decrease in current assets. Total debt at December 31, 2018 decreased $1.177 billion to $9.344 billion from $10.521 billion at December 31, 2017 and decreased as a percentage of total capitalization to 71.5 percent from 74.3 percent the prior year. At December 31, 2018 , the Company had remaining short-term borrowing ability of $3.209 billion .

Net operating cash increased $59.7 million in 2018 to a cash source of $1.944 billion from a cash source of $1.884 billion in 2017 due primarily to increased cash generated by changes in working capital and favorable changes in non-cash items when compared to 2017, partially offset by a reduction in net income of $619.2 million . Net operating cash decreased as a percent to sales to 11.1 percent in 2018 compared to 12.6 percent in 2017 . During 2018 , strong net operating cash continued to provide the funds necessary to pay down total net debt, invest in new stores and manufacturing and distribution facilities, and return cash to shareholders through treasury stock purchases and dividends paid. In 2018 , the Company used a portion of Net operating cash and Cash and cash equivalents to pay down total net debt $1.154 billion , purchase $613.3 million in treasury stock, spend $251.0 million in capital additions and improvements and pay $322.9 million in cash dividends to its shareholders of stock.

Net Working Capital

Total current assets less Total current liabilities (net working capital) decreased $373.0 million to a surplus of $46.7 million at December 31, 2018 from a surplus of $419.8 million at December 31, 2017 . The net working capital decrease is due to a significant increase in other accruals included in current liabilities and a decrease in current assets. Accounts payable increased $7.9 million and other accruals increased $168.4 million both due to timing of payments. The California litigation accrual of $136.3 million was recorded in 2018. Cash and cash equivalents decreased $48.7 million and Short-term borrowings decreased $305.3 million resulting from the 1.35% senior notes becoming due in 2019 while the current portion of long-term debt increased $306.0 million . Accounts receivable decreased $85.8 million and inventories increased $72.8 million primarily due to increased cost. As a result of the net effect of these changes, the Company's current ratio decreased to 1.01 at December 31, 2018 from 1.11 at December 31, 2017 . Accounts receivable as a percent of Net sales decreased to 11.5 percent in 2018 from 14.0 percent in 2017 . Accounts receivable days outstanding remained unchanged at 61 days in 2018 and 2017 . In 2018 , provisions for allowance for doubtful collection of accounts decreased $7.1 million , or 13.4 percent . Inventories as a percent of Net sales decreased to 10.4 percent in 2018 from 11.6 percent in 2017 primarily due to tighter inventory management. Inventory days outstanding increased to 81 days in 2018 versus 78 days in 2017 . The Company has sufficient total available borrowing capacity to fund its current operating needs.

Goodwill and Intangible Assets

Goodwill, which represents the excess of cost over the fair value of net assets acquired in purchase business combinations, increased $142.4 million in 2018 due to final purchase accounting measurement period adjustments for the Acquisition of $213.6 million partially offset by foreign currency translation rate fluctuations of $71.2 million . Intangible assets decreased $800.8 million in 2018 primarily due to final purchase accounting measurement period adjustments for the Acquisition of $310.5 million , amortization of finite-lived intangible assets of $318.1 million and foreign currency translation rate fluctuations of $173.4 million . Acquired finite-lived intangible assets included customer relationships and intellectual property. Costs related to designing, developing, obtaining and implementing internal use software are capitalized and amortized in accordance with the Goodwill and Other Intangibles Topic of the ASC. See Note 5 , on pages 52 through 53 of this report, for a description of goodwill, identifiable intangible assets and asset impairments recorded in accordance with the Goodwill and Other Intangibles Topic of the ASC and summaries of the remaining carrying values of goodwill and intangible assets.

Deferred Pension and Other Assets

Deferred pension assets of $270.7 million at December 31, 2018 represent the excess of the fair value of assets over the actuarially determined projected benefit obligations, primarily of the domestic salaried defined benefit pension plan. The decrease in Deferred pension assets during 2018 of $26.1 million from $296.7 million last year was primarily due to actual returns on plan assets being lower than expected returns. In accordance with the accounting prescribed by the Retirement Benefits Topic of the ASC, the decrease in the value of the Deferred pension assets is offset in Cumulative other comprehensive loss and is amortized as a component of Net pension costs over a defined period of pension service. See Note 7 , on pages 55 through 60 of this report, for more information concerning the excess fair value of assets over projected benefit obligations of the salaried defined benefit pension plan and the amortization of actuarial gains or losses relating to changes in the excess assets and other actuarial assumptions.

Other assets increased $82.0 million to $584.0 million at December 31, 2018 due primarily to increases in customer contract assets.

Property, Plant and Equipment

Net property, plant and equipment decreased $100.3 million to $1.777 billion at December 31, 2018 due primarily to depreciation expense of $278.2 million and sale or disposition of assets with remaining net book value of $99.0 million partially offset by capital expenditures of $251.0 million , and currency translation and other adjustments of $25.9 million . Capital expenditures during 2018 in The Americas Group were primarily attributable to the opening of new paint stores and renovation and improvements in existing stores. In the Consumer Brands Group, capital expenditures during 2018 were primarily attributable to improvements and normal equipment replacements in manufacturing and distribution facilities. Capital expenditures in the Performance Coatings Group were primarily attributable to improvements in existing manufacturing and distribution facilities. The Administrative Segment incurred capital expenditures primarily for information systems hardware. In 2019 , the Company expects to spend more than 2018 for capital expenditures. The predominant share of the capital expenditures in 2019 is expected to be for various productivity improvement and maintenance projects at existing manufacturing, distribution and research and development facilities, new store openings and new or upgraded information systems hardware. The Company does not anticipate the need for any specific long-term external financing to support these capital expenditures.

Debt

On June 2, 2017, the Company closed its previously announced exchange offers and consent solicitations (Exchange Offer) for the outstanding senior notes of Valspar. Pursuant to the Exchange Offer, the Company issued an aggregate principal amount of approximately $1.478 billion (Exchange Notes). On May 16, 2017, the Company issued $6.0 billion of New Notes in a public offering. The net proceeds from the issuance of the New Notes were used to fund the Acquisition. The interest rate locks entered into during 2016 settled in March 2017 resulting in a pretax gain of $87.6 million recognized in Cumulative other comprehensive other loss. This gain is being amortized from Cumulative other comprehensive loss to a reduction of interest expense over the terms of the New Notes. For 2018 , the amortization of the unrealized gain reduced interest expense by $8.3 million .

In April 2016, the Company entered into a $7.3 billion Bridge Loan and a $2.0 billion Term Loan as committed financing for the Acquisition, as disclosed in Note 4 . On June 1, 2017, the Company terminated the agreement for the Bridge Loan and borrowed the full $2.0 billion on the Term Loan. As of December 31, 2018 , the Term Loan had no outstanding principal balance and the agreement was terminated.

In August 2017, the Company entered into a floating rate loan of €225.0 million and a fixed rate loan of €20.0 million . The floating rate loan agreement bears interest at the six-month Euro Interbank Offered Rate plus a margin. The fixed rate loan bears interest at 0.92% . The proceeds will be used for general corporate purposes, including repaying a portion of outstanding short-term borrowings. The loans mature on August 23, 2021.

On July 19, 2018, the Company and three of its wholly-owned subsidiaries, Sherwin-Williams Canada, Inc., Sherwin-Williams Luxembourg S.à r.l and Sherwin-Williams UK Holding Limited (all together with the Company, the Borrowers), entered into a new five -year $2.000 billion credit agreement (New Credit Agreement). The New Credit Agreement may be used for general corporate purposes, including the financing of working capital requirements. The New Credit Agreement replaced a credit agreement dated July 16, 2015, as amended, which was terminated. The New Credit Agreement allows the Company to extend the maturity of the facility with two one-year extension options and the Borrowers to increase the aggregate amount of the facility to $2.750 billion , both of which are subject to the discretion of each lender. In addition, the Borrowers may request letters of credit in an amount of up to $250.0 million . At December 31, 2018 , there were no short-term borrowings under the New Credit Agreement. Borrowings outstanding under various other foreign programs were $37.0 million at December 31, 2018 with a weighted average interest rate of 9.3% .

In September 2017, the Company entered into a five -year letter of credit agreement, subsequently amended on multiple dates, with an aggregate availability of $625.0 million at December 31, 2018 . On May 6, 2016, the Company entered into a five -year credit agreement, subsequently amended on multiple dates. This credit agreement gives the Company the right to borrow and to obtain the issuance, renewal, extension and increase of a letter of credit up to an aggregate availability of $875.0 million at December 31, 2018 . Both of these credit agreements are being used for general corporate purposes. At December 31, 2018 , there were no borrowings outstanding under these credit agreements. There were $350.0 million borrowings outstanding at December 31, 2017 and no borrowings outstanding at December 31, 2016 . There were $291.4 million borrowings outstanding under the Company's domestic commercial paper program at December 31, 2018 . There were $274.8 million borrowings outstanding at December 31, 2017 and no borrowings outstanding at December 31, 2016 . See Note 8 , on pages 61 through 62 of this report, for a detailed description of the Company's debt outstanding and other available financing programs.

Defined Benefit Pension and Other Postretirement Benefit Plans

The Company's domestic defined benefit pension plan for salaried employees was terminated during 2018 and the participants were moved to a replacement defined contribution plan. The Company is in the process of settling the liabilities of the terminated plan through a combination of (i) lump sum payments to eligible participants who elected to receive them and (ii) the purchase of annuity contracts for participants who either did not elect lump sums or were already receiving benefit payments. The lump sum payments were paid in December 2018 and resulted in a settlement charge of $37.6 million in 2018. The annuity contract purchases in 2019 are expected to result in a settlement charge of approximately $30 million to $40 million in the first quarter of 2019. The Company will use any remaining overfunded cash surplus balances to fund future company contributions to a replacement defined contribution plan. The Company's domestic defined benefit pension plan for hourly employees continues to operate.

In accordance with the accounting prescribed by the Retirement Benefits Topic of the ASC, the Company's total liability for unfunded or underfunded defined benefit pension plans decreased $13.2 million to $80.7 million primarily due to changes in the actuarial assumptions. Postretirement benefits other than pensions decreased $16.2 million to $274.6 million at December 31, 2018 due primarily to changes in the actuarial assumptions.

The assumed discount rate used to determine the projected benefit obligation for domestic defined benefit pension plans was 3.6 percent at December 31, 2018 and 2017. The assumed discount rate used to determine the projected benefit obligation for foreign defined benefit pension plans increased to 3.0 percent at December 31, 2018 from 2.73 percent at December 31, 2017 primarily due to higher interest rates. The assumed discount rate used to determine the projected benefit obligation for other postretirement benefit obligations increased to 4.2 percent at December 31, 2018 from 3.6 percent at December 31, 2017 for the same reason. The rate of compensation increases used to determine the projected benefit obligations at December 31, 2018 was 3.2 percent for domestic pension plans and 3.7 percent for foreign pension plans, which was comparable to the rates used in the prior year. In deciding on the rate of compensation increases, management considered historical Company increases as well as expectations for future increases. The expected long-term rate of return on assets remained 5.0 percent at December 31, 2018 for domestic pension plans and was slightly lower for most foreign plans. In establishing the expected long-term rate of return on plan assets for 2018 , management considered the historical rates of return, the nature of investments and an expectation for future investment strategies. The assumed health care cost trend rates used to determine the net periodic benefit cost of postretirement benefits other than pensions for 2018 were 5.0 percent and 11.0 percent , respectively, for medical and prescription drug cost increases, both decreasing gradually to 4.5 percent in 2026 . In developing the assumed health care cost trend rates, management considered industry data, historical Company experience and expectations for future health care costs.

For 2019 Net pension cost for the ongoing domestic pension plan, the Company will use a discount rate of 4.4 percent , an expected long-term rate of return on assets of 5.0 percent and a rate of compensation increase of 3.2 percent . Lower discount rates and expected long-term rates of return on plan assets will be used for most foreign plans. For 2019 Net periodic benefit costs for postretirement benefits other than pensions, the Company will use a discount rate of 4.2 percent . Net pension cost in 2019 for the ongoing domestic pension plan is expected to be approximately $4.6 million . Net periodic benefit costs for postretirement benefits other than pensions in 2019 is expected to be comparable to 2018 expense. See Note 7 , on pages 55 through 60 of this report, for more information on the Company's obligations and funded status of its defined benefit pension plans and postretirement benefits other than pensions.

Deferred Income Taxes

Deferred income taxes at December 31, 2018 decreased $288.7 million from a year ago primarily due to the final purchase accounting measurement period adjustments for the Acquisition and the impact of amortization of intangible assets and reversal of the associated deferred tax liabilities. See Note 4 on page 51 and Note 15 on pages 71 through 73 of this report for more information.

Other Long-Term Liabilities

Other long-term liabilities increased $324.8 million during 2018 due primarily to net increases of $142.9 million in environmental-related long-term liabilities and a liability of $225.3 million incurred in 2018 resulting from real estate financing lease transactions, partially offset by decreases in other long-term liabilities. See Note 9 , on pages 62 through 63 of this report, for further information on Operating Leases.

Environmental-Related Liabilities

The operations of the Company, like those of other companies in the same industry, are subject to various federal, state and local environmental laws and regulations. These laws and regulations not only govern current operations and products, but also impose potential liability on the Company for past operations. Management expects environmental laws and regulations to impose increasingly stringent requirements upon the Company and the industry in the future. Management believes that the Company conducts its operations in compliance with applicable environmental laws and regulations and has implemented various programs designed to protect the environment and promote continued compliance.

Depreciation of capital expenditures and other expenses related to ongoing environmental compliance measures were included in the normal operating expenses of conducting business. The Company's capital expenditures, depreciation and other expenses related to ongoing environmental compliance measures were not material to the Company's financial condition, liquidity, cash flow or results of operations during 2018 . Management does not expect that such capital expenditures, depreciation and other expenses will be material to the Company's financial condition, liquidity, cash flow or results of operations in 2019 . See Note 9 , on pages 62 through 63 of this report, for further information on environmental-related long-term liabilities.

Contractual Obligations and Commercial Commitments

The Company has certain obligations and commitments to make future payments under contractual obligations and commercial commitments. The following tables summarize such obligations and commitments as of December 31, 2018 .

(thousands of dollars)	Payments Due by Period				
Contractual Obligations	Total	Less than 1 Year	1–3 Years	3–5 Years	More than 5 Years
Long-term debt	$ 9,056,373	$ 301,149	$ 1,781,380	$ 1,650,540	$ 5,323,304
Interest on Long-term debt	3,796,353	308,057	542,939	445,129	2,500,228
Operating leases	1,906,527	412,211	676,564	425,329	392,423
Short-term borrowings	328,403	328,403			
California litigation accrual	136,333	136,333			
Real estate financing transactions	225,914	13,516	27,033	27,958	157,407
Purchase obligations [1]	77,758	77,758			
Other contractual obligations [2]	285,123	190,884	62,472	19,149	12,618
Total contractual cash obligations	$ 15,812,784	$ 1,768,311	$ 3,090,388	$ 2,568,105	$ 8,385,980

(1) Relate to open purchase orders for raw materials at December 31, 2018 .
(2) Relate primarily to estimated future capital contributions to investments in the U.S. affordable housing and historic renovation real estate partnerships and various other contractual obligations.

	Amount of Commitment Expiration Per Period				
Commercial Commitments	Total	Less than 1 Year	1–3 Years	3–5 Years	More than 5 Years
Standby letters of credit	$ 65,622	$ 65,622			
Surety bonds	86,429	86,429			
Total commercial commitments	$ 152,051	$ 152,051	$ —	$ —	$ —

Warranties

The Company offers product warranties for certain products. The specific terms and conditions of such warranties vary depending on the product or customer contract requirements. Management estimated the costs of unsettled product warranty claims based on historical results and experience and included an amount in Other accruals. Management periodically assesses the adequacy of the accrual for product warranty claims and adjusts the accrual as necessary. Changes in the Company's accrual for product warranty claims during 2018 , 2017 and 2016 , including customer satisfaction settlements during the year, were as follows:

	2018	2017	2016
Balance at January 1	$ 151,425	$ 34,419	$ 31,878
Charges to expense	31,706	39,707	38,954
Settlements	(57,843)	(53,143)	(36,413)
Acquisition, divestiture and other adjustments	(68,221)	130,442	
Balance at December 31	$ 57,067	$ 151,425	$ 34,419

Warranty accruals acquired in connection with the Acquisition include warranties for certain products under extended furniture protection plans. The furniture protection plan business was divested during 2018 for an immaterial amount that approximated net book value.

Shareholders' Equity

Shareholders' equity increased $82.9 million to $3.731 billion at December 31, 2018 from $3.648 billion last year primarily due to an increase in retained earnings of $788.1 million and an increase in Other capital of $173.3 million , partially offset by purchase of Treasury stock and Treasury stock received from stock option exercises totaling $634.3 million and an increase in Cumulative other comprehensive loss of $245.1 million . Retained earnings increased $788.1 million during 2018 due to net income of $1.109 billion partially offset by $322.9 million in cash dividends paid. The increase in Other capital of $173.3 million was due primarily to the recognition of stock-based compensation expense and stock option exercises. The increase in Cumulative other comprehensive loss of $245.1 million was due primarily to unfavorable foreign currency translation effects of $254.3 million and $6.2 million reduction in the unrealized gain on the interest rate locks, partially offset by $17.8 million in net actuarial loss and prior service costs of defined benefit pension and other postretirement benefit plans net of amortization.

The Company purchased 1.525 million shares of its common stock for treasury during 2018 . The Company acquires its common stock for general corporate purposes, and depending on its cash position and market conditions, it may acquire shares in the future. The Company had remaining authorization from its Board of Directors at December 31, 2018 to purchase 10.13 million shares of its common stock.

The Company's 2018 annual cash dividend of $3.44 per share represented 18.9 percent of 2017 diluted net income per share. The 2018 annual dividend represented the fortieth consecutive year of dividend payments since the dividend was suspended in 1978. At a meeting held on February 13, 2019 , the Board of Directors increased the quarterly cash dividend to $1.13 per share. This quarterly dividend, if approved in each of the remaining quarters of 2019 , would result in an annual dividend for 2019 of $4.52 per share or a 38.7 percent payout of 2018 diluted net income per share. See the Statements of Consolidated Shareholders' Equity, on page 44 of this report, and Notes 11 , 12 and 13 , on pages 67 through 70 of this report, for more information concerning Shareholders' equity.

Cash Flow

Net operating cash increased $59.7 million in 2018 to a cash source of $1.944 billion from a cash source of $1.884 billion in 2017 due primarily to increased cash generated by changes in working capital and favorable changes in non-cash items when compared to 2017, partially offset by a reduction in net income of $619.2 million . Net operating cash decreased as a percent to sales to 11.1 percent in 2018 compared to 12.6 percent in 2017 . During 2018 , strong net operating cash continued to provide the funds necessary to pay down total net debt, invest in new stores and manufacturing and distribution facilities, and return cash to shareholders through treasury stock purchases and dividends paid. Net investing cash usage decreased $8.796 billion to a usage of $251.6 million in 2018 from a usage of $9.047 billion in 2017 due primarily to cash paid for the Acquisition of $8.810 billion and decreases in cash used for other investments of $22.5 million , partially offset by increased capital expenditures of $28.2 million and decreased proceeds from sale of assets of $8.9 million . Net financing cash usage increased $8.261 billion to a usage of $1.747 billion in 2018 from a source of $6.514 billion in 2017 due primarily to decreased proceeds from long-term debt of $8.275 billion , decreased net short-term borrowings of $657.3 million , treasury stock purchases in 2018 of $613.3 million and decreased proceeds from stock options exercised of $52.8 million , partially offset by decreased payments of long-term debt of $1.000 billion and proceeds from real estate financing transactions in 2018 of $225.3 million . In 2018 , the Company used Net operating cash and Cash and cash equivalents on hand to spend $251.0 million in capital additions and improvements, make treasury stock purchases of $613.3 million , pay $322.9 million in cash dividends to its shareholders of common stock and pay down long-term debt $852.6 million and short-term borrowings $300.9 million .

Management considers a measurement of cash flow that is not in accordance with U.S. generally accepted accounting principles to be a useful tool in its determination of appropriate uses of the Company's Net operating cash. Management reduces Net operating cash, as shown in the Statements of Consolidated Cash Flows, by the amount reinvested in the business for Capital expenditures and the return of investment to its shareholders by

the payments of cash dividends. The resulting value is referred to by management as "Free Cash Flow" which may not be comparable to values considered by other entities using the same terminology. The reader is cautioned that the Free Cash Flow measure should not be compared to other entities unknowingly, and it does not consider certain non-discretionary cash flows, such as mandatory debt and interest payments. The amount shown below should not be considered an alternative to Net operating cash or other cash flow amounts provided in accordance with U.S. generally accepted accounting principles disclosed in the Statements of Consolidated Cash Flows, on page 43 of this report. Free Cash Flow as defined and used by management is determined as follows:

	Year Ended December 31,		
(thousands of dollars)	**2018**	2017	2016
Net operating cash	**$ 1,943,700**	$ 1,883,968	$ 1,308,572
Capital expenditures	**(250,957)**	(222,767)	(239,026)
Cash dividends	**(322,934)**	(319,029)	(312,082)
Free cash flow	**$ 1,369,809**	$ 1,342,172	$ 757,464

Litigation

See page 24 of this report and Note 10 on pages 63 through 67 for more information concerning litigation.

Market Risk

The Company is exposed to market risk associated with interest rate, foreign currency and commodity fluctuations. The Company occasionally utilizes derivative instruments as part of its overall financial risk management policy, but does not use derivative instruments for speculative or trading purposes. The Company entered into foreign currency forward contracts with maturity dates of less than twelve months in 2018 , 2017 and 2016 , primarily to hedge against value changes in foreign currency. There were no material foreign currency forward contracts outstanding at December 31, 2018 , 2017 and 2016 . The Company believes it may be exposed to continuing market risk from foreign currency exchange rate and commodity price fluctuations. However, the Company does not expect that foreign currency exchange rate and commodity price fluctuations or hedging contract losses will have a material adverse effect on the Company's financial condition, results of operations or cash flows. See Notes 1 and 14 on pages 46 and 71 of this report.

Financial Covenant

Certain borrowings contain a consolidated leverage covenant. The covenant states the Company's leverage ratio is not to exceed 4.75 to 1.00. The leverage ratio is defined as the ratio of total indebtedness (the sum of Short-term borrowings, Current portion of long-term debt and Long-term debt) at the reporting date to consolidated "Earnings Before Interest, Taxes, Depreciation and Amortization" (EBITDA) for the 12-month period ended on the same date. Refer to the "Results of Operations" caption below for a reconciliation of EBITDA to Net income. At December 31, 2018 , the Company was in compliance with the covenant. The Company's Notes, Debentures and revolving credit agreement contain various default and cross-default provisions. In the event of default under any one of these arrangements, acceleration of the maturity of any one or more of these borrowings may result. See Note 8 on pages 61 through 62 of this report.

Employee Stock Ownership Plan (ESOP)

Participants in the Company's ESOP are allowed to contribute up to the lesser of twenty percent of their annual compensation or the maximum dollar amount allowed under the Internal Revenue Code. The Company matches six percent of eligible employee contributions. The Company's matching contributions to the ESOP charged to operations were $104.7 million in 2018 compared to $90.7 million in 2017 . At December 31, 2018 , there were 9,353,926 shares of the Company's common stock being held by the ESOP, representing 10.0 percent of the total number of voting shares outstanding. See Note 12 , on page 68 of this report, for more information concerning the Company's ESOP.

RESULTS OF OPERATIONS - 2018 vs. 2017

Shown below are net sales and segment profit and the percentage change for the current period by segment for 2018 and 2017 :

	Year Ended December 31,		
(thousands of dollars)	**2018**	2017	Change
Net Sales:			
The Americas Group	**$ 9,625,139**	$ 9,117,279	5.6 %
Consumer Brands Group	**2,739,053**	2,154,729	27.1 %
Performance Coatings Group	**5,166,380**	3,706,134	39.4 %
Administrative	**3,921**	5,646	-30.6 %
Net sales	**$ 17,534,493**	$ 14,983,788	17.0 %

	Year Ended December 31,		
(thousands of dollars)	**2018**	2017	Change
Income Before Income Taxes:			
The Americas Group	**$ 1,898,403**	$ 1,769,466	7.3 %
Consumer Brands Group	**261,068**	202,813	28.7 %
Performance Coatings Group	**452,089**	262,782	72.0 %
Administrative	**(1,251,910)**	(765,751)	-63.5 %
Income before income taxes	**$ 1,359,650**	$ 1,469,310	-7.5 %

Consolidated net sales for 2018 increased due primarily to Incremental Valspar, higher paint sales volume in The Americas Group and selling price increases. Incremental Valspar sales increased net sales 12.4 percent for the year ended December 31, 2018 . As a result of the new revenue standard (ASC 606) adopted in the first quarter of 2018, certain advertising support that was previously classified as selling, general and administrative expenses is now classified as a reduction of revenue with no effect on net income. The new revenue standard decreased consolidated net sales less than 1 percent in the year and quarter. Currency translation rate changes decreased 2018 consolidated net sales by 0.6 percent . Net sales of all consolidated foreign subsidiaries increased 36.1 percent to $ 4.028 billion for 2018 versus $ 2.960 billion for 2017 due primarily to Incremental Valspar sales. Net sales of all operations other than consolidated foreign subsidiaries increased 12.3 percent to $13.507 billion for 2018 versus $12.024 billion for 2017 .

Net sales in The Americas Group increased due primarily to higher architectural paint sales volume across most end market segments and selling price increases. Net sales from stores in U.S. and Canada open for more than twelve calendar months increased 5.1 percent in the year and 2.9 percent in the quarter over last year's comparable periods. Currency translation rate changes reduced net sales by 1.0 percent compared to 2017. During 2018 , The Americas Group opened 91 new stores and closed 15 redundant locations for a net increase of 76 stores, increasing the total number of stores in operation at December 31, 2018 to 4,696 in the United States, Canada, Latin America and the Caribbean. The Americas Group's objective is to expand its store base an average of 2.5 percent each year, primarily through internal growth. Sales of products other than paint increased approximately 5.4 percent for the year over 2017 . A discussion of changes in volume versus pricing for sales of products other than paint is not pertinent due to the wide assortment of general merchandise sold.

Net sales of the Consumer Brands Group increased in 2018 primarily due to Incremental Valspar sales, selling price increases and a new customer program, partially offset by lower volume sales to some of the Group's retail customers and the impact of adopting ASC 606. Incremental Valspar sales increased Group net sales 26.9 percent in the year. The adoption of ASC 606 reduced Group net sales by 4.8 percent . In 2019 , the Consumer Brands Group plans to continue promotions of new and existing products and expand its customer base and product assortment at existing customers.

The Performance Coatings Group's net sales in 2018 increased due primarily to Incremental Valspar sales and selling price increases. Incremental Valspar sales increased Group net sales 34.3 percent in the year. Currency translation rate changes decreased net sales 0.1 percent compared to 2017. In 2018 , the Performance Coatings Group opened 3 new branches and closed 11 locations decreasing the total from 290 to 282 branches open in the United States, Canada, Mexico, South America, Europe and Asia at year-end. In 2019 , the Performance Coatings Group plans to continue expanding its worldwide presence and improving its customer base.

Net sales in the Administrative segment, which primarily consists of external leasing revenue of excess headquarters space and leasing of facilities no longer used by the Company in its primary business, decreased by an insignificant amount in 2018 .

Consolidated gross profit increased $699.8 million in 2018 due primarily to Incremental Valspar sales, higher paint sales volume, reduced impacts of purchasing accounting costs on cost of sales, and selling price increases, partially offset by raw material cost increases and incremental supply chain costs for load-in demand of a new customer program. Consolidated gross profit as a percent to net sales decreased to 42.3 percent from 44.8 percent in 2017 due primarily to a full year of Valspar sales, raw material cost increases, incremental supply chain costs for load-in demand of a new customer program and the impact of adopting ASC 606, partially offset by higher paint sales volume, reduced impacts of purchasing accounting costs on cost of sales, and selling price increases. The Americas Group's gross profit for 2018 increased $225.0 million compared to 2017 due primarily to higher paint sales volume and selling price increases, partially offset by higher raw material costs. The Americas Group's gross profit margins declined primarily due to increased raw material costs, partially offset by higher paint sales volume and selling price increases. The Consumer Brands Group's gross profit increased $132.4 million due primarily to Incremental Valspar sales, reduced impacts of purchasing accounting costs on cost of sales, and selling price increases, partially offset by raw material cost increases and incremental supply chain costs for load-in demand of a new customer program. The Consumer Brands Group's gross profit margins declined primarily due to raw material cost increases and incremental supply chain costs for load-in demand of a new customer program and the impact of adopting ASC 606, partially offset by reduced impacts of purchasing accounting costs on cost of sales, and selling price increases. The Performance Coatings Group's gross profit for 2018 increased $390.7 million due primarily to Incremental Valspar sales, reduced impacts of purchasing accounting costs on cost of sales, and selling price increases, partially offset by raw material cost increases. The Performance Coatings Group's gross profit margins declined primarily due to raw material cost increases, partially offset by reduced impacts of purchasing accounting costs on cost of sales, and selling price increases. Acquisition-related purchase accounting impacts were lower in 2018 in cost of sales for the

Consumer Brands and Performance Coatings Groups by $54.8 million and $68.2 million, respectively, versus 2017.

SG&A increased by $236.1 million due primarily to the inclusion of Incremental Valspar SG&A, increased expenses to support higher sales levels and net new store openings, partially offset by realized administrative and selling synergies from the Acquisition and the adoption of ASC 606. SG&A decreased as a percent of sales to 28.7 percent in 2018 from 32.0 percent in 2017 primarily due to realized administrative and selling synergies from the Acquisition, improved expense control and the adoption of ASC 606, partially offset by increased expenses to support higher sales levels and net new store openings. In The Americas Group, SG&A increased $92.6 million for the year due primarily to increased spending due to the number of new store openings and general comparable store expenses to support higher sales levels. The Consumer Brands Group's SG&A increased by $32.1 million for the year primarily due to the inclusion of Incremental Valspar SG&A and increased expenses to support higher sales levels, partially offset by realized administrative and selling synergies from the Acquisition and adoption of ASC 606. The Performance Coatings Group's SG&A increased by $126.5 million for the year primarily due to the inclusion of Incremental Valspar SG&A and increased expenses to support higher sales levels, partially offset by realized administrative and selling synergies from the Acquisition. The Administrative segment's SG&A decreased $15.1 million primarily due to decreased Acquisition-related costs and realized administrative synergies from the Acquisition, partially offset by Incremental Valspar SG&A.

Amortization and impairment expenses in total increased $109.3 million in 2018 primarily due to a full year of amortization of Acquisition-related intangibles. Amortization of Acquisition-related intangibles increased by $72.1 million and $34.9 million for the Performance Coatings and Consumer Brands Groups, respectively.

The California litigation charge of $136.3 million was recorded in the third quarter 2018. See Note 10 , on page 63 to 67 of this report, for more information concerning Litigation.

Other general expense - net increased $168.3 million in 2018 compared to 2017 . The increase was mainly caused by an increase of $164.3 million of expense in the Administrative segment, primarily due to an increase in provisions for environmental matters of $160.8 million and a year-over-year increase in gain on sale of assets of $3.5 million . The Company reached a series of agreements with the Environmental Protection Agency for remediation plans with cost estimates at one of the Company's four major sites which required significant environmental provisions be recorded during 2018. See Note 9 , on page 62 and 63 of this report, for more information concerning Other long-term liabilities and environmental matters. See Note 14 , on page 70 of this report, for more information concerning Other general expense - net .

As required by the Goodwill and Other Intangibles Topic of the ASC, management performed an annual impairment test of goodwill and indefinite-lived intangible assets as of October 1, 2018 which did not result in any impairment. The impairment tests in 2017 , resulted in a $2.0 million impairment of trademarks recorded in The Americas Group. See Note 5 , on pages 52 and 53 of this report, for more information concerning the impairment of intangible assets.

Interest expense increased $103.3 million in 2018 primarily due to higher average debt levels related to the Acquisition.

Other expense (income) - net had an unfavorable change by $52.8 million of expense in 2018 compared to 2017 . This change was mainly due to a pension plan settlement expense of $37.6 million recorded in 2018 in the Administrative segment and was a result of elected lump sum cash payouts to defined benefit plan participants. In addition, foreign currency related transaction losses increased $7.1 million in 2018 , primarily in The Americas Group and Consumer Brands Group. There were no other items within Other income or Other expense that were individually significant at December 31, 2018 . Note 7 , on page 55 to 60 of this report, for more information concerning Pension information. See Note 14 on page 70 of this report for more information concerning Other expense (income) - net .

Consolidated Income before income taxes in 2018 decreased $109.7 million resulting from an increase of $236.1 million in SG&A, Other general expense - net increase of $168.3 million , the 2018 California litigation charge of $136.3 million , an increase of $109.3 million in amortization and impairment expenses in total, an increase of $103.3 million in interest expense, and increased Other expense (income) - net of $52.8 million , partially offset by an increase of $699.8 million in gross profit. Income before income taxes increased $128.9 million , $189.3 million and $58.3 million in The Americas, Performance Coating, and Consumer Brands Groups, respectively, when compared to 2017 . The Administrative segment expenses decreased Income before income taxes $486.2 million more than in 2017 resulting primarily from increased Acquisition-related expenses, increased Interest expense, and non-operating charges for environmental provisions, California litigation, and pension settlement charges.

The effective income tax rate for 2018 was 18.5 percent . Excluding the income tax benefit of $668.8 million from the Deferred income tax reductions, the effective income tax rate for income from continuing operations was 25.1 percent for 2017 . The Company also recorded an income tax provision of $41.5 million in the second quarter of 2017 related to the divestiture of Valspar's North American industrial wood coatings business, which is reported as a discontinued operation and reduced diluted net income per share by $.44 per share. Diluted net income per share for 2018 decreased to $11.67 per share from $18.20 per share for 2017 . Diluted net income per share in 2018

included per share charges for acquisition-related costs of $4.15 and other non-operating expenses totaling $2.71 . Other non-operating expenses included environmental provisions of $1.32 , California litigation of $1.09 and pension plan settlement expense of $.30 per share, respectively. Currency translation rate changes decreased diluted net income per share in the year by $.21 per share. Diluted net income per share in 2017 included a one-time benefit of $7.04 per share from Deferred income tax reductions, a one-time charge of $.44 per share for discontinued operations and a charge of $3.47 per share for acquisition-related costs.

Management considers a measurement that is not in accordance with U.S. generally accepted accounting principles a useful measurement of the operational profitability of the Company. Some investment professionals also utilize such a measurement as an indicator of the value of profits and cash that are generated strictly from operating activities, putting aside working capital and certain other balance sheet changes. For this measurement, management increases Net income for significant non-operating and non-cash expense items to arrive at an amount known as EBITDA. The reader is cautioned that the following value for EBITDA should not be compared to other entities unknowingly. EBITDA should not be considered an alternative to Net income or Net operating cash as an indicator of operating performance or as a measure of liquidity. The reader should refer to the determination of Net income and Net operating cash in accordance with U.S. generally accepted accounting principles disclosed in the Statements of Consolidated Income and Statements of Consolidated Cash Flows, on pages 40 and 43 of this report. EBITDA as used by management is calculated as follows:

	Year Ended December 31,		
(thousands of dollars)	2018	2017	2016
Net income from continuing operations	**$ 1,108,746**	$ 1,769,488	$ 1,132,703
Interest Expense	**366,734**	263,471	154,088
Income Taxes	**250,904**	(300,178)	462,530
Depreciation	**278,169**	284,997	172,074
Amortization	**318,112**	206,764	25,404
EBITDA from continuing operations	**$ 2,322,665**	$ 2,224,542	$ 1,946,799

RESULTS OF OPERATIONS - 2017 vs. 2016

Shown below are net sales and segment profit and the percentage change for the current period by segment for 2017 and 2016 :

	Year Ended December 31,		
(thousands of dollars)	**2017**	2016	Change
Net Sales:			
The Americas Group	**$ 9,117,279**	$ 8,377,083	8.8 %
Consumer Brands Group	**2,154,729**	1,527,515	41.1 %
Performance Coatings Group	**3,706,134**	1,946,004	90.4 %
Administrative	**5,646**	5,000	12.9 %
Net sales	**$ 14,983,788**	$ 11,855,602	26.4 %

	Year Ended December 31,		
(thousands of dollars)	**2017**	2016	Change
Income Before Income Taxes:			
The Americas Group	**$ 1,769,466**	$ 1,605,306	10.2 %
Consumer Brands Group	**202,813**	301,041	-32.6 %
Performance Coatings Group	**262,782**	257,187	2.2 %
Administrative	**(765,751)**	(568,301)	-34.7 %
Income before income taxes	**$ 1,469,310**	$ 1,595,233	-7.9 %

Consolidated net sales for 2017 increased due primarily to the addition of Valspar sales beginning in June and higher paint sales volume in The Americas Group. Excluding Valspar net sales, net sales increased 5.6 percent in the year. Currency translation rate changes increased 2017 consolidated net sales by 0.3 percent . Net sales of all consolidated foreign subsidiaries increased 71.9 percent to $ 2.960 billion for 2017 versus $ 1.722 billion for 2016 due primarily to the addition of Valspar sales since June. Net sales of all operations other than consolidated foreign subsidiaries increased 18.7 percent to $ 12.024 billion for 2017 versus $ 10.133 billion for 2016 .

Net sales in the The Americas Group increased in 2017 due primarily to higher architectural paint sales volume across all end market segments and selling price increases. Net sales from stores in the U.S., Canada and Latin America open for more than twelve calendar months increased 6.3 percent for the full year.

During 2017 , The Americas Group opened 114 new stores and closed 13 redundant locations for a net increase of 101 stores, increasing the total number of stores in operation at December 31, 2017 to 4,620 in the United States, Canada, Latin America and the Caribbean. The Americas Group's objective is to expand its store base an average of 2.5 percent each year, primarily through internal growth. Sales of products other than paint increased approximately 14.3 percent for the year over 2016 . A discussion of changes in volume versus pricing for sales of products other than paint is not pertinent due to the wide assortment of general merchandise sold.

Net sales of the Consumer Brands Group increased in 2017 primarily due to the inclusion of Valspar sales since June, partially offset by lower volume sales to some of the Group's retail customers. Valspar sales increased Group net sales 49.4 percent in the year. In 2018 , the Consumer Brands Group plans to continue promotions of new and existing products and expand of its customer base and product assortment at existing customers.

The Performance Coatings Group's net sales in 2017 increased due primarily to the inclusion of Valspar sales and selling price increases. Currency translation rate changes increased net sales 1.5 percent for 2017 . In 2017 , the Performance Coatings Group opened 4 new branches and closed 2 locations increasing the total from 288 to 290 branches open in the United States, Canada, Mexico, South America, Europe and Asia at year-end. In 2018 , the Performance Coatings Group plans to continue expanding its worldwide presence and improving its customer base.

Net sales in the Administrative segment, which primarily consist of external leasing revenue of excess headquarters space and leasing of facilities no longer used by the Company in its primary business, decreased by an insignificant amount in 2017 .

Consolidated gross profit increased $797.5 million in 2017 due primarily to Valspar sales since June and higher paint sales volume, partially offset by raw material cost increases. Consolidated gross profit as a percent to net sales decreased to 44.8 percent from 49.9 percent in 2016 due primarily to Valspar sales, Acquisition-related inventory purchase accounting adjustments and raw material cost increases, partially offset by higher paint sales volume. The Americas Group's gross profit for 2017 increased $297.7 million compared to 2016 due primarily to higher paint sales volume and selling price increases, partially offset by higher raw material costs. The Americas Group's gross profit margins declined primarily due to increased raw material costs, partially offset by higher paint sales volume and selling price increases. The Consumer Brands Group's gross profit increased $122.0 million due primarily to the inclusion of Valspar sales, partially offset by increased raw material costs, Acquisition-related inventory purchase accounting adjustments and lower sales volumes at certain customers compared to 2016 . The Performance Coatings Group's gross profit for 2017 increased $387.0 million due primarily to inclusion of Valspar sales and favorable currency translation rate changes, partially offset by higher raw material costs and Acquisition-related inventory purchase accounting adjustments. Acquisition-related purchase accounting adjustments decreased Consumer Brands and Performance Coatings Groups' gross profit by $72.4 million and $74.9 million, respectively, for 2017 . Both Consumer Brands and Performance Coatings Groups' gross profit margins were lower due to inclusion of Valspar sales, higher raw material costs and Acquisition-related inventory purchase accounting adjustments to inventory, partially offset by selling price increases.

SG&A increased by $657.4 million due primarily to the inclusion of Valspar SG&A, increased expenses to support higher sales levels and net new store openings, as well as increased Acquisition expenses in the Administrative segment. Acquisition expenses in the Administrative segment were $131.2 million and $58.4 million in 2017 and 2016 , respectively. SG&A decreased as a percent of sales to 32.0 percent in 2017 from 34.9 percent in 2016 primarily due to the addition of Valspar sales beginning in June. Excluding Valspar SG&A and Acquisition expenses, SG&A as a percent of sales was 33.7 percent and 34.4 percent in 2017 and 2016 , respectively. In The Americas Group, SG&A increased $147.1 million for the year due primarily to increased spending due to the number of new store openings and general comparable store expenses to support higher sales levels. The Consumer Brands Group's SG&A increased by $171.9 million for the year from inclusion of Valspar SG&A, partially offset by improved expense control and integration synergies. The Performance Coatings Group's SG&A increased by $254.1 million for the year primarily due to inclusion of Valspar SG&A, partially offset by improved expense control and integration synergies. The Administrative segment's SG&A increased $84.4 million primarily due to increased Acquisition-related costs.

Amortization and impairment expenses in total increased $172.7 million in 2017 primarily due to amortization of Acquisition-related intangibles. Amortization of Acquisition-related intangibles was $127.8 million and $54.4 million for the Performance Coatings and Consumer Brands Groups, respectively. Impairment of goodwill and intangibles expenses decreased $8.7 million in 2017 .

Other general expense - net increased $8.5 million in 2017 compared to 2016 . The increase was mainly caused by an increase of $10.5 million of expense in the Administrative segment, primarily due to a year-over-year decrease in gain on sale of assets of $38.0 million partially offset by a decrease in provisions for environmental matters of $27.5 million. See Note 14 , on page 70 of this report, for more information concerning Other general expense - net.

As required by the Goodwill and Other Intangibles Topic of the ASC, management performed an annual impairment test of goodwill and indefinite-lived intangible assets as of

October 1, 2017 . The impairment tests in 2017 resulted in $2.0 million impairment of trademarks recorded in The Americas Group. The impairment tests in 2016 , resulted in $10.7 million impairment in goodwill from the same reporting unit. See Note 5 , on pages 52 and 53 of this report, for more information concerning the impairment of intangible assets.

Interest expense increased $109.4 million in 2017 primarily due to Acquisition-related debt incurred.

Other (income) expense - net increased $20.9 million in 2017 compared to 2016 . This increase was mainly due to an increase in foreign currency related transaction losses of $6.9 million in 2017 , primarily in The Americas Group and Consumer Brands Group. There were no other items within Other income or Other expense that were individually significant at December 31, 2017 . See Note 14 on page 70 of this report for more information concerning Other (income) expense - net.

Consolidated Income before income taxes in 2017 decreased $125.9 million resulting from an increase of $657.4 million in SG&A, an increase of $172.7 million in amortization and impairment expenses in total, and an increase of $109.4 million in interest expense, partially offset by an increase of $797.5 million in gross profit. Income before income taxes increased $164.2 million in The Americas Group and $5.6 million in the Performance Coatings Group, but decreased $98.2 million in the Consumer Brands Group, when compared to 2016 . The Administrative segment expenses decreased Income before income taxes $197.5 million more than in 2016 resulting primarily from Acquisition expenses and increased Interest expense.

Net income increased in 2017 primarily due to the one-time benefit of $668.8 million from Deferred income tax reductions, which resulted in a consolidated effective income tax rate of 20.4 percent , improved operating results in The Americas Group and the inclusion of Valspar operating results, partially offset by Acquisition costs.

Excluding the impact of the Deferred income tax reductions, the effective income tax rate for continuing operations was 25.1 percent for 2017 and 29.0 percent for 2016 , primarily due to the year over year impacts of Employee share-based payments. Diluted net income per common share increased 51.8 percent to $ 18.2 per share for 2017 from $11.99 per share in 2016. Diluted net income per common share from continuing operations was $18.64 per share in 2017 , including a one-time benefit of $ 7.04 per share from the Deferred income tax reductions. Diluted net income per common share for 2017 was decreased by charges of $ 3.47 per share from Acquisition costs, including inventory purchase accounting adjustments and increased amortization of intangible assets. Valspar operations increased Diluted net income per common share by $.80 per share for 2017 , including a $.92 per share charge from interest expense on new debt. Diluted net income per common share for 2016 was decreased by charges of $.86 per share from Acquisition costs. Currency translation rate changes did not have a significant impact on diluted net income per common share in 2017 .

REPORT OF MANAGEMENT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING

Shareholders of The Sherwin-Williams Company

We are responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. We recognize that internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and is subject to the possibility of human error or the circumvention or the overriding of internal control. Therefore, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, we believe we have designed into the process safeguards to reduce, though not eliminate, this risk. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In order to ensure that the Company's internal control over financial reporting was effective as of December 31, 2018 , we conducted an assessment of its effectiveness under the supervision and with the participation of our management group, including our principal executive officer and principal financial officer. This assessment was based on the criteria established in the 2013 Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on our assessment of internal control over financial reporting under the criteria established in Internal Control – Integrated Framework, we have concluded that, as of December 31, 2018 , the Company's internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Our internal control over financial reporting as of December 31, 2018 has been audited by Ernst & Young LLP, an independent registered public accounting firm, and their report on the effectiveness of our internal control over financial reporting is included on page 37 of this report.

J. G. Morikis
Chairman, President and Chief Executive Officer

A. J. Mistysyn
Senior Vice President - Finance and Chief Financial Officer

J. M. Cronin
Senior Vice President - Corporate Controller

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors and Shareholders of The Sherwin-Williams Company

Opinion on Internal Control over Financial Reporting

We have audited The Sherwin-Williams Company's internal control over financial reporting as of December 31, 2018 , based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, The Sherwin-Williams Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018 , based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of The Sherwin-Williams Company as of December 31, 2018 , 2017 , and 2016 , and the related statements of consolidated income and comprehensive income, cash flows and shareholders' equity for each of the three years in the period ended December 31, 2018 , and the related notes and our report dated February 22, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

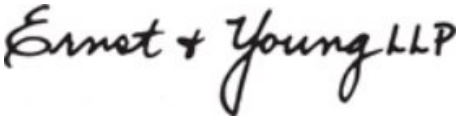
We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



Cleveland, Ohio
February 22, 2019

REPORT OF MANAGEMENT ON THE
CONSOLIDATED FINANCIAL STATEMENTS

Shareholders of The Sherwin-Williams Company

We are responsible for the preparation and fair presentation of the consolidated financial statements, accompanying notes and related financial information included in this report of The Sherwin-Williams Company and its consolidated subsidiaries (collectively, the "Company") as of December 31, 2018 , 2017 and 2016 and for the years then ended in accordance with U.S. generally accepted accounting principles. The consolidated financial information included in this report contains certain amounts that were based upon our best estimates, judgments and assumptions that we believe were reasonable under the circumstances.

We have conducted an assessment of the effectiveness of internal control over financial reporting based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. As discussed in the Report of Management on Internal Control Over Financial Reporting on page 36 of this report, we concluded that the Company's internal control over financial reporting was effective as of December 31, 2018 .

The Board of Directors pursues its responsibility for the oversight of the Company's accounting policies and procedures, financial statement preparation and internal control over financial reporting through the Audit Committee, comprised exclusively of independent directors. The Audit Committee is responsible for the appointment and compensation of the independent registered public accounting firm. The Audit Committee meets at least quarterly with financial management, internal auditors and the independent registered public accounting firm to review the adequacy of financial controls, the effectiveness of the Company's internal control over financial reporting and the nature, extent and results of the audit effort. Both the internal auditors and the independent registered public accounting firm have private and confidential access to the Audit Committee at all times.

We believe that the consolidated financial statements, accompanying notes and related financial information included in this report fairly reflect the form and substance of all material financial transactions and fairly present, in all material respects, the consolidated financial position, results of operations and cash flows as of and for the periods presented.

J. G. Morikis
Chairman, President and Chief Executive Officer

A. J. Mistysyn
Senior Vice President - Finance and Chief Financial Officer

J. M. Cronin
Senior Vice President - Corporate Controller

To the Board of Directors and Shareholders of The Sherwin-Williams Company

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of The Sherwin-Williams Company (the "Company") as of December 31, 2018 , 2017 and 2016 , and the related statements of consolidated income and comprehensive income, cash flows and shareholders' equity for each of the three years in the period ended December 31, 2018 , and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2018 , 2017 and 2016 , and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 , in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), The Sherwin-Williams Company's internal control over financial reporting as of December 31, 2018 , based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 22, 2019 expressed an unqualified opinion thereon.

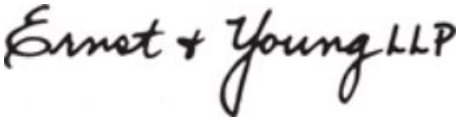
Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, in 2018 the Company elected to reduce the number of pools used for determining inventory cost under the last-in, first-out (LIFO) method of accounting for inventory in the United States.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.



We have served as the Company‘s auditor since 1908.
Cleveland, Ohio
February 22, 2019

STATEMENTS OF CONSOLIDATED INCOME AND COMPREHENSIVE INCOME
(thousands of dollars except per share data)

	Year Ended December 31,		
	2018	2017	2016
Net sales	**$ 17,534,493**	$ 14,983,788	$ 11,855,602
Cost of goods sold [1], [2]	**10,115,931**	8,264,988	5,934,344
Gross profit [1], [2]	**7,418,562**	6,718,800	5,921,258
Percent to net sales [1], [2]	**42.3%**	44.8%	49.9%
Selling, general and administrative expenses [2]	**5,033,780**	4,797,641	4,140,260
Percent to net sales	**28.7%**	32.0%	34.9%
Other general expense - net	**189,122**	20,865	12,368
Amortization	**318,112**	206,764	25,404
Impairment of goodwill and trademarks		2,022	10,688
Interest expense	**366,734**	263,471	154,088
Interest and net investment income	**(5,286)**	(8,571)	(4,960)
California litigation expense	**136,333**		
Other expense (income) - net [2]	**20,117**	(32,702)	(11,823)
Income from continuing operations before income taxes [1]	**1,359,650**	1,469,310	1,595,233
Income tax expense (credit) [1]	**250,904**	(300,178)	462,530
Net income from continuing operations [1]	**1,108,746**	1,769,488	1,132,703
Loss from discontinued operations			
Income taxes		41,540	
Net loss from discontinued operations	—	(41,540)	—
Net income [1]	**$ 1,108,746**	$ 1,727,948	$ 1,132,703
Basic net income per share:			
Continuing operations [1]	**$ 11.92**	$ 19.04	$ 12.33
Discontinued operations		(.44)	
Net income per share [1]	**$ 11.92**	$ 18.60	$ 12.33
Diluted net income per share			
Continuing operations [1]	**$ 11.67**	$ 18.64	$ 11.99
Discontinued operations		(.44)	
Net income per share [1]	**$ 11.67**	$ 18.20	$ 11.99

[1] The year ended December 31, 2017 has been adjusted for an inventory accounting change. See Note 1.
[2] The years ended December 31, 2017 and 2016 have been adjusted for the adoption of ASU No. 2017-07. See Note 1.

See notes to consolidated financial statements.

STATEMENTS OF CONSOLIDATED INCOME AND COMPREHENSIVE INCOME
(thousands of dollars except per share data)

	Year Ended December 31,		
	2018	2017	2016
Net income [1]	**$ 1,108,746**	$ 1,727,948	$ 1,132,703
Other comprehensive (loss) income, net of tax:			
Foreign currency translation adjustments	**(254,306)**	147,930	(18,648)
Pension and other postretirement benefit adjustments:			
Amounts recognized in Other comprehensive (loss) income [2]	**(13,473)**	47,995	(28,385)
Amounts reclassified from Other comprehensive (loss) income [3]	**31,245**	(7,762)	7,635
	17,772	40,233	(20,750)
Unrealized net gains on available-for sale securities:			
Amounts recognized in Other comprehensive (loss) income [4]		2,026	1,046
Amounts reclassified from Other comprehensive (loss) income [5]		(720)	89
	—	1,306	1,135
Unrealized net (losses) gains on cash flow hedges:			
Amounts recognized in Other comprehensive (loss) income [6]		(30,765)	85,007
Amounts reclassified from Other comprehensive (loss) income [7]	**(6,210)**	(3,223)	
	(6,210)	(33,988)	85,007
Other comprehensive (loss) income	**(242,744)**	155,481	46,744
Comprehensive income [1]	**$ 866,002**	$ 1,883,429	$ 1,179,447

[1] The year ended December 31, 2017 has been adjusted for an inventory accounting change. See Note 1.
[2] Net of taxes of $6,799 , $(19,313) and $17,200 in 2018 , 2017 and 2016 , respectively.
[3] Net of taxes of $(10,291) , $4,764 and $(4,691) in 2018 , 2017 and 2016 , respectively.
[4] Net of taxes of $(1,244) and $(643) in 2017 and 2016 , respectively.
[5] Net of taxes of $442 and $(55) in 2017 and 2016 , respectively.
[6] Net of taxes of $18,884 and $(52,226) in 2017 and 2016 , respectively.
[7] Net of taxes of $2,045 and $1,978 in 2018 and 2017 , respectively.

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS
(thousands of dollars)

	December 31,		
	2018	2017	2016
Assets			
Current assets:			
Cash and cash equivalents	**$ 155,505**	$ 204,213	$ 889,793
Accounts receivable, less allowance	**2,018,768**	2,104,555	1,230,987
Inventories:			
Finished goods [1]	**1,426,366**	1,356,429	898,627
Work in process and raw materials	**388,909**	386,036	169,699
	1,815,275	1,742,465	1,068,326
Deferred income taxes			57,162
Other current assets	**354,939**	355,697	381,030
Total current assets	**4,344,487**	4,406,930	3,627,298
Property, plant and equipment:			
Land	**244,608**	254,676	115,555
Buildings	**979,140**	962,094	714,815
Machinery and equipment	**2,668,492**	2,572,963	2,153,437
Construction in progress	**147,931**	177,056	117,126
	4,040,171	3,966,789	3,100,933
Less allowances for depreciation	**2,263,332**	2,089,674	2,005,045
	1,776,839	1,877,115	1,095,888
Goodwill	**6,956,702**	6,814,345	1,126,892
Intangible assets	**5,201,579**	6,002,361	255,010
Deferred pension assets	**270,664**	296,743	225,529
Other assets	**584,008**	502,023	421,904
Total Assets [1]	**$ 19,134,279**	$ 19,899,517	$ 6,752,521
Liabilities and Shareholders' Equity			
Current liabilities:			
Short-term borrowings	**$ 328,403**	$ 633,731	$ 40,739
Accounts payable	**1,799,424**	1,791,552	1,034,608
Compensation and taxes withheld	**504,547**	508,166	398,045
Accrued taxes	**80,766**	79,901	76,765
Current portion of long-term debt	**307,191**	1,179	700,475
California litigation accrual	**136,333**		
Other accruals	**1,141,083**	972,651	578,547
Total current liabilities	**4,297,747**	3,987,180	2,829,179
Long-term debt	**8,708,057**	9,885,745	1,211,326
Postretirement benefits other than pensions	**257,621**	274,675	250,397
Deferred income taxes [1]	**1,130,872**	1,419,601	73,833
Other long-term liabilities	**1,009,237**	684,442	509,345
Shareholders' equity:			
Common stock - $1.00 par value:			
93,116,762, 93,883,645 and 93,013,031 shares outstanding			
at December 31, 2018, 2017 and 2016, respectively	**118,373**	117,561	116,563
Other capital	**2,896,448**	2,723,183	2,488,564
Retained earnings [1]	**6,246,548**	5,458,416	4,049,497
Treasury stock, at cost	**(4,900,690)**	(4,266,416)	(4,235,832)
Cumulative other comprehensive loss	**(629,934)**	(384,870)	(540,351)
Total shareholders' equity [1]	**3,730,745**	3,647,874	1,878,441
Total Liabilities and Shareholders' Equity [1]	**$ 19,134,279**	$ 19,899,517	$ 6,752,521

[1] December 31, 2017 has been adjusted for an inventory accounting change. See Note 1.

See notes to consolidated financial statements.

STATEMENTS OF CONSOLIDATED CASH FLOWS
(thousands of dollars)

	Year Ended December 31,		
	2018	2017	2016
Operating Activities			
Net income [1]	**$ 1,108,746**	$ 1,727,948	$ 1,132,703
Adjustments to reconcile net income to net operating cash:			
Loss from discontinued operations		41,540	
Depreciation	**278,169**	284,997	172,074
Amortization of intangible assets	**318,112**	206,764	25,404
Amortization of inventory purchase accounting adjustments [1]		113,833	
Impairment of goodwill and trademarks		2,022	10,688
Amortization of credit facility and debt issuance costs	**12,133**	8,313	63,759
Provisions for environmental-related matters	**176,297**	15,443	42,932
Provisions for qualified exit costs	**14,923**	50,503	3,038
Deferred income taxes [1]	**(143,378)**	(620,730)	(68,241)
Defined benefit pension plans net cost	**36,371**	18,153	14,851
Stock-based compensation expense	**82,588**	90,292	72,109
Net decrease in postretirement liability	**(15,863)**	(17,865)	(12,373)
Decrease in non-traded investments	**72,453**	65,703	64,689
Loss (gain) on sale or disposition of assets	**12,825**	5,422	(30,564)
Other	**(13,839)**	1,051	5,334
Change in working capital accounts:			
Decrease (increase) in accounts receivable	**18,424**	(49,850)	(113,855)
(Increase) in inventories	**(119,510)**	(89,959)	(52,577)
Increase (decrease) in accounts payable	**113,786**	166,687	(118,893)
Increase (decrease) in accrued taxes	**2,717**	(20,878)	(2,159)
Increase in accrued compensation and taxes withheld	**4,640**	11,286	60,632
Decrease (increase) in refundable income taxes	**20,092**	(15,520)	(1,343)
Increase in California litigation accrual	**136,333**		
Other	**(46,773)**	16,270	56,215
Costs incurred for environmental-related matters	**(17,718)**	(13,792)	(15,178)
Costs incurred for qualified exit costs	**(21,256)**	(45,422)	(6,267)
Other	**(86,572)**	(68,243)	5,594
Net operating cash	**1,943,700**	1,883,968	1,308,572
Investing Activities			
Capital expenditures	**(250,957)**	(222,767)	(239,026)
Acquisitions of businesses, net of cash acquired		(8,810,315)	
Proceeds from sale of assets	**38,354**	47,246	38,434
Increase in other investments	**(39,037)**	(61,526)	(103,182)
Net investing cash	**(251,640)**	(9,047,362)	(303,774)
Financing Activities			
Net (decrease) increase in short-term borrowings	**(300,942)**	356,320	(899)
Proceeds from long-term debt		8,275,169	500
Payments of long-term debt	**(852,627)**	(1,852,812)	(1,111)
Payments for credit facility and debt issuance costs	**(5,185)**	(49,376)	(65,119)
Payments of cash dividends	**(322,934)**	(319,029)	(312,082)
Proceeds from stock options exercised	**90,745**	143,579	86,831
Treasury stock purchased	**(613,312)**		
Proceeds from real estate financing transactions	**225,345**		
Other	**32,257**	(39,761)	(15,473)
Net financing cash	**(1,746,653)**	6,514,090	(307,353)
Effect of exchange rate changes on cash	**5,885**	(36,276)	(13,396)
Net (decrease) increase in cash and cash equivalents	**(48,708)**	(685,580)	684,049
Cash and cash equivalents at beginning of year	**204,213**	889,793	205,744
Cash and cash equivalents at end of year	**$ 155,505**	$ 204,213	$ 889,793
Taxes paid on income	**$ 292,169**	$ 419,695	$ 477,786
Interest paid on debt	**368,045**	220,630	153,850

[1] The year ended December 31, 2017 has been adjusted for an inventory accounting change. See Note 1.

See notes to consolidated financial statements.

STATEMENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY
(thousands of dollars except per share data)

	Common Stock	Other Capital	Retained Earnings	Treasury Stock	Cumulative Other Comprehensive Loss	Total
Balance at January 1, 2016	$ 115,761	$ 2,330,426	$ 3,228,876	$ (4,220,058)	$ (587,095)	$ 867,910
Net income			1,132,703			1,132,703
Other comprehensive income					46,744	46,744
Stock-based compensation activity	802	158,138		(15,774)		143,166
Cash dividends -- $3.36 per share			(312,082)			(312,082)
Balance at December 31, 2016	116,563	2,488,564	4,049,497	(4,235,832)	(540,351)	1,878,441
Net income [1]			1,727,948			1,727,948
Other comprehensive income					155,481	155,481
Stock-based compensation activity	998	232,351		(30,584)		202,765
Acquired noncontrolling interest		2,268				2,268
Cash dividends -- $3.40 per share			(319,029)			(319,029)
Balance at December 31, 2017 [1]	**117,561**	**2,723,183**	**5,458,416**	**(4,266,416)**	**(384,870)**	**3,647,874**
Net income			**1,108,746**			**1,108,746**
Other comprehensive loss					**(242,744)**	**(242,744)**
Adjustment to initially apply ASU 2016-01			**2,320**		**(2,320)**	**—**
Treasury stock purchased				**(613,312)**		**(613,312)**
Stock-based compensation activity	**812**	**172,447**		**(20,962)**		**152,297**
Noncontrolling interest activity		**818**				**818**
Cash dividends -- $3.44 per share			**(322,934)**			**(322,934)**
Balance at December 31, 2018	**$ 118,373**	**$ 2,896,448**	**$ 6,246,548**	**$ (4,900,690)**	**$ (629,934)**	**$ 3,730,745**

[1] Net income, Retained earnings, and Total shareholders' equity for the year ended December 31, 2017 has been adjusted for an inventory accounting change. See Note 1.

See notes to consolidated financial statements.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Consolidation. The consolidated financial statements include the accounts of The Sherwin-Williams Company and its wholly owned subsidiaries (collectively, the Company). Inter-company accounts and transactions have been eliminated.

Inventory Accounting Change. During the fourth quarter of 2018, the Company made a voluntary change in accounting principle to reduce the number of pools used for determining inventory cost under the last-in, first-out (LIFO) method of accounting for inventory in the United States. Following the continued Valspar (See Note 4) integration of the operations, systems, processes, manufacturing and distribution facilities, management determined that while keeping separate historical LIFO pools were possible to maintain, it was not preferable. The Company believes the elected change is preferable because it reduces the likelihood of liquidations of similar product types and achieves conformity in the composition of all pools. Comparative financial statements of 2017 have been adjusted to apply the inventory accounting change retrospectively. There was no effect on periods prior to the acquisition of Valspar in 2017. The adjustments to the 2017 financial statements are summarized in the Adjustments and Reclassifications section at the end of this Note 1.

Use of estimates. The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those amounts.

Nature of operations. The Company is engaged in the development, manufacture, distribution and sale of paint, coatings and related products to professional, industrial, commercial and retail customers primarily in North and South America, with additional operations in the Caribbean region, Europe, Asia and Australia.

Reportable segments. See Note 19 for further details.

Cash flows. Management considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Fair value of financial instruments. The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amounts reported for Cash and cash equivalents approximate fair value.

Short-term investments: The carrying amounts reported for Short-term investments approximate fair value.

Investments in securities: Investments classified as available-for-sale are carried at fair market value. See the recurring fair value measurement table on page 46 .

Non-traded investments: The Company has investments in the U.S. affordable housing and historic renovation real estate markets and certain other investments that have been identified as variable interest entities. However, because the Company does not have the power to direct the day-to-day operations of the investments and the risk of loss is limited to the amount of contributed capital, the Company is not considered the primary beneficiary. In accordance with the Consolidation Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), the investments are not consolidated. For affordable housing investments entered into prior to the January 1, 2015 adoption of Accounting Standard Update (ASU) No. 2014-01, the Company uses the effective yield method to determine the carrying value of the investments. Under the effective yield method, the initial cost of the investments is amortized to income tax expense over the period that the tax credits are recognized. For affordable housing investments entered into on or after the January 1, 2015 adoption of ASU No. 2014-01, the Company uses the proportional amortization method. Under the proportional amortization method, the initial cost of the investments is amortized to income tax expense in proportion to the tax credits and other tax benefits received. The carrying amounts of the investments, included in Other assets, were $181,171 , $189,386 and $193,413 at December 31, 2018 , 2017 and 2016 , respectively. The liabilities recorded on the balance sheets for estimated future capital contributions to the investments were $182,994 , $179,026 and $178,584 at December 31, 2018 , 2017 and 2016 , respectively.

Short-term borrowings: The carrying amounts reported for Short-term borrowings approximate fair value.

Long-term debt (including current portion): The fair values of the Company's publicly traded debt, shown below, are based on quoted market prices. The fair values of the Company's non-traded debt, also shown below, are estimated using discounted cash flow analyses, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. The Company's publicly traded debt and non-traded debt are classified as level 1 and level 2, respectively, in the fair value hierarchy. See Note 8 .

	December 31,					
	2018		2017		2016	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Publicly traded debt	**$ 8,731,731**	**$ 8,330,222**	$ 8,742,739	$ 9,054,277	$ 1,907,704	$ 1,912,646
Non-traded debt	**283,517**	**272,689**	1,144,185	1,088,630	4,097	3,783

Derivative instruments: The Company utilizes derivative instruments as part of its overall financial risk management policy. The Company entered into foreign currency forward contracts with maturity dates of less than twelve months in 2018 , 2017 , and 2016 , primarily to hedge against value changes in foreign currency. See Note 14 . There were no material foreign currency option and forward contracts outstanding at December 31, 2018 , 2017 and 2016 .

In 2016, the Company entered into a series of interest rate lock agreements which were designated as cash flow hedges. The interest rate locks settled during 2017. See Note 8 .

Fair value measurements. The following table summarizes the Company's assets and liabilities measured on a recurring basis in accordance with the Fair Value Measurements and Disclosures Topic of the ASC:

	Fair Value at December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Deferred compensation plan assets [1]	$ 52,460	$ 27,019	$ 25,441	
Liabilities:				
Deferred compensation plan liabilities [2]	$ 62,599	$ 62,599		

[1] The deferred compensation plan assets consists of the investment funds maintained for the future payments under the Company's executive deferred compensation plans, which are structured as rabbi trusts. The investments are marketable securities accounted for under the Debt and Equity Securities Topic of the ASC. The level 1 investments are valued using quoted market prices multiplied by the number of shares. The level 2 investments are valued based on vendor quotes. The cost basis of the investment funds is $53,719 .

[2] The deferred compensation plan liabilities are the Company's liabilities under its deferred compensation plans. The liabilities represent the fair value of the participant shadow accounts, and the value is based on quoted market prices in active markets for identical assets.

Except for the acquisition-related fair value measurements described in Note 4 , there were no assets and liabilities measured at fair value on a nonrecurring basis. The acquisition-related fair value measurements qualified as level 3 measurements.

Accounts receivable and allowance for doubtful accounts. Accounts receivable were recorded at the time of credit sales net of provisions for sales returns and allowances. The Company recorded an allowance for doubtful accounts of $45,883 , $52,997 and $40,450 at December 31, 2018 , 2017 and 2016 , respectively, to reduce Accounts receivable to their estimated net realizable value. The allowance was based on an analysis of historical bad debts, a review of the aging of Accounts receivable and the current creditworthiness of customers. Accounts receivable balances are written-off against the allowance if a final determination of uncollectibility is made. All provisions for allowances for doubtful collection of accounts are related to the creditworthiness of accounts and are included in Selling, general and administrative expenses.

Reserve for obsolescence. The Company recorded a reserve for obsolescence of $105,871 , $103,698 and $87,715 at December 31, 2018 , 2017 and 2016 , respectively, to reduce Inventories to their estimated net realizable value.

Goodwill. Goodwill represents the cost in excess of fair value of net assets acquired in business combinations accounted for by the purchase method. In accordance with the Intangibles Topic of the ASC, goodwill is tested for impairment on an annual basis and in between annual tests if events or circumstances indicate potential impairment. See Note 5 .

Intangible assets. Intangible assets include indefinite-lived trademarks, customer relationships and intellectual property. As required by the Goodwill and Other Intangibles Topic of the ASC, indefinite-lived trademarks are not amortized, but instead are tested annually for impairment, and between annual tests whenever an event occurs or circumstances indicate potential impairment. See Note 5 . The costs of finite-lived intangible assets are amortized on a straight-line basis over the expected period of benefit, which ranges primarily from 15 to 20 years.

Impairment of long-lived assets. In accordance with the Property, Plant and Equipment Topic of the ASC, management evaluates the recoverability and estimated remaining lives of long-lived assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or the useful life has changed. See Notes 5 and 6 .

Property, plant and equipment. Property, plant and equipment is stated on the basis of cost. Depreciation is provided by the straight-line method. Depreciation and amortization are included in the appropriate Cost of goods sold or Selling, general and administrative expense caption on the Statements of Consolidated Income. Included in Property, plant and equipment are leasehold improvements. The major classes of assets and ranges of annual depreciation rates are:

Buildings	4.0% – 20.0%
Machinery and equipment	10.0% – 20.0%
Furniture and fixtures	6.7% – 33.3%
Automobiles and trucks	10.0% – 33.3%

Standby letters of credit. The Company occasionally enters into standby letter of credit agreements to guarantee various operating activities. These agreements provide credit availability to the various beneficiaries if certain contractual events occur. Amounts outstanding under these agreements totaled $65,622 , $75,272 and $43,658 at December 31, 2018 , 2017 and 2016 , respectively.

Product warranties. The Company offers assurance type product warranties for certain products. The specific terms and conditions of such warranties vary depending on the product or customer contract requirements. Management estimated the costs of unsettled product warranty claims based on historical results and experience and included an amount in Other accruals. Management periodically assesses the adequacy of the accrual for product warranty claims and adjusts the accrual as necessary. Changes in the Company's accrual for product warranty claims during 2018 , 2017 and 2016 , including customer satisfaction settlements during the year, were as follows:

	2018	2017	2016
Balance at January 1	$ 151,425	$ 34,419	$ 31,878
Charges to expense	31,706	39,707	38,954
Settlements	(57,843)	(53,143)	(36,413)
Acquisition, divestiture and other adjustments	(68,221)	130,442	
Balance at December 31	$ 57,067	$ 151,425	$ 34,419

Warranty accruals acquired in connection with the Valspar acquisition include warranties for certain products under extended furniture protection plans. The furniture protection plan business was divested during 2018 for an immaterial amount that approximated net book value.

Environmental matters. Capital expenditures for ongoing environmental compliance measures were recorded in Property, plant and equipment, and related expenses were included in the normal operating expenses of conducting business. The Company is involved with environmental investigation and remediation activities at some of its currently and formerly owned sites and at a number of third-party sites. The Company accrued for environmental-related activities for which commitments or clean-up plans have been developed and when such costs could be reasonably estimated based on industry standards and professional judgment. All accrued amounts were recorded on an undiscounted basis. Environmental-related expenses included direct costs of investigation and remediation and indirect costs such as compensation and benefits for employees directly involved in the investigation and remediation activities and fees paid to outside engineering, consulting and law firms. See Notes 9 and 14 .

Employee Stock Purchase and Savings Plan. The Company accounts for the Employee Stock Purchase and Savings Plan (ESOP) in accordance with the Employee Stock Ownership Plans Subtopic of the Compensation – Stock Ownership Topic of the ASC. The Company recognized compensation expense for amounts contributed to the ESOP. See Note 12 .

Defined benefit pension and other postretirement benefit plans. The Company accounts for its defined benefit pension and other postretirement benefit plans in accordance with the Retirement Benefits Topic of the ASC, which requires the recognition of a plan's funded status as an asset for overfunded plans and as a liability for unfunded or underfunded plans. See Note 7 .

Stock-based compensation. The cost of the Company's stock-based compensation is recorded in accordance with the Stock Compensation Topic of the ASC. See Note 13 .

Foreign currency translation. All consolidated non-highly inflationary foreign operations use the local currency of the country of operation as the functional currency and translated the local currency asset and liability accounts at year-end exchange rates while income and expense accounts were translated at average exchange rates. The resulting translation adjustments were included in Cumulative other comprehensive loss, a component of Shareholders' equity.

Cumulative other comprehensive loss. At December 31, 2018 , the ending balance of Cumulative other comprehensive loss included adjustments for foreign currency translation of $607,652 , net prior service costs and net actuarial losses related to pension and other postretirement benefit plans of $67,091 and unrealized net gains on interest rate lock cash flow hedges of $44,809 . At December 31, 2017 and 2016 , the ending balance of Cumulative other comprehensive loss included adjustments for foreign currency translation of $353,346 and $501,277 , respectively, net prior service costs and net actuarial losses related to pension and other postretirement benefit plans of $84,863 and $125,096 , respectively, and unrealized gains on marketable equity securities of $2,320 and $1,015 , respectively. At December 31, 2017 , the ending balance of Cumulative other comprehensive loss also included unrealized net gains on interest rate lock cash flow hedges of $51,019 .

Revenue recognition. The Company recognized revenue when products were shipped and title passed to unaffiliated customers. Collectibility of amounts recorded as revenue was probable at the time of recognition. See Note 2.

Customer and vendor consideration. The Company offered certain customers rebate and sales incentive programs which were classified as reductions in Net sales. Such programs were in the form of volume rebates, rebates that constituted a percentage of sales or rebates for attaining certain sales goals. The Company received consideration from certain suppliers of raw materials in the form of volume rebates or rebates that

constituted a percentage of purchases. These rebates were recognized on an accrual basis by the Company as a reduction of the purchase price of the raw materials and a subsequent reduction of Cost of goods sold when the related product was sold.

Costs of goods sold. Included in Costs of goods sold were costs for materials, manufacturing, distribution and related support. Distribution costs included expenses related to the distribution of products including inbound freight charges, purchase and receiving costs, warehousing costs, internal transfer costs and other costs incurred to ship products. Also included in Costs of goods sold were total technical expenditures, which included research and development costs, quality control, product formulation expenditures and other similar items. Research and development costs included in technical expenditures were $51,922 , $58,474 and $58,041 for 2018 , 2017 and 2016 , respectively. See Note 10 .

Selling, general and administrative expenses. Selling costs included advertising expenses, marketing costs, employee and store costs and sales commissions. The cost of advertising was expensed as incurred. The Company incurred $357,843 , $374,059 and $351,002 in advertising costs during 2018 , 2017 and 2016 , respectively. General and administrative expenses included human resources, legal, finance and other support and administrative functions.

Earnings per share. Common stock held in a revocable trust (see Note 11) was not included in outstanding shares for basic or diluted income per share calculations. All references to “shares” or “per share” information throughout this report relate to shares and are stated on a diluted per share basis, unless otherwise indicated. Basic and diluted net income per share were calculated using the treasury stock method in accordance with the Earnings Per Common Share Topic of the ASC. Basic net income per share amounts were computed based on the weighted-average number of shares outstanding during the year. Diluted net income per share amounts were computed based on the weighted-average number of shares outstanding plus all dilutive securities potentially outstanding during the year. See Note 16 .

Impact of recently issued accounting standards. Effective January 1, 2018, the Company adopted ASU No. 2014-09, "Revenue from Contracts with Customers," and all the related amendments (ASC 606). ASC 606 consists of a comprehensive revenue recognition standard, which requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled. The Company adopted the standard using the modified retrospective method and applied it to all contracts. Under the modified retrospective method, the comparative periods are not restated. The only significant change that resulted from the new revenue standard was that certain advertising support of $103,108 that was previously classified as Selling, general and administrative expenses is now classified as a reduction of revenue. This reclassification had no effect on Net income, and therefore, there was no adjustment to the opening balance of retained earnings. The Company does not expect the adoption of the new revenue standard to have a material impact on its Net income on an ongoing basis. See Note 2 for additional information.

Effective January 1, 2018, the Company adopted ASU No. 2017-07, "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Costs." The standard requires the service component of pension and other postretirement benefit expense to be presented in the same income statement lines as other employee compensation costs, and the other components to be presented outside of operating income. The guidance on the presentation of components of pension and other postretirement benefit expense was adopted retrospectively, as required, and the practical expedient allowing estimates for comparative periods using the information previously disclosed in the pension and other postretirement benefit plan note was elected. As a result of this ASU, 2018 pension and other postretirement benefit plan expense of $3,483 , $13,930 and $26,888 was recorded in Cost of goods sold, SG&A and Other expense (income) - net, respectively. The reclassifications in the 2017 and 2016 financial statements are summarized in the Adjustments and Reclassifications section at the end of this note.

Effective January 1, 2018, the Company adopted ASU No. 2016-01, “Recognition and Measurement of Financial Assets and Financial Liabilities,” which amends the guidance for certain aspects of recognition, measurement and disclosure of financial instruments. As a result of this standard, changes in fair value of available-for-sale marketable securities that were previously recognized in other comprehensive income are now recognized in earnings. In addition, in accordance with the guidance, the Company reclassified its opening unrealized gains balance of $2,320 to Retained earnings. The adoption of this standard did not have a significant impact on the Company's results of operations, financial condition or liquidity.

In February 2016, the FASB issued ASU No. 2016-02, “Leases,” which consists of a comprehensive lease accounting standard (ASC 842). Under the new standard, right-of-use assets and lease liabilities arising from most leases will be recognized on the balance sheet and enhanced disclosures on key quantitative and qualitative information about leasing arrangements will be required. Leases will be classified as either operating or financing, and the lease classification will determine whether expense is recognized on a straight-line basis (operating leases) or based on separately amortizing the right-of-use asset and applying an effective interest method on the lease liability (financing leases). The new standard is effective for interim and annual periods starting in 2019, and the Company will apply the transitional package of practical expedients allowed by the standard to not reassess the identification, classification and initial direct costs of leases commencing before the effective date of Topic 842. The Company also will

apply the practical expedient to not separate lease and non-lease components to new leases as well as existing leases through transition, and will make an accounting policy election to not apply recognition requirements of the guidance to short-term leases. The Company does not expect to elect the hindsight transitional practical expedient to determine lease term on existing leases. In July 2018, the FASB issued ASU No. 2018-11, "Leases: Targeted Improvements," which provides an optional transition method that allows entities to initially apply the new lease standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption while comparative periods presented will continue to be in accordance with ASC Topic 840. The Company will use the optional transition method and apply the lease standard as of January 1, 2019 and does not anticipate a material cumulative-effect adjustment to the opening balance of retained earnings. The Company is nearing completion of its assessment process and its determination of the expanded disclosure regarding leases, as well as the impact to the consolidated financial statements. This final assessment includes contract analysis and updating accounting policies and related processes and controls. The Company has made enhancements to its financial information systems and internal controls in response to the new rule requirements including the implementation of a lease tracking software for managing and reporting information related to leases. Upon adoption, the Company is prepared to provide expanded disclosures in the consolidated financial statements and it expects to recognize assets and liabilities of between approximately $1.6 billion and $1.8 billion . The adoption of ASC 842 is not expected to have a material impact on the Company's results of operations, cash flows or debt covenants.

Adjustments and Reclassifications. Certain amounts in the notes to the consolidated financial statements for 2016 and 2017 have been adjusted and reclassified to conform to the 2018 presentation.

The table below summarizes the adjustments and reclassifications in the 2017 and 2016 Consolidated Income Statements. In addition, the Inventory Accounting Change reduced previously reported 2017 Inventories, Deferred income taxes and retained earnings by $58,910 , $14,595 and $44,315 , respectively, and reduced previously reported 2017 segment profit for Performance Coatings and Consumer Brands Groups by $35,722 and $23,188 , respectively. Although there were changes to certain captions on the Cash flow statement due to the Inventory Accounting Change, Cash flow from operations was not changed for 2017. The effect of continuing to apply the historical accounting to 2018 would not have been material.

(millions of dollars except per share data)

	Year Ended December 31, 2017				Year Ended December 31, 2016		
	Previously Reported	Adoption of ASU 2017-07	Inventory Accounting Change	Adjusted	Previously Reported	Adoption of ASU 2017-07	Adjusted
Cost of goods sold	$ 8,202.6	$ 3.5	$ 58.9	$ 8,265.0	$ 5,932.9	$ 1.4	$ 5,934.3
Selling, general and administrative expenses	4,785.4	12.2		4,797.6	4,134.5	5.8	4,140.3
Other income	(17.0)	(15.7)		(32.7)	(4.6)	(7.2)	(11.8)
Income from continuing operations before income taxes	1,528.2		(58.9)	1,469.3	1,595.2		1,595.2
Income tax (credit) expense	(285.6)		(14.6)	(300.2)	462.5		462.5
Net income from continuing operations	1,813.8		(44.3)	1,769.5	1,132.7		1,132.7
Net income	$ 1,772.3		$ (44.3)	$ 1,727.9	$ 1,132.7		$ 1,132.7
Diluted net income per share from continuing operations	$ 19.11		$ (.47)	$ 18.64	$ 11.99		$ 11.99
Diluted net income per share	$ 18.67		$ (.47)	$ 18.20	$ 11.99		$ 11.99

NOTE 2 – REVENUE

The Company manufactures and sells paint, stains, supplies, equipment and floor covering through company-operated stores, branded and private label products through retailers, and a broad range of industrial coatings directly to global manufacturing customers through company-operated branches. A large portion of the Company’s revenue is recognized at a point in time and made to customers who are not engaged in a long-term supply agreement or any form of contract with the Company. These sales are paid for at the time of sale in cash, credit card, or may be on account with the vast majority of customers having terms between 30 and 60 days, not to exceed one year. Many customers who purchase on account take advantage of early payment discounts offered by paying within 30 days of being invoiced. The Company estimates variable consideration for these sales on the basis of both historical information and current trends to estimate the expected amount of discounts to which customers are likely to be entitled.

The remaining revenue is governed by long-term supply agreements and related purchase orders (“contracts”) that specify shipping terms and aspects of the transaction price including rebates, discounts and other sales incentives, such as advertising support. Contracts are at standalone pricing. The performance obligation in these contracts is determined by each of the individual purchase orders and the respective stated quantities, with revenue being recognized at a point in time when obligations under the terms of the agreement are satisfied. This generally occurs with the transfer of control of our products to the customer. Sales, value add, and other taxes we collect concurrent with revenue-producing activities are excluded from revenue. Refer to Note 19 for the Company's disaggregation of Net sales by reportable segment. As the reportable segments are aligned by similar economic factors, trends and customers, this disaggregation best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

The Company has made payments or credits for rebates or incentives at the beginning of a long-term contract where future revenue is expected and before satisfaction of performance obligations. Under these circumstances, the Company recognizes a contract asset and amortizes these prepayments over the expected benefit life of the long-term contract typically on a straight-line basis. Management judgment is required when estimating sales-based variable consideration, determining whether it is constrained, measuring obligations for returns, refunds, and determining amortization periods for prepayments.

The majority of variable consideration in the Company’s contracts include a form of volume rebate, discounts, and other incentives, where the customer receives a retrospective percentage rebate based on the amount of their purchases. In these situations, the rebates are accrued as a fixed percentage of sales and recorded as a reduction of net sales until paid to the customer per the terms of the supply agreement. Forms of variable consideration such as tiered rebates, whereby a customer receives a retrospective price decrease dependent on the volume of their purchases, are calculated using a forecasted percentage to determine the most likely amount to accrue. Management creates a baseline calculation using historical sales and then utilizing forecast information, estimates the anticipated sales volume each quarter to calculate the expected reduction to sales. The remainder of the transaction price is fixed as agreed upon with the customer, limiting estimation of revenues including constraints.

The Company’s Accounts receivable and current and long-term contract assets and liabilities are summarized in the following table.

	Accounts Receivable, Less Allowance	Contract Assets (Current)	Contract Assets (Long-Term)	Contract Liabilities (Current)	Contract Liabilities (Long-Term)
Balance at January 1, 2018	$ 2,104,555	$ 33,031	$ 135,150	$ 208,909	$ 8,745
Balance at December 31, 2018	2,018,768	56,598	213,954	272,857	8,745

The difference between the opening and closing balances of the Company’s contract assets and contract liabilities primarily results from the timing difference between the Company’s performance and the customer’s payment.

Provisions for estimated returns are established and the expected costs continue to be recognized as contra-revenue per ASC 606 when the products are sold. The Company only offers an assurance type warranty on products sold, and there is no material service to the customer beyond fixing defects that existed at the time of sale and no warranties are sold separately.

Warranty liabilities are excluded from the table above and discussed in Note 1 . Amounts recognized during the year from deferred liabilities to Revenue were not material. The Company records a right of return liability within each of its operations to accrue for expected customer returns. Historical actual returns are used to estimate future returns as a percentage of current sales. Obligations for returns and refunds were not material individually or in the aggregate.

NOTE 3 – INVENTORIES

Inventories were principally stated at the lower of cost or market with cost determined on the last-in, first-out (LIFO) method. The following presents the effect on inventories, net income and net income per share had the Company used the first-in, first-out (FIFO) inventory valuation method adjusted for income taxes at the statutory rate in effect at each reporting date and assuming no other adjustments. Management believes that the use of LIFO results in a better matching of costs and revenues. This information is presented to enable the reader to make comparisons with companies using the FIFO method of inventory valuation. The decrease in percentage of total inventories on LIFO from 2016 to 2017 was due to the acquisition of Valspar (See Note 4) which only carried approximately 40 percent of its inventory on the LIFO method. Certain amounts in the table below for 2017 have been adjusted to reflect the Inventory Accounting Change (see Note 1).

	2018	2017	2016
Percentage of total inventories on LIFO	**72%**	71%	79%
Excess of FIFO over LIFO	**$ 436,010**	$ 288,186	$ 253,353

NOTE 4 – ACQUISITIONS

On June 1, 2017, the Company completed the acquisition of The Valspar Corporation (Valspar) at $113 per share in an all cash transaction for a total purchase price of $8.9 billion , net of divestiture proceeds of $431.0 million (Acquisition). On April 11, 2017, the Company and Valspar entered into a definitive agreement with Axalta Coating Systems Ltd. to divest the assets related to Valspar's North American industrial wood coatings business. The divestiture was also completed on June 1, 2017, and is reported as a discontinued operation with no pre-tax gain or loss, but includes the tax expense effect of this separate transaction. Proceeds of $431.0 million were received for the divested assets sold. The divestiture resulted in a tax provision of $41.5 million , which reduced basic and diluted net income per share by $.44 for the year ended December 31, 2017. The Acquisition expanded the Company's diversified array of brands and technologies, expanded its global platform and added new capabilities in its packaging and coil businesses.

The preliminary and final allocation of the fair value of the Acquisition is summarized in the following table. The allocation of the fair value is based on the acquisition method of accounting and third-party valuation appraisals. The measurement period adjustments resulted from differences between the preliminary and final report of third-party valuation appraisals.

(millions of dollars)

	Preliminary Allocation (as reported at December 31, 2017)	Measurement Period Adjustments	Final Allocation (as reported at June 30, 2018)
Cash	$ 129.1		$ 129.1
Accounts receivable	817.5		817.5
Inventories	684.5	$ (0.1)	684.4
Indefinite-lived trademarks	775.9	(161.6)	614.3
Finite-lived intangible assets	5,071.8	(148.9)	4,922.9
Goodwill	5,675.2	213.6	5,888.8
Property, plant and equipment	833.0	7.7	840.7
All other assets	231.1	4.0	235.1
Accounts payable	(553.2)		(553.2)
Long-term debt	(1,603.5)		(1,603.5)
Deferred taxes	(2,028.9)	113.0	(1,915.9)
All other liabilities	(1,093.1)	(27.7)	(1,120.8)
Total	$ 8,939.4	$ —	$ 8,939.4
Total, net of cash	$ 8,810.3		$ 8,810.3

Finite-lived intangible assets include customer relationships of $3.2 billion and intellectual property and technology of $1.7 billion , which are being amortized over weighted average amortization periods ranging from 15 to 20 years. The measurement period adjustments for finite-lived intangible assets resulted in a $7.7 million reduction of amortization expense in the second quarter of 2018 that related to prior periods ($5.4 million for the year ended December 31, 2017. Goodwill of $2.0 billion , $1.1 billion , and $2.8 billion was recorded in The Americas Group, Consumer Brands Group, and Performance Coatings Group, respectively, and relates primarily to expected synergies. The results of operations for Valspar are included in the Company's consolidated financial statements from the date of acquisition.

NOTE 5 – GOODWILL, INTANGIBLE AND LONG-LIVED ASSETS

In accordance with the Property, Plant and Equipment Topic of the ASC, whenever events or changes in circumstances indicate that the carrying value of long-lived assets may not be recoverable or the useful life may have changed, impairment tests are to be performed. Undiscounted cash flows are to be used to calculate the recoverable value of long-lived assets to determine if such assets are impaired. Where impairment is identified, a valuation model, incorporating discount rates commensurate with the risks involved for each group of assets, is to be used to determine the fair value for the assets to measure any potential impairment. No material impairments were recorded in 2018, 2017 or 2016.

The Company recorded goodwill of $5.9 billion , finite-lived intangibles of $4.9 billion and indefinite-lived trademarks of $614.3 million in connection with the Acquisition. See Note 4 .

In accordance with the Goodwill and Other Intangibles Topic of the ASC, goodwill and indefinite-lived intangible assets are tested for impairment annually, and interim impairment tests are performed whenever an event occurs or circumstances change that indicate an impairment has more likely than not occurred. October 1 has been established for the annual impairment review. At the time of impairment testing, values are estimated separately for goodwill and trademarks with indefinite lives using a valuation model, incorporating discount rates commensurate with the risks involved for each group of assets. An optional qualitative assessment may alleviate the need to perform the quantitative goodwill impairment test when impairment is unlikely.

The annual impairment review performed as of October 1, 2018 did not result in any goodwill or trademark impairment. The annual impairment review performed as of October 1, 2017 resulted in trademark impairment of $2,022 in The Americas Group related to lower than anticipated sales of an acquired brand and no goodwill impairment. The annual impairment review performed as of October 1, 2016 resulted in goodwill and trademark impairment in The Americas Group of $10,455 and $233 , respectively.

A summary of changes in the Company's carrying value of goodwill by Reportable Segment is as follows:

Goodwill	The Americas Group	Consumer Brands Group	Performance Coatings Group	Consolidated Totals
Balance at January 1, 2016 [1]	$ 295,052	$ 701,071	$ 147,210	$ 1,143,333
Impairment charged to operations	(10,455)			(10,455)
Currency and other adjustments	813	(1,197)	(5,602)	(5,986)
Balance at December 31, 2016 [2]	285,410	699,874	141,608	1,126,892
Acquisition	2,276,127	1,473,239	1,925,878	5,675,244
Currency and other adjustments	(5,928)	60,128	(41,991)	12,209
Balance at December 31, 2017 [2]	2,555,609	2,233,241	2,025,495	6,814,345
Acquisition adjustments	**(273,922)**	**(413,248)**	**900,764**	**213,594**
Currency and other adjustments	**(25,133)**	**(66,124)**	**20,020**	**(71,237)**
Balance at December 31, 2018 [2]	**$ 2,256,554**	**$ 1,753,869**	**$ 2,946,279**	**$ 6,956,702**

[1] Net of accumulated impairment losses of $8,904 ($8,113 in the Consumer Brands Group and $791 in the Performance Coatings Group).
[2] Net of accumulated impairment losses of $19,359 ($10,455 in The Americas Group, $8,113 in the Consumer Brands Group and $791 in the Performance Coatings Group).

A summary of the Company's carrying value of intangible assets is as follows:

	Finite-Lived Intangible Assets					Trademarks With Indefinite Lives	Total Intangible Assets
	Software	Customer Relationships	Intellectual Property	All Other	Subtotal		
December 31, 2018							
Weighted-average amortization period	**7 years**	**15 years**	**20 years**	**13 years**	**17 years**		
Gross	**$ 165,198**	**$ 3,103,665**	**$ 1,730,337**	**$ 315,008**	**$ 5,314,208**		
Accumulated amortization	**(127,303)**	**(326,333)**	**(136,985)**	**(256,155)**	**(846,776)**		
Net value	**$ 37,895**	**$ 2,777,332**	**$ 1,593,352**	**$ 58,853**	**$ 4,467,432**	**$ 734,147**	**$ 5,201,579**
December 31, 2017							
Weighted-average amortization period	7 years	15 years	20 years	13 years	17 years		
Gross	$ 165,019	$ 3,361,675	$ 1,774,000	$ 329,440	$ 5,630,134		
Accumulated amortization	(116,621)	(129,568)	(51,742)	(257,506)	(555,437)		
Net value	$ 48,398	$ 3,232,107	$ 1,722,258	$ 71,934	$ 5,074,697	$ 927,664	$ 6,002,361
December 31, 2016							
Weighted-average amortization period	7 years			11 years	10 years		
Gross	$ 144,557			$ 313,613	$ 458,170		
Accumulated amortization	(103,735)			(240,217)	(343,952)		
Net value	$ 40,822	$ —	$ —	$ 73,396	$ 114,218	$ 140,792	$ 255,010

Amortization of finite-lived intangible assets is estimated as follows for the next five years: $306,227 in 2019 , $305,820 in 2020 , $303,348 in 2021 , $302,359 in 2022 and $298,047 in 2023 .

NOTE 6 – EXIT OR DISPOSAL ACTIVITIES

Management is continually re-evaluating the Company's operating facilities, including acquired operating facilities, against its long-term strategic goals. Liabilities associated with exit or disposal activities are recognized as incurred in accordance with the Exit or Disposal Cost Obligations Topic of the ASC. Provisions for qualified exit costs are made at the time a facility is no longer operational. Qualified exit costs primarily include post-closure rent expenses or costs to terminate the contract before the end of its term and costs of employee terminations. Adjustments may be made to liabilities accrued for qualified exit costs if information becomes available upon which more accurate amounts can be reasonably estimated. Concurrently, property, plant and equipment is tested for impairment in accordance with the Property, Plant and Equipment Topic of the ASC, and if impairment exists, the carrying value of the related assets is reduced to estimated fair value. Additional impairment may be recorded for subsequent revisions in estimated fair value. Adjustments to prior provisions and additional impairment charges for property, plant and equipment of closed sites being held for disposal are recorded in Other general expense – net.

During 2018 , 15 stores in The Americas Group and 11 branches in the Performance Coatings Group were closed due to lower demand or redundancy. The Company continues to evaluate all legacy operations in response to the Acquisition in order to optimize restructured operations. Provisions of $12,251 and $2,672 for severance and other qualified exit costs, along with other 2018 activity, were charged to the Administrative Segment and Performance Coatings Group, respectively. There were $612 of provisions recorded for severance and other qualified exit costs related to manufacturing facilities, distribution facilities, stores and branches closed prior to 2018 .

During 2017 , 13 stores in The Americas Group and 2 branches in the Performance Coatings Group were closed due to lower demand or redundancy. Accruals for exit and disposal activities of $4,456 were acquired in connection with the Acquisition. These Acquisition-related restructuring charges were recorded in the Administrative segment as presented in the table below. Provisions of $47,308 and $143 for severance and other qualified exit costs related to the Acquisition and other 2017 activity were charged to the Administrative Segment and Performance Coatings Group, respectively. Provisions for severance and other qualified exit costs related to manufacturing facilities, distribution facilities, stores and branches closed prior to 2017 of $3,052 were recorded.

During 2016 , 16 stores in The Americas Group, 13 branches in the Performance Coatings Group and 2 facilities in Consumer Brands Group were closed due to lower demand or redundancy. Provisions for severance and other qualified exit cost of $1,020 and $505 were charged to Consumer Brands Group and Performance Coatings Group, respectively. Provisions for severance and other qualified exit costs related to manufacturing facilities, distribution facilities, stores and branches closed prior to 2016 of $1,513 were recorded.

At December 31, 2018 , a portion of the remaining accrual for qualified exit costs relating to facilities shutdown prior to 2016 is expected to be incurred by the end of 2019 . The remaining portion of the ending accrual for facilities shutdown prior to 2016 primarily represented post-closure contractual expenses related to certain owned facilities which are closed and being held for disposal. The Company cannot reasonably estimate when such matters will be concluded to permit disposition.

The following tables summarize the activity and remaining liabilities associated with qualified exit costs:

Exit Plan	Balance at December 31, 2017	Provisions in Cost of goods sold or SG&A	Actual expenditures charged to accrual	Balance at December 31, 2018
Administrative segment acquisition-related restructuring:				
Severance and related costs	**$ 6,019**	**$ 12,043**	**$ (16,939)**	**$ 1,123**
Other qualified exit costs	**5,541**	**208**	**(1,503)**	**4,246**
Performance Coatings Group facilities shutdown in 2018:				
Severance and related costs		**13**	**(13)**	**—**
Other qualified exit costs		**2,047**	**(1,426)**	**621**
Performance Coatings Group branches shutdown in 2017:				
Severance and related costs	**14**	**274**	**(235)**	**53**
Other qualified exit costs	**121**	**338**	**(224)**	**235**
Consumer Brands Group facilities shutdown in 2016:				
Severance and related costs	**21**		**(21)**	**—**
Performance Coatings Group branches shutdown in 2016:				
Severance and related costs				**—**
Other qualified exit costs	**111**		**(77)**	**34**
Severance and other qualified exit costs for facilities shutdown prior to 2016	**1,558**		**(818)**	**740**
Totals	**$ 13,385**	**$ 14,923**	**$ (21,256)**	**$ 7,052**

Exit Plan	Balance at December 31, 2016	Acquired Balances	Provisions in Cost of goods sold or SG&A	Actual expenditures charged to accrual	Balance at December 31, 2017
Administrative segment Acquisition-related restructuring in 2017:					
Severance and related costs		$ 3,303	$ 38,739	$ (36,023)	$ 6,019
Other qualified exit costs		1,153	8,569	(4,181)	5,541
Performance Coatings Group stores shutdown in 2017:					
Severance and related costs			14		14
Other qualified exit costs			129	(8)	121
Consumer Brands Group facilities shutdown in 2016:					
Severance and related costs	$ 907		2,910	(3,796)	21
Performance Coatings Group stores shutdown in 2016:					
Severance and related costs	136			(136)	—
Other qualified exit costs	269		97	(255)	111
The Americas Group stores shutdown in 2015:					
Other qualified exit costs	195		20	(215)	—
Performance Coatings Group stores shutdown in 2015:					
Other qualified exit costs	433		25	(446)	12
Severance and other qualified exit costs for facilities shutdown prior to 2015	1,908			(362)	1,546
Totals	$ 3,848	$ 4,456	$ 50,503	$ (45,422)	$ 13,385

Exit Plan	Balance at December 31, 2015	Provisions in Cost of goods sold or SG&A	Actual expenditures charged to accrual	Balance at December 31, 2016
Consumer Brands Group facilities shutdown in 2016:				
Severance and related costs		$ 1,020	$ (113)	$ 907
Performance Coatings Group stores shutdown in 2016:				
Severance and related costs		136		136
Other qualified exit costs		369	(100)	269
The Americas Group stores shutdown in 2015:				
Other qualified exit costs	$ 12	481	(298)	195
Performance Coatings Group stores shutdown in 2015:				
Severance and related costs	1,096		(1,096)	—
Other qualified exit costs	2,750	499	(2,816)	433
The Americas Group stores shutdown in 2014:				
Other qualified exit costs	184		(81)	103
Consumer Brands Group facilities shutdown in 2014:				
Severance and related costs	445		(46)	399
Other qualified exit costs	52		(39)	13
Performance Coatings Group exit of business in 2014:				
Severance and related costs	430		(430)	—
Other qualified exit costs	353	430	(600)	183
Severance and other qualified exit costs for facilities shutdown prior to 2014	1,755	103	(648)	1,210
Totals	$ 7,077	$ 3,038	$ (6,267)	$ 3,848

NOTE 7 – PENSION, HEALTH CARE AND POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The Company provides pension benefits to substantially all full-time employees through primarily noncontributory defined contribution or defined benefit plans and certain health care and life insurance benefits to domestic active employees and eligible retirees. In accordance with the Retirement Benefits Topic of the ASC, the Company recognizes an asset for overfunded defined benefit pension or other postretirement benefit plans and a liability for unfunded or underfunded plans. In addition, actuarial gains and losses and prior service costs of such plans are recorded in Cumulative other comprehensive loss, a component of Shareholders' equity. The amounts recorded in Cumulative other comprehensive loss will continue to be modified as actuarial assumptions and service costs change, and all such amounts will be amortized to expense over a period of years through the net pension cost (credit) and net periodic benefit cost.

Health care plans. The Company provides certain domestic health care plans that are contributory and contain cost-sharing features such as deductibles and coinsurance. There were 26,323 , 26,565 and 22,708 active employees entitled to receive benefits under these plans at December 31, 2018 , 2017 and 2016 , respectively. The cost of these benefits for active employees, which includes claims incurred and claims incurred but not reported, amounted to $298,800 , $281,158 and $220,589 for 2018 , 2017 and 2016 , respectively.

Defined contribution pension plans. The Company's annual contribution for its domestic defined contribution pension plan was $65,220 , $38,426 and $36,731 for 2018 , 2017 and 2016 , respectively. The contribution percentage ranges from two percent to seven percent of compensation for covered employees based on an age and service formula. Assets in employee accounts of the domestic defined contribution pension plan are invested in various investment funds as directed by the participants. These investment funds did not own a significant number of shares of the Company's common stock for any year presented.

The Company's annual contributions for its foreign defined contribution pension plans, which are based on various percentages of compensation for covered employees up to certain limits, were $19,462 , $10,480 and $6,676 for 2018 , 2017 and 2016 , respectively. Assets in employee accounts of the foreign defined contribution pension plans are invested in various investment funds. These investment funds did not own a significant number of shares of the Company's common stock for any year presented.

Defined benefit pension plans. Prior to December 31, 2017, the Company had one salaried and one hourly domestic defined benefit pension plan. In connection with the Acquisition, the Company acquired Valspar's domestic defined benefit pension plan. Effective December 31, 2017, the three domestic defined benefit pension plans were merged into one plan. In 2018, this plan was split into two separate overfunded plans: one that will continue to operate and one that was frozen and subsequently terminated during 2018. The Company is in the process of settling the liabilities of the terminated plan through a combination of (i) lump sum payments to eligible participants who elected to receive them and (ii) the purchase of annuity

contracts for participants who either did not elect lump sums or were already receiving benefit payments. The lump sum payments were paid in December 2018 and resulted in a settlement charge of $37.6 million in 2018. The annuity contracts were purchased in 2019 and are expected to result in a settlement charge of approximately $30 million to $40 million in the first quarter of 2019. The Company will use any remaining overfunded cash surplus balances to fund future company contributions to a replacement defined contribution plan.

At December 31, 2018 , the domestic defined benefit pension plans were overfunded, with a projected benefit obligation of $524,675 , fair value of plan assets of $776,961 and excess plan assets of $252,286 . The plans were funded in accordance with all applicable regulations at December 31, 2018 . At December 31, 2017 , the domestic defined benefit pension plan was overfunded, with a projected benefit obligation of $916,175 , fair value of plan assets of $1,188,638 and excess plan assets of $272,463 . At December 31, 2016 , the domestic salaried and hourly defined benefit pension plan were overfunded, with a projected benefit obligation of $632,797 , fair value of plan assets of $847,013 and excess plan assets of $214,216 .

The Company has thirty-one foreign defined benefit pension plans, twelve of which were acquired through the Acquisition. At December 31, 2018 , twenty-four of the Company's foreign defined benefit pension plans were unfunded or underfunded, with combined accumulated benefit obligations, projected benefit obligations, fair values of net assets and deficiencies of plan assets of $168,395 , $199,881 , $119,232 and $80,649 , respectively.

The Company expects to make the following benefit payments for all domestic and foreign defined benefit pension plans: $49,259 in 2019 ; $46,809 in 2020 ; $46,469 in 2021 ; $46,104 in 2022 ; $46,532 in 2023 ; and $226,112 in 2024 through 2028 . The Company expects to contribute $5,295 to the foreign plans in 2019 .

The estimated net actuarial losses and prior service costs for the defined benefit pension plans that are expected to be amortized from Cumulative other comprehensive loss into the net pension costs in 2019 are $1,033 and $1,397 , respectively.

The following table summarizes the components of the net pension costs and Cumulative other comprehensive loss related to the defined benefit pension plans:

	Domestic Defined Benefit Pension Plans			Foreign Defined Benefit Pension Plans		
	2018	2017	2016	**2018**	2017	2016
Net pension cost (credit):						
Service cost	**$ 7,259**	$ 21,711	$ 22,291	**$ 8,160**	$ 7,039	$ 4,225
Interest cost	**32,161**	31,085	26,498	**9,486**	8,177	7,441
Expected return on plan assets	**(53,005)**	(48,275)	(50,197)	**(10,837)**	(9,070)	(6,915)
Amortization of prior service cost	**3,530**	1,362	1,205			
Amortization of actuarial losses		6,210	4,532	**1,518**	1,833	1,540
Ongoing pension cost (credit)	**(10,055)**	12,093	4,329	**8,327**	7,979	6,291
Settlement cost (credit)	**37,648**	(1,990)		**(374)**	71	4,231
Curtailment cost	**825**					
Net pension cost	**28,418**	10,103	4,329	**7,953**	8,050	10,522
Other changes in plan assets and projected benefit obligation recognized in Cumulative other comprehensive loss (before taxes):						
Net actuarial losses (gains) arising during the year	**29,927**	(65,829)	18,926	**(5,107)**	(13,960)	17,030
Prior service cost arising during the year	**4,577**	844	2,081			
Amortization of actuarial losses		(6,210)	(4,532)	**(1,518)**	(1,833)	(1,540)
Amortization of prior service cost	**(3,530)**	(1,362)	(1,205)			
(Loss) gain recognized for settlement	**(37,648)**	1,990		**374**	(71)	
Prior service cost recognized for curtailment	**(825)**					
Loss arising from curtailment	**(742)**					
Exchange rate (loss) gain recognized during the year				**(1,890)**	4,133	(11,627)
Total recognized in Cumulative other comprehensive loss	**(8,241)**	(70,567)	15,270	**(8,141)**	(11,731)	3,863
Total recognized in net pension cost and Cumulative other comprehensive loss	**$ 20,177**	$ (60,464)	$ 19,599	**$ (188)**	$ (3,681)	$ 14,385

Service cost is recorded in Cost of goods sold and Selling, general and administrative expense. All other components of Net pension costs are recorded in Other expense (income) - net . See Note 1 for information on the adoption of ASU No. 2017-07.

The Company employs a total return investment approach for the domestic and foreign defined benefit pension plan assets. A mix of equities and fixed income investments are used to maximize the long-term return of assets for a prudent level of risk. In determining the expected long-term rate of return on defined benefit pension plan assets, management considers the historical rates of return, the nature of investments and an expectation of future investment strategies. The target allocations for plan assets are 35 – 65 percent equity securities and 35 – 55 percent fixed income securities.

The following tables summarize the fair value of the defined benefit pension plan assets at December 31, 2018 , 2017 and 2016 . The presentation is in accordance with the Retirement Benefits Topic of the ASC, as updated by ASU No. 2015-07 (see Note 1).

	Fair value at December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments at fair value:				
Equity investments [1]	$ 215,812	$ 123,982	$ 91,830	
Fixed income investments [2]	609,926	462,777	147,149	
Other assets [3]	38,413		38,413	
Total investments in fair value hierarchy	864,151	$ 586,759	$ 277,392	
Investments measured at NAV or its equivalent [4]	166,376			
Total investments	$ 1,030,527			

	Fair value at December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments at fair value:				
Equity investments [1]	$ 514,983	$ 409,911	$ 105,072	
Fixed income investments [2]	380,902	146,816	234,086	
Other assets [3]	39,196		39,196	
Total investments in fair value hierarchy	935,081	$ 556,727	$ 378,354	
Investments measured at NAV or its equivalent [4]	533,561			
Total investments	$ 1,468,642			

	Fair value at December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments at fair value:				
Equity investments [1]	$ 393,045	$ 321,152	$ 71,893	
Fixed income investments [2]	294,103	144,668	149,435	
Other assets [3]	14,643		14,643	
Total investments in fair value hierarchy	701,791	$ 465,820	$ 235,971	
Investments measured at NAV or its equivalent [4]	310,230			
Total investments	$ 1,012,021			

[1] This category includes actively managed equity assets that track primarily to the S&P 500.
[2] This category includes government and corporate bonds that track primarily to the Barclays Capital Aggregate Bond Index.
[3] This category includes real estate and pooled investment funds.
[4] This category includes pooled investment funds and private equity funds that are measured at NAV or its equivalent using the practical expedient. Therefore, these investments are not classified in the fair value hierarchy.

Included as equity investments in the domestic defined benefit pension plan assets at December 31, 2018 were 300,000 shares of the Company's common stock with a market value of $118,038 , representing 15.2 percent of total domestic plan assets. Dividends received on the Company's common stock during 2018 totaled $1,032 .

The following table summarizes the obligations, plan assets and assumptions used for the defined benefit pension plans, which are all measured as of December 31:

	Domestic Defined Benefit Pension Plans			Foreign Defined Benefit Pension Plans		
	2018	2017	2016	**2018**	2017	2016
Accumulated benefit obligations at end of year	**$ 520,958**	$ 913,363	$ 630,159	**$ 280,046**	$ 308,164	$ 172,047
Projected benefit obligations:						
Balances at beginning of year	**$ 916,175**	$ 632,797	$ 624,791	**$ 349,597**	$ 206,873	$ 201,854
Service cost	**7,259**	21,711	22,291	**8,160**	7,039	4,225
Interest cost	**32,161**	31,085	26,498	**9,486**	8,177	7,441
Actuarial (gains) losses	**(13,552)**	67,945	8,132	**(20,958)**	(4,002)	43,736
Acquisition		246,894			115,045	
Contributions and other	**3,834**	844	2,081	**1,572**	1,397	947
Settlements	**(379,064)**	(43,381)		**(6,319)**	(758)	(14,862)
Effect of foreign exchange				**(16,226)**	22,938	(30,360)
Benefits paid	**(42,138)**	(41,720)	(50,996)	**(9,467)**	(7,112)	(6,108)
Balances at end of year	**524,675**	916,175	632,797	**315,845**	349,597	206,873
Plan assets:						
Balances at beginning of year	**1,188,638**	847,013	858,605	**280,004**	165,008	162,339
Actual returns on plan assets	**9,525**	182,049	39,404	**(4,896)**	16,282	33,569
Acquisition		244,677			82,314	
Contributions and other				**8,278**	6,048	15,019
Settlements	**(379,064)**	(43,381)		**(6,319)**	(758)	(14,862)
Effect of foreign exchange				**(14,034)**	18,222	(24,949)
Benefits paid	**(42,138)**	(41,720)	(50,996)	**(9,467)**	(7,112)	(6,108)
Balances at end of year	**776,961**	1,188,638	847,013	**253,566**	280,004	165,008
Excess (deficient) plan assets over projected benefit obligations	**$ 252,286**	$ 272,463	$ 214,216	**$ (62,279)**	$ (69,593)	$ (41,865)
Assets and liabilities recognized in the Consolidated Balance Sheets:						
Deferred pension assets	**$ 252,286**	$ 272,463	$ 214,216	**$ 18,378**	$ 24,280	$ 11,313
Other accruals				**(2,716)**	(2,523)	(1,522)
Other long-term liabilities				**(77,941)**	(91,350)	(51,656)
	$ 252,286	$ 272,463	$ 214,216	**$ (62,279)**	$ (69,593)	$ (41,865)
Amounts recognized in Cumulative other comprehensive loss:						
Net actuarial losses	**$ (56,335)**	$ (64,799)	$ (134,847)	**$ (25,732)**	$ (33,873)	$ (45,604)
Prior service costs	**(5,719)**	(5,496)	(6,015)			
	$ (62,054)	$ (70,295)	$ (140,862)	**$ (25,732)**	$ (33,873)	$ (45,604)
Weighted-average assumptions used to determine projected benefit obligations:						
Discount rate	**3.60%**	3.60%	4.20%	**3.04%**	2.73%	3.21%
Rate of compensation increase	**3.17%**	3.33%	3.38%	**3.65%**	3.69%	4.43%
Weighted-average assumptions used to determine net pension costs:						
Discount rate	**3.60%**	4.15%	4.40%	**2.73%**	3.88%	4.20%
Expected long-term rate of return on assets	**5.00%**	5.00%	6.00%	**3.84%**	4.75%	4.70%
Rate of compensation increase	**3.33%**	3.30%	3.14%	**3.69%**	4.33%	4.00%

Postretirement Benefits Other Than Pensions. Employees of the Company hired in the United States prior to January 1, 1993 who are not members of a collective bargaining unit, and certain groups of employees added through acquisitions, are eligible for health care and life insurance benefits upon retirement, subject to the terms of the unfunded plans. There were 2,987 , 3,486 and 4,524 retired employees entitled to receive such postretirement benefits at December 31, 2018 , 2017 and 2016 , respectively.

The following table summarizes the obligation and the assumptions used for postretirement benefits other than pensions:

	Postretirement Benefits Other than Pensions		
	2018	2017	2016
Benefit obligation:			
Balance at beginning of year - unfunded	**$ 290,823**	$ 265,137	$ 263,383
Service cost	**1,994**	2,105	2,244
Interest cost	**10,178**	10,749	11,009
Acquisition		17,010	
Actuarial (gain) loss	**(9,047)**	11,637	7,548
Plan amendments	**(77)**		
Benefits paid	**(19,237)**	(15,815)	(19,047)
Balance at end of year - unfunded	**$ 274,634**	$ 290,823	$ 265,137
Liabilities recognized in the Consolidated Balance Sheets:			
Postretirement benefits other than pensions	**$ (257,621)**	$ (274,675)	$ (250,397)
Other accruals	**(17,013)**	(16,148)	(14,740)
	$ (274,634)	$ (290,823)	$ (265,137)
Amounts recognized in Cumulative other comprehensive loss:			
Net actuarial losses	**$ (32,774)**	$ (44,147)	$ (23,211)
Prior service credits	**6,134**	12,625	19,205
	$ (26,640)	$ (31,522)	$ (4,006)
Weighted-average assumptions used to determine benefit obligation:			
Discount rate	**4.21%**	3.61%	4.10%
Health care cost trend rate - pre-65	**6.69%**	7.00%	6.00%
Health care cost trend rate - post-65	**4.94%**	5.00%	5.50%
Prescription drug cost increases	**9.75%**	11.00%	10.50%
Employer Group Waiver Plan (EGWP) trend rate	**9.75%**	11.00%	10.60%
Weighted-average assumptions used to determine net periodic benefit cost:			
Discount rate	**3.61%**	4.10%	4.30%
Health care cost trend rate - pre-65	**7.00%**	6.00%	6.00%
Health care cost trend rate - post-65	**5.00%**	5.50%	5.00%
Prescription drug cost increases	**11.00%**	10.50%	11.50%

The following table summarizes the components of the net periodic benefit cost and Cumulative other comprehensive loss related to postretirement benefits other than pensions:

	Postretirement Benefits Other than Pensions		
	2018	2017	2016
Net periodic benefit cost (credit):			
Service cost	**$ 1,994**	$ 2,105	$ 2,244
Interest cost	**10,178**	10,749	11,009
Amortization of actuarial losses	**2,326**	32	
Amortization of prior service credit	**(6,569)**	(6,579)	(6,578)
Net periodic benefit cost	**7,929**	6,307	6,675
Settlement credit		(9,332)	
Net periodic benefit cost (credit)	**7,929**	(3,025)	6,675
Other changes in projected benefit obligation recognized in Cumulative other comprehensive loss (before taxes):			
Net actuarial (gain) loss arising during the year	**(9,047)**	11,637	7,548
Prior service credit arising during the year	**(78)**		
Amortization of actuarial losses	**(2,326)**	(32)	
Settlement cost		9,332	
Amortization of prior service credit	**6,569**	6,579	6,578
Total recognized in Cumulative other comprehensive loss	**(4,882)**	27,516	14,126
Total recognized in net periodic benefit cost and Cumulative other comprehensive loss	**$ 3,047**	$ 24,491	$ 20,801

The estimated net actuarial losses and prior service (credits) for postretirement benefits other than pensions that are expected to be amortized from Cumulative other comprehensive loss into net periodic benefit cost in 2019 are $535 and $(4,997) , respectively.

The assumed health care cost trend rate and prescription drug cost increases used to determine the net periodic benefit cost for postretirement health care benefits for 2019 both decrease in each successive year until reaching 4.5 percent in 2026 . The assumed health care and prescription drug cost trend rates have a significant effect on the amounts reported for the postretirement health care benefit obligation. A one-percentage-point change in assumed health care and prescription drug cost trend rates would have had the following effects at December 31, 2018 :

	One-Percentage Point	
	Increase	(Decrease)
Effect on total of service and interest cost components	$ 132	$ (132)
Effect on the postretirement benefit obligation	$ 3,602	$ (3,636)

The Company expects to make retiree health care benefit cash payments as follows:

	Expected Cash Payments
2019	$ 17,013
2020	18,757
2021	19,391
2022	19,969
2023	19,991
2024 through 2028	98,836
Total expected benefit cash payments	$ 193,957

NOTE 8 – DEBT

Long-term debt

	Due Date	2018	2017	2016
2.25% Senior Notes [1]	2020	$ 1,496,015	$ 1,493,106	
3.45% Senior Notes [1]	2027	1,485,023	1,483,244	
2.75% Senior Notes [1]	2022	1,242,850	1,240,758	
4.50% Senior Notes [1]	2047	1,229,373	1,228,647	
Term Loan	2022		847,337	
3.125% Senior Notes [1]	2024	496,287	495,602	
4.20% Senior Notes [2]	2022	416,815	422,370	
3.45% Senior Notes	2025	397,621	397,260	$ 396,898
4.55% Senior Notes	2045	394,082	393,859	393,637
3.95% Senior Notes [2]	2026	360,822	362,381	
7.25% Senior Notes [2]	2019		319,394	
4.00% Senior Notes	2042	296,251	296,094	295,938
Floating Rate Loan	2021	257,371	269,247	
3.30% Senior Notes [2]	2025	249,304	249,207	
4.40% Senior Notes [2]	2045	238,747	238,334	
7.375% Debentures	2027	119,029	118,982	118,936
0.92% Fixed Rate Loan	2021	22,877	23,933	
7.45% Debentures	2097	3,500	3,500	3,500
2.00% to 8.0% Promissory Notes	Through 2027	2,090	2,490	2,417
		$ 8,708,057	$ 9,885,745	$ 1,211,326

[1] Senior notes issued in 2017 to fund the Acquisition [2] Senior notes acquired in 2017 through the Acquisition

Maturities of long-term debt are as follows for the next five years: $301,149 in 2019 ; $1,500,375 in 2020 ; $281,005 in 2021 , $1,650,268 in 2022 and $272 in 2023 . Interest expense on long-term debt was $343,119 , $257,350 and $75,509 for 2018 , 2017 and 2016 , respectively.

Among other restrictions, the Company's notes, debentures and revolving credit agreement contain certain covenants relating to liens, ratings changes, merger and sale of assets, consolidated leverage and change of control, as defined in the agreements. In the event of default under any one of these arrangements, acceleration of the maturity of any one or more of these borrowings may result. The Company was in compliance with all covenants for all years presented.

On May 16, 2017, the Company issued $6.0 billion of senior notes (collectively the "New Notes") in a public offering. The net proceeds from the issuance of the New Notes were used to fund the Acquisition. See Note 4 . The interest rate locks entered into in 2016 settled in March 2017 resulting in a pretax gain of $87.6 million recognized in Cumulative other comprehensive loss. This gain is being amortized from Cumulative other comprehensive loss to a reduction of interest expense over the terms of the New Notes. For the year ended December 31, 2018 , the amortization of the unrealized gain reduced interest expense by $8.3 million .

On June 2, 2017 the Company closed its previously announced exchange offers and consent solicitations (Exchange Offer) for the outstanding senior notes of Valspar. Pursuant to the Exchange Offer, the Company issued an aggregate principal amount of approximately $1.478 billion (Exchange Notes). The Exchange Notes are unsecured senior obligations of the Company. The Company did not receive any cash proceeds from the issuance of the Exchange Notes.

In August 2017, the Company entered into a floating rate loan of €225.0 million and a fixed rate loan of €20.0 million . The floating rate loan agreement bears interest at the six-month Euro Interbank Offered Rate plus a margin. The fixed rate loan bears interest at 0.92% . The proceeds are being used for general corporate purposes. The loans mature on August 23, 2021.

In April 2016, the Company entered into agreements for a $7.3 billion Bridge Loan and a $2.0 billion Term Loan as committed financing for the Acquisition. On June 1, 2017, the Company terminated the agreement for the Bridge Loan and borrowed the full $2.0 billion on the Term Loan. During 2018, the Company paid the outstanding balance on the Term Loan and the agreement was terminated.

Short-term borrowings. On July 19, 2018, the Company and three of its wholly-owned subsidiaries, Sherwin-Williams Canada, Inc., Sherwin-Williams Luxembourg S.à r.l and Sherwin-Williams UK Holding Limited (all together with the Company, the Borrowers), entered into a new five -year $2.000 billion credit agreement (New Credit Agreement). The New Credit Agreement may be used for general corporate purposes, including the financing of working capital requirements. The New Credit Agreement replaced a credit agreement dated July 16, 2015, as amended, which was terminated. The New Credit Agreement allows the Company to extend the maturity of the facility with two one -year extension options and the Borrowers to increase the aggregate amount of the facility to $2.750 billion , both of which are subject to the discretion of each lender. In addition, the Borrowers may request letters of credit in an amount of up to $250.0 million . At December 31, 2018 , there were no short-term borrowings under the New Credit Agreement. Borrowings outstanding under various other foreign programs were $37.0 million at December 31, 2018 with a weighted average interest rate of 9.3% .

In September 2017, the Company entered into a five -year letter of credit agreement, subsequently amended on multiple dates, with an aggregate availability of $625.0 million at December 31, 2018 . On May 6, 2016, the Company entered into a five -year credit agreement, subsequently amended on multiple dates. This credit agreement gives the Company the right to borrow and to obtain the issuance, renewal, extension and increase of a letter of credit up to an aggregate availability of $875.0 million at December 31, 2018 . Both of these credit agreements are being used for general corporate purposes. At December 31, 2018 , there were no borrowings outstanding under these credit agreements. There were $350.0 million borrowings outstanding at December 31, 2017 and no borrowings outstanding at December 31, 2016 .

There were $291.4 million borrowings outstanding under the Company's domestic commercial paper program at December 31, 2018 . There were $274.8 million borrowings outstanding at December 31, 2017 and no borrowings outstanding at December 31, 2016 .

NOTE 9 – OTHER LONG-TERM LIABILITIES

The operations of the Company, like those of other companies in our industry, are subject to various domestic and foreign environmental laws and regulations. These laws and regulations not only govern current operations and products, but also impose potential liability on the Company for past operations. Management expects environmental laws and regulations to impose increasingly stringent requirements upon the Company and the industry in the future. Management believes that the Company conducts its operations in compliance with applicable environmental laws and regulations and has implemented various programs designed to protect the environment and promote continued compliance.

The Company is involved with environmental investigation and remediation activities at some of its currently and formerly owned sites (including sites which were previously owned and/or operated by businesses acquired by the Company). In addition, the Company, together with other parties, has been designated a potentially responsible party under federal and state environmental protection laws for the investigation and remediation of environmental contamination and hazardous waste at a number of third-party sites, primarily Superfund sites. In general, these laws provide that potentially responsible parties may be held jointly and severally liable for investigation and remediation costs regardless of fault. The Company may be similarly designated with respect to additional third-party sites in the future.

The Company initially provides for estimated costs of environmental-related activities relating to its past operations and third-party sites for which commitments or clean-up plans have been developed and when such costs can be reasonably estimated based on industry standards and professional judgment. These estimated costs are determined based on currently available facts regarding each site. If the best estimate of costs can only be identified as a range and no specific amount within that range can be determined more likely than any other amount within the range, the minimum of the range is provided. The Company continuously assesses its potential liability for investigation and remediation-related activities and adjusts its environmental-related accruals as information becomes available upon which more accurate costs can be reasonably estimated and as additional accounting guidelines are issued. Included in Other long-term liabilities at December 31, 2018 , 2017 and 2016 were accruals for extended environmental-related activities of $322,459 , $179,593 and $163,847 , respectively. Included in Other accruals at December 31, 2018 , 2017 and 2016 were accruals for estimated costs of current investigation and remediation activities of $51,038 , $28,556 and $19,969 , respectively. See Note 14 regarding provisions for environmental matters-net and related increases to the environmental accrued liabilities at December 31, 2018 .

Actual costs incurred may vary from the accrued estimates due to the inherent uncertainties involved including, among others, the number and financial condition of parties involved with respect to any given site, the volumetric contribution which may be attributed to the Company relative to that attributed to other parties, the nature and magnitude of the wastes involved, the various technologies that can be used for remediation and the determination of acceptable remediation with respect to a particular site. If the Company’s future loss contingency is ultimately determined to be at the unaccrued maximum of the estimated range of possible outcomes for every site for which costs can be reasonably estimated, the Company’s accrual for environmental-related activities would be $117,518 higher than the minimum accruals at December 31, 2018 .

Four of the Company's currently and formerly owned manufacturing sites account for the majority of the accrual for environmental-related activities and the unaccrued maximum of the estimated range of possible outcomes at December 31, 2018 . At December 31, 2018 , $326,202 , or 87.2 percent of the total accrual, related directly to these four sites. In the aggregate unaccrued maximum of $117,518 at December 31, 2018 , $93,191 , or 79.3 percent , related to the four manufacturing sites. While environmental investigations and remedial actions are in different stages at these sites, additional investigations, remedial actions and monitoring will likely be required at each site. Management cannot presently estimate the ultimate potential loss contingencies related to these sites or other less significant sites until such time as a substantial portion of the investigation at the sites is completed and remedial action plans are developed. In the event any future loss contingency significantly exceeds the current amount accrued, the recording of the ultimate liability may result in a material impact on net income for the annual or interim period during which the additional costs are accrued. Management does not believe that any potential liability ultimately attributed to the Company for its environmental-related matters will have a material adverse effect on the Company's financial condition, liquidity, or cash flow due to the extended period of time during which environmental investigation and remediation takes place. An estimate of the potential impact on the Company's operations cannot be made due to the aforementioned uncertainties.

Management expects these contingent environmental-related liabilities to be resolved over an extended period of time. Management is unable to provide a more specific time frame due to the indefinite amount of time to conduct investigation activities at any site, the indefinite amount of time to obtain environmental agency approval, as necessary, with respect to investigation and remediation activities, and the indefinite amount of time necessary to conduct remediation activities.

The Asset Retirement and Environmental Obligations Topic of the ASC requires a liability to be recognized for the fair value of a conditional asset retirement obligation if a settlement date and fair value can be reasonably estimated. The Company recognizes a liability for any conditional asset retirement obligation when sufficient information is available to reasonably estimate a settlement date to determine the fair value of such a liability. The Company has identified certain conditional asset retirement obligations at various current and closed manufacturing, distribution and store facilities. These obligations relate primarily to asbestos abatement, hazardous waste Resource Conservation and Recovery Act (RCRA) closures, well abandonment, transformers and used oil disposals and underground storage tank closures. Using investigative, remediation and disposal methods that are currently available to the Company, the estimated costs of these obligations were accrued and are not significant. The recording of additional liabilities for future conditional asset retirement obligations may result in a material impact on net income for the annual or interim period during which the costs are accrued. Management does not believe that any potential liability ultimately attributed to the Company for its conditional asset retirement obligations will have a material adverse effect on the Company's financial condition, liquidity, or cash flow due to the extended period of time over which sufficient information may become available regarding the closure or modification of any one or group of the Company's facilities.

An estimate of the potential impact on the Company's operations cannot be made due to the aforementioned uncertainties.

NOTE 10 – LITIGATION

In the course of its business, the Company is subject to a variety of claims and lawsuits, including, but not limited to, litigation relating to product liability and warranty, personal injury, environmental, intellectual property, commercial, contractual and antitrust claims that are inherently subject to many uncertainties regarding the possibility of a loss to the Company. These uncertainties will ultimately be resolved when one or more future events occur or fail to occur confirming the incurrence of a liability or the reduction of a liability. In accordance with the Contingencies Topic of the ASC, the Company accrues for these contingencies by a charge to income when it is both probable that one or more future events will occur confirming the fact of a loss and the amount of the loss can be reasonably estimated. In the event that the Company's loss contingency is ultimately determined to be significantly higher than currently accrued, the recording of the additional liability may result in a material impact on the Company's results of operations, liquidity or financial condition for the annual or interim period during which such additional liability is accrued. In those cases where no accrual is recorded because it is not probable that a liability has been incurred and the amount of any such loss cannot be reasonably estimated, any potential liability ultimately determined to be attributable to the Company may result in a material impact on the Company's results of operations, liquidity or financial condition for the annual or interim period during which such liability is accrued. In those cases where no accrual is recorded or exposure to loss exists in excess of the amount accrued, the Contingencies Topic of the ASC requires disclosure of the contingency when there is a reasonable possibility that a loss or additional loss may have been incurred.

Lead pigment and lead-based paint litigation. The Company's past operations included the manufacture and sale of lead pigments and lead-based paints. The Company, along with other companies, is and has been a defendant in a number of legal proceedings, including individual personal injury actions, purported class actions, and actions brought by various counties, cities, school districts and other government-related entities, arising from the manufacture and sale of lead pigments and lead-based paints. The plaintiffs' claims have been based upon various legal theories, including negligence, strict liability, breach of warranty, negligent misrepresentations and omissions, fraudulent misrepresentations and omissions, concert of action, civil conspiracy, violations of unfair trade practice and consumer protection laws, enterprise liability, market share liability, public nuisance, unjust enrichment and other theories. The plaintiffs seek various damages and relief, including personal injury and property damage, costs relating to the detection and abatement of lead-based paint from buildings, costs associated with a public education campaign, medical monitoring costs and others. The Company has also been a defendant in legal proceedings arising from the manufacture and sale of non-lead-based paints that seek recovery based upon various legal theories, including the failure to adequately warn of potential exposure to lead during surface preparation when using non-lead-based paint on surfaces previously painted with lead-based paint. The Company believes that the litigation brought to date is without merit or subject to meritorious defenses and is vigorously defending such litigation. The Company has not settled any material lead pigment or lead-based paint litigation. The Company expects that additional lead pigment and lead-based paint litigation may be filed against the Company in the future asserting similar or different legal theories and seeking similar or different types of damages and relief.

Notwithstanding the Company's views on the merits, litigation is inherently subject to many uncertainties, and the Company ultimately may not prevail. Adverse court rulings or determinations of liability, among other factors, could affect the lead pigment and lead-based paint litigation against the Company and encourage an increase in the number and nature of future claims and proceedings. In addition, from time to time, various legislation and administrative regulations have been enacted, promulgated or proposed to impose obligations on present and former manufacturers of lead pigments and lead-based paints respecting asserted health concerns associated with such products or to overturn the effect of court decisions in which the Company and other manufacturers have been successful.

Due to the uncertainties involved, management is unable to predict the outcome of the lead pigment and lead-based paint litigation, the number or nature of possible future claims and proceedings or the effect that any legislation and/or administrative regulations may have on the litigation or against the Company. In addition, management cannot reasonably determine the scope or amount of the potential costs and liabilities related to such litigation, or resulting from any such legislation and regulations. Except with respect to the litigation in California discussed below, the Company has not accrued any amounts for such litigation because the Company does not believe it is probable that a loss has occurred, and the Company believes it is not possible to estimate the range of potential losses as there is no substantive information upon which an estimate could be based. In addition, any potential liability that may result from any changes to legislation and regulations cannot reasonably be estimated. In the event any significant liability is determined to be attributable to the Company relating to such litigation or any such liability is higher than any amount currently accrued for such litigation, the recording of the liability may result in a material impact on net income for the annual or interim period during which such liability is accrued. Additionally, due to the uncertainties associated with the amount of any such liability and/or the nature of any other remedy which may be imposed in such litigation, any potential liability determined to be attributable to the Company arising out of such litigation may have a material adverse effect on the Company's results of operations, liquidity or financial condition. An estimate of the potential impact on the Company's results of operations, liquidity or financial condition cannot be made due to the aforementioned uncertainties.

Public nuisance claim litigation. The Company and other companies are or were defendants in legal proceedings seeking recovery based on public nuisance liability theories, among other theories, brought by the State of Rhode Island; the City of St. Louis, Missouri; various cities and counties in the State of New Jersey; various cities in the State of Ohio and the State of Ohio; the City of Chicago, Illinois; the City of Milwaukee, Wisconsin; the County of Santa Clara, California, and other public entities in the State of California; and Lehigh and Montgomery Counties in Pennsylvania. Except for the Santa Clara County, California proceeding and the pending Pennsylvania proceedings, all of these legal proceedings have been concluded in favor of the Company and other defendants at various stages in the proceedings.

Santa Clara County, California Proceeding . The Santa Clara County, California proceeding was initiated in March 2000 in the Superior Court of the State of California, County of Santa Clara. In the original complaint, the plaintiffs asserted various claims including fraud and concealment, strict product liability/failure to warn, strict product liability/design defect, negligence, negligent breach of a special duty, public nuisance, private nuisance, and violations of California's Business and Professions Code. A number of the asserted claims were resolved in favor of the defendants through pre-trial proceedings. The named plaintiffs in the Fourth Amended

Complaint, filed on March 16, 2011, are the Counties of Santa Clara, Alameda, Los Angeles, Monterey, San Mateo, Solano and Ventura, as well as the Cities of Oakland and San Diego and the City and County of San Francisco. The Fourth Amended Complaint asserted a sole claim for public nuisance, alleging that the presence of lead pigments for use in paint and coatings in, on and around residences in the plaintiffs' jurisdictions constitutes a public nuisance. The plaintiffs sought the abatement of the alleged public nuisance that exists within the plaintiffs' jurisdictions. A trial commenced on July 15, 2013 and ended on August 22, 2013. The court entered final judgment on January 27, 2014, finding in favor of the plaintiffs and against the Company and two other defendants (ConAgra Grocery Products Company and NL Industries, Inc.). The final judgment held the Company jointly and severally liable with the other two defendants to pay $1.15 billion into a fund to abate the public nuisance. The Company strongly disagrees with the judgment.

On February 18, 2014, the Company filed a motion for new trial and a motion to vacate the judgment. The court denied these motions on March 24, 2014. On March 28, 2014, the Company filed a notice of appeal to the Sixth District Court of Appeal for the State of California. Oral argument before the Sixth District Court of Appeal was held on August 24, 2017. On November 14, 2017, the Sixth District Court of Appeal entered its decision, which affirmed the trial court's judgment of liability with respect to residences built before 1951 and reversed and vacated the trial court's judgment with respect to residences built after 1950. The Sixth District Court of Appeal directed the trial court to: (i) recalculate the amount of the abatement fund to limit the fund to the amount necessary to cover the cost of inspecting and remediating pre-1951 residences; and (ii) hold an evidentiary hearing to appoint a suitable receiver. On November 29, 2017, the Company and the two other defendants filed separate Petitions for Rehearing, which the Sixth District Court of Appeal denied on December 6, 2017. The Sixth District Court of Appeal's decision became final on December 14, 2017. On December 22, 2017, the Company and the two other defendants submitted separate Petitions for Review to the California Supreme Court. On February 14, 2018, the California Supreme Court issued an order denying the Petitions for Review.

On April 17, 2018, the parties filed their briefs with the trial court regarding the recalculation of the amount of the abatement fund. The plaintiffs proposed $730.0 million as the amount of the abatement fund, and the Company and the other two defendants jointly proposed a maximum amount of no more than $409.1 million . On August 17, 2018, the trial court held a hearing regarding the recalculation of the amount of the abatement fund. On September 4, 2018, the trial court ruled that the amount of the abatement fund is $409.1 million . On May 17, 2018, NL Industries filed a Motion for Good Faith Settlement, which the Company and ConAgra opposed. The trial court held a hearing on NL Industries' Motion for Good Faith Settlement on July 12, 2018 and subsequently denied NL Industries' Motion. NL Industries has filed a petition for writ of mandate with the Sixth District Court of Appeal seeking to obtain immediate appellate review and reversal of the denial of its motion. On July 16, 2018, the Company filed a Petition for Writ of Certiorari with the Supreme Court of the United States seeking discretionary review. On October 15, 2018, the Supreme Court of the United States denied the Company's Petition for Writ of Certiorari.

The trial court has selected a receiver for the abatement fund, but the terms of an order appointing the receiver have not been determined and will be the subject of a further hearing scheduled for March 7, 2019. The trial court has stayed the entry of judgment pending the decision of the Sixth District Court of Appeal on NL Industries' petition for writ of mandate, but otherwise has ruled that, within sixty days of entry of judgment, the Company, ConAgra and NL Industries shall pay into the abatement fund all amounts due.

Although the Company believes it is probable that a loss has occurred, the ultimate amount of such loss and the timing of any payments remains uncertain and could change in the future due to the numerous possible outcomes and uncertainties, including, but not limited to, (i) the final amount of the abatement fund that will be paid, particularly because participation in the abatement program by eligible homeowners is voluntary and it is uncertain what percentage of eligible homeowners will participate or how claims will be administered, and (ii) the portion of the abatement fund for which the Company, the two other defendants and others are determined to be responsible. However, the Company has accrued $136.3 million for this litigation, which is one-third of the amount of the abatement fund. It is possible that the Company may change the amount accrued for this litigation based on the facts and circumstances. Because of joint and several liability, it is possible the Company could ultimately be liable for the total amount of the abatement fund. In the event any liability is higher than any amount currently accrued for such litigation, the recording of any liability may result in a material impact on the Company's results of operations, liquidity or financial condition for the annual or interim period during which such liability is accrued.

Pennsylvania Proceedings . Two proceedings in Pennsylvania were initiated in October 2018. The County of Montgomery, Pennsylvania filed a Complaint against the Company and several other former lead-based paint and lead pigment manufacturers in the Court of Common Pleas of Montgomery County, Pennsylvania. The County of Lehigh, Pennsylvania also filed a Complaint against the Company and several other former lead-based paint and lead pigment manufacturers in the Court of Common Pleas of Lehigh County, Pennsylvania. The Company removed both actions to the United States District Court for the Eastern District of Pennsylvania on November 28, 2018. The plaintiffs filed a motion for remand in

each action on January 7, 2019, which the defendants will oppose. In both actions, the counties request declaratory relief establishing the existence of a public nuisance and the defendants' contribution to it, the abatement of an ongoing public nuisance arising from the presence of lead-based paint in housing throughout the applicable county, an injunction against future illicit conduct, and the costs of litigation and attorneys' fees.

In October 2018, the Company filed a Complaint in the United States District Court for the Eastern District of Pennsylvania against the Pennsylvania Counties of Delaware, Erie and York seeking injunctive and declaratory relief to prevent the violation of the Company's rights under the First Amendment and Due Process Clause of the U.S. Constitution. The Company voluntarily dismissed defendant Erie County on November 9, 2018 and defendant York County on November 21, 2018. Defendant Delaware County has filed a motion to dismiss the Complaint, which is pending.

Litigation seeking damages from alleged personal injury. The Company and other companies are defendants in a number of legal proceedings seeking monetary damages and other relief from alleged personal injuries. These proceedings include claims by children allegedly injured from ingestion of lead pigment or lead-containing paint and claims for damages allegedly incurred by the children's parents or guardians. These proceedings generally seek compensatory and punitive damages, and seek other relief including medical monitoring costs. These proceedings include purported claims by individuals, groups of individuals and class actions.

The plaintiff in Thomas v. Lead Industries Association, et al., initiated an action in Wisconsin state court against the Company, other alleged former lead pigment manufacturers and the Lead Industries Association in September 1999. The claims against the Company and the other defendants included strict liability, negligence, negligent misrepresentation and omissions, fraudulent misrepresentation and omissions, concert of action, civil conspiracy and enterprise liability. Implicit within these claims is the theory of "risk contribution" liability (Wisconsin's theory which is similar to market share liability, except that liability can be joint and several) due to the plaintiff's inability to identify the manufacturer of any product that allegedly injured the plaintiff. The case ultimately proceeded to trial and, on November 5, 2007, the jury returned a defense verdict, finding that the plaintiff had ingested white lead carbonate, but was not brain damaged or injured as a result. The plaintiff appealed and, on December 16, 2010, the Wisconsin Court of Appeals affirmed the final judgment in favor of the Company and other defendants.

Wisconsin is the only jurisdiction to date to apply a theory of liability with respect to alleged personal injury (i.e., risk contribution/market share liability) that does not require the plaintiff to identify the manufacturer of the product that allegedly injured the plaintiff in the lead pigment and lead-based paint litigation. Although the risk contribution liability theory was applied during the Thomas trial, the constitutionality of this theory as applied to the lead pigment cases has not been judicially determined by the Wisconsin state courts. However, in an unrelated action filed in the United States District Court for the Eastern District of Wisconsin, Gibson v. American Cyanamid, et al., on November 15, 2010, the District Court held that Wisconsin's risk contribution theory as applied in that case violated the defendants' right to substantive due process and is unconstitutionally retroactive. The District Court's decision in Gibson v. American Cyanamid, et al., was appealed by the plaintiff to the United States Court of Appeals for the Seventh Circuit. On July 24, 2014, the United States Court of Appeals for the Seventh Circuit reversed the judgment and remanded the case back to the District Court for further proceedings. On January 16, 2015, the defendants filed a petition for certiorari in the United States Supreme Court seeking that Court's review of the Seventh Circuit's decision, and on May 18, 2015, the United States Supreme Court denied the defendants' petition. The case is currently pending in the District Court.

The United States District Court for the Eastern District of Wisconsin has consolidated three cases (Ravon Owens v. American Cyanamid, et al., Cesar Sifuentes v. American Cyanamid, et al., and Glenn Burton, Jr. v. American Cyanamid, et al.) for purposes of trial and set a trial date for May 6, 2019. The parties are preparing for trial.

In Maniya Allen, et al. v. American Cyanamid, et al., also pending in the United States District Court for the Eastern District of Wisconsin, cases involving six of the 146 plaintiffs were selected for discovery. In Dijonae Trammell, et al. v. American Cyanamid, et al., also pending in the United States District Court for the Eastern District of Wisconsin, discovery for one of the three plaintiffs was consolidated with the six Allen cases referenced above. The parties have selected four of the cases to proceed to expert discovery and to prepare for trial. No dates for expert discovery, pretrial dispositive motions, or trial have been set by the District Court in the Allen and Trammell cases.

Other lead-based paint and lead pigment litigation. In Mary Lewis v. Lead Industries Association, et al. pending in the Circuit Court of Cook County, Illinois, parents seek to recover the cost of their children's blood lead testing against the Company and three other defendants that made (or whose alleged corporate predecessors made) white lead pigments. The Circuit Court has certified a statewide class and a Chicago subclass of parents or legal guardians of children who lived in high-risk zip codes identified by the Illinois Department of Health and who were screened for lead toxicity between August 1995 and February 2008. Excluded from the class are those

parents or guardians who have incurred no expense, liability or obligation to pay for the cost of their children's blood lead testing. In 2017, the Company and other defendants moved for summary judgment on the grounds that the three named plaintiffs have not paid and have no obligation or liability to pay for their children's blood lead testing because Medicaid paid for the children of two plaintiffs and private insurance paid for the third plaintiff without any evidence of a co-pay or deductible. The Circuit Court granted the motion, but on September 7, 2018, the Appellate Court reversed with respect to the two plaintiffs for whom Medicaid paid for their children's testing. Defendants filed a petition with the Supreme Court of Illinois for discretionary review. By order entered January 31, 2019, that court has allowed defendants' petition for leave to appeal.

Insurance coverage litigation. The Company and its liability insurers, including certain underwriters at Lloyd's of London, initiated legal proceedings against each other to determine, among other things, whether the costs and liabilities associated with the abatement of lead pigment are covered under certain insurance policies issued to the Company. The Company's action, filed on March 3, 2006 in the Common Pleas Court, Cuyahoga County, Ohio, is currently stayed and inactive. On January 9, 2019, the Company filed an unopposed motion to lift the stay with the trial court, which was granted, allowing the case to proceed. The liability insurers' action, which was filed on February 23, 2006 in the Supreme Court of the State of New York, County of New York, has been dismissed. An ultimate loss in the insurance coverage litigation would mean that insurance proceeds could be unavailable under the policies at issue to mitigate any ultimate abatement related costs and liabilities. The Company has not recorded any assets related to these insurance policies or otherwise assumed that proceeds from these insurance policies would be received in estimating any contingent liability accrual. Therefore, an ultimate loss in the insurance coverage litigation without a determination of liability against the Company in the lead pigment or lead-based paint litigation will have no impact on the Company's results of operation, liquidity or financial condition. As previously stated, however, except with respect to the litigation in California discussed above, the Company has not accrued any amounts for the lead pigment or lead-based paint litigation and any significant liability ultimately determined to be attributable to the Company relating to such litigation may result in a material impact on the Company's results of operations, liquidity or financial condition for the annual or interim period during which such liability is accrued.

NOTE 11 – CAPITAL STOCK

At December 31, 2018 , there were 300,000,000 shares of common stock and 30,000,000 shares of serial preferred stock authorized for issuance. Of the authorized serial preferred stock, 3,000,000 shares are designated as cumulative redeemable serial preferred and 1,000,000 shares are designated as convertible serial preferred stock. See Note 12 . Under the 2006 Equity and Performance Incentive Plan (2006 Employee Plan), 23,700,000 shares may be issued or transferred. See Note 13 . An aggregate of 9,643,433 , 10,715,939 and 7,720,815 shares of common stock at December 31, 2018 , 2017 and 2016 , respectively, were reserved for the exercise and future grants of option rights and future grants of restricted stock and restricted stock units. See Note 13 . Shares outstanding shown in the following table included 489,647 , 489,260 and 488,714 shares of common stock held in a revocable trust at December 31, 2018 , 2017 and 2016 , respectively. The revocable trust is used to accumulate assets for the purpose of funding the ultimate obligation of certain non-qualified benefit plans. Transactions between the Company and the trust are accounted for in accordance with the Deferred Compensation – Rabbi Trusts Subtopic of the Compensation Topic of the ASC, which requires the assets held by the trust be consolidated with the Company's accounts.

	Shares in Treasury	Shares Outstanding
Balance at January 1, 2016	23,514,054	92,246,525
Shares tendered as payment for option rights exercised	3,441	(3,441)
Shares issued for exercise of option rights		733,876
Shares tendered in connection with grants of restricted stock	59,916	(59,916)
Net shares issued for grants of restricted stock		95,987
Balance at December 31, 2016	23,577,411	93,013,031
Shares tendered as payment for option rights exercised	16,545	(16,545)
Shares issued for exercise of option rights		1,152,015
Shares tendered in connection with grants of restricted stock	82,777	(82,777)
Net shares canceled of restricted stock		(182,079)
Balance at December 31, 2017	**23,676,733**	**93,883,645**
Shares tendered as payment for option rights exercised	**1,159**	**(1,159)**
Shares issued for exercise of option rights		**661,599**
Shares tendered in connection with grants of restricted stock	**52,144**	**(52,144)**
Net shares issued for grants of restricted stock		**149,821**
Treasury stock purchased	**1,525,000**	**(1,525,000)**
Balance at December 31, 2018	**25,255,036**	**93,116,762**

NOTE 12 – STOCK PURCHASE PLAN

As of December 31, 2018 , 39,941 employees contributed to the Company's ESOP, a voluntary defined contribution plan available to all eligible salaried employees. Participants are allowed to contribute, on a pretax or after-tax basis, up to the lesser of twenty percent of their annual compensation or the maximum dollar amount allowed under the Internal Revenue Code. The Company matches one hundred percent of all contributions up to six percent of eligible employee contributions. Such participant contributions may be invested in a variety of investment funds or a Company common stock fund and may be exchanged between investments as directed by the participant. Participants are permitted to diversify both future and prior Company matching contributions previously allocated to the Company common stock fund into a variety of investment funds.

The Company made contributions to the ESOP on behalf of participating employees, representing amounts authorized by employees to be withheld from their earnings, of $170,326 , $138,731 and $127,697 in 2018 , 2017 and 2016 , respectively. The Company's matching contributions to the ESOP charged to operations were $104,715 , $90,682 and $85,525 for 2018 , 2017 and 2016 , respectively.

At December 31, 2018 , there were 9,353,926 shares of the Company's common stock being held by the ESOP, representing 10.0 percent of the total number of voting shares outstanding. Shares of Company common stock credited to each member's account under the ESOP are voted by the trustee under instructions from each individual plan member. Shares for which no instructions are received are voted by the trustee in the same proportion as those for which instructions are received.

NOTE 13 – STOCK-BASED COMPENSATION

The 2006 Employee Plan authorizes the Board of Directors, or a committee of the Board of Directors, to issue or transfer up to an aggregate of 23,700,000 shares of common stock, plus any shares relating to awards that expire, are forfeited or canceled. The Company issues new shares upon exercise of option rights and vesting of restricted stock units (RSUs). The Employee Plan permits the granting of option rights, appreciation rights, restricted stock, RSUs, performance shares and performance units to eligible employees. At December 31, 2018 , no appreciation rights, performance shares or performance units had been granted under the 2006 Employee Plan.

The 2006 Stock Plan for Nonemployee Directors (Nonemployee Director Plan) authorizes the Board of Directors, or a committee of the Board of Directors, to issue or transfer up to an aggregate of 200,000 shares of common stock, plus any shares relating to awards that expire, are forfeited or are canceled. The Nonemployee Director Plan permits the granting of option rights, appreciation rights, restricted stock and RSUs to members of the Board of Directors who are not employees of the Company. At December 31, 2018 , no option rights or appreciation rights had been granted under the Nonemployee Director Plan.

In connection with the Acquisition (see Note 4), the Company assumed certain outstanding RSUs of Valspar granted under the Amended and Restated 2015 Omnibus Equity Plan. Upon close of the Acquisition, the Valspar RSUs were converted into RSUs relating to common stock of the Company.

The cost of the Company's stock-based compensation is recorded in accordance with the Stock Compensation Topic of the ASC. At December 31, 2018 , the Company had total unrecognized stock-based compensation expense of $130,748 that is expected to be recognized over a weighted-average period of 1.06 years. Stock-based compensation expense during 2018 , 2017 and 2016 was $82,588 , $90,292 and $72,109 , respectively. The related tax benefit was $20,461 , $34,343 and $27,442 during 2018 , 2017 and 2016 , respectively. Subsequent to the adoption of ASU No. 2016-09 in 2016, excess tax benefits from share-based payments are recognized in the income tax provision rather than in other capital when exercised. For the years ended December 31, 2018 , 2017 and 2016, the Company's tax benefit from options exercised reduced the income tax provision by $43,371 , $86,540 , and $44,233 respectively.

Option rights. The fair value of the Company's option rights was estimated at the date of grant using a Black-Scholes-Merton option-pricing model with the following weighted-average assumptions for all options granted:

	2018	2017	2016
Risk-free interest rate	**2.99%**	1.97%	1.24%
Expected life of option rights	**5.05 years**	5.05 years	5.05 years
Expected dividend yield of stock	**.89%**	.85%	1.06%
Expected volatility of stock	**.211**	.213	.212

The risk-free interest rate is based upon the U.S. Treasury yield curve at the time of grant. The expected life of option rights was calculated using a scenario analysis model. Historical data was used to aggregate the holding period from actual exercises, post-vesting cancellations and hypothetical assumed exercises on all outstanding option rights. The expected dividend yield of stock is the Company's best estimate of the expected future dividend yield. Expected volatility of stock was calculated using historical and implied volatilities. The Company applied an estimated forfeiture rate of 2.00 percent to the 2018 grants. This rate was calculated based upon historical activity and is an estimate of granted shares not expected to vest. If actual forfeitures differ from the expected rate, the Company may be required to make additional adjustments to compensation expense in future periods.

Grants of option rights for non-qualified and incentive stock options have been awarded to certain officers and key employees under the 2006 Employee Plan and the 2003 Stock Plan. The option rights generally become exercisable to the extent of one-third of the optioned shares for each full year following the date of grant and generally expire ten years after the date of grant. Unrecognized compensation expense with respect to option rights granted to eligible employees amounted to $61,050 at December 31, 2018 . The unrecognized compensation expense is being amortized on a straight-line basis over the three -year vesting period and is expected to be recognized over a weighted-average period of 1.10 years.

The weighted-average per share grant date fair value of options granted during 2018 , 2017 and 2016 was $90.86 , $77.14 and $49.36 , respectively. The total intrinsic value of option rights exercised during 2018 , 2017 , and 2016 was $190,227 , $255,482 and $129,230 , respectively. The total fair value of options vested during 2018 , 2017 and 2016 was $38,580 , $31,292 and $32,476 , respectively. There were no outstanding option rights for nonemployee directors at December 31, 2018 , 2017 and 2016 .

A summary of the Company's non-qualified and incentive stock option right activity is shown in the following table:

	2018			2017			2016		
	Optioned Shares	**Weighted-Average Exercise Price Per Share**	**Aggregate Intrinsic Value**	Optioned Shares	Weighted-Average Exercise Price Per Share	Aggregate Intrinsic Value	Optioned Shares	Weighted-Average Exercise Price Per Share	Aggregate Intrinsic Value
Outstanding beginning of year	**4,646,313**	**$ 204.33**		5,163,709	$ 163.61		5,219,506	$ 141.58	
Granted	**565,336**	**410.00**		689,506	377.84		712,967	271.46	
Exercised	**(662,218)**	**137.03**		(1,154,698)	123.16		(733,876)	108.81	
Forfeited	**(60,288)**	**327.08**		(49,977)	267.02		(26,653)	232.83	
Expired	**(3,894)**	**238.26**		(2,227)	236.97		(8,235)	176.28	
Outstanding end of year	**4,485,249**	**$ 238.53**	**$ 704,160**	4,646,313	$ 204.33	$ 955,810	5,163,709	$ 163.61	$ 545,531
Exercisable at end of year	**3,274,780**	**$ 188.48**	**$ 671,269**	3,288,237	$ 156.43	$ 833,938	3,783,755	$ 130.59	$ 522,921

The weighted-average remaining term for options outstanding at the end of 2018 , 2017 and 2016 was 6.09 , 6.28 and 6.25 years, respectively. The weighted-average remaining term for options exercisable at the end of 2018 , 2017 and 2016 was 5.01 , 5.11 and 5.20 years, respectively. Shares reserved for future grants of option rights, restricted stock and RSUs were 5,135,822 , 6,041,092 and 2,557,106 at December 31, 2018 , 2017 and 2016 , respectively.

RSUs. Grants of RSUs, which generally require three years of continuous employment from the date of grant before vesting and receiving the stock without restriction, have been awarded to certain officers and key employees under the 2006 Employee Plan. The February 2018, 2017 and 2016 grants consisted of performance-based awards that vest at the end of a three -year period based on the Company's achievement of specified financial goals relating to earnings per share and return on net assets employed. The February 2015 grant consisted of a combination of performance-based awards and time-based awards. The performance based awards vest at the end of a three -year period based on the Company's achievement of specified financial goals relating to earnings per share. The time-based awards generally vest at the end of a three -year period based on continuous employment.

Unrecognized compensation expense with respect to grants of RSUs to eligible employees amounted to $68,103 at December 31, 2018 and is being amortized on a straight-line basis over the vesting period and is expected to be recognized over a weighted-average period of 0.91 years.

Grants of RSUs have been awarded to nonemployee directors under the Nonemployee Director Plan. These grants generally vest and stock is received without restriction to the extent of one-third of the RSUs for each year following the date of grant. Unrecognized compensation expense with respect to grants of RSUs to nonemployee directors amounted to $1,595 at December 31, 2018 and is being amortized on a straight-line basis over the three -year vesting period and is expected to be recognized over a weighted-average period of 0.88 years.

A summary of the Company's RSU activity for the years ended December 31 is shown in the following table:

	2018	2017	2016
Outstanding at beginning of year	**335,796**	397,326	467,744
Granted	**116,636**	112,647	99,662
Exchanged Valspar awards (net of forfeitures)		51,009	
Vested	**(150,576)**	(215,433)	(166,405)
Forfeited	**(11,454)**	(9,753)	(3,675)
Outstanding at end of year	**290,402**	335,796	397,326

The weighted-average per share fair value of RSUs granted during 2018 , 2017 and 2016 was $404.08 , $313.88 and $257.99 , respectively.

NOTE 14 – OTHER

Other general expense - net . Included in Other general expense - net were the following:

	2018	2017	2016
Provisions for environmental matters - net	**$ 176,297**	$ 15,443	$ 42,932
Loss (gain) on sale or disposition of assets	**12,825**	5,422	(30,564)
Total	**$ 189,122**	$ 20,865	$ 12,368

Provisions for environmental matters–net represent initial provisions for site-specific estimated costs of environmental investigation or remediation and increases or decreases to environmental-related accruals as information becomes available upon which more accurate costs can be reasonably estimated and as additional accounting guidelines are issued. Environmental-related accruals are not recorded net of insurance proceeds in accordance with the Offsetting Subtopic of the Balance Sheet Topic of the ASC. During 2018 , the Company reached a series of agreements on remediation plans at one of the Company's four major sites, resulting in a significant increase to provisions for environmental matters–net for 2018 . See Note 9 for further details on the Company's environmental-related activities.

The loss (gain) on sale or disposition of assets represents the net realized loss (gain) associated with the sale or disposal of property, plant and equipment and intangible assets previously used in the conduct of the primary business of the Company. The 2016 gain primarily relates to the sale of a closed domestic facility.

Other expense (income) - net . Included in Other expense (income) - net were the following:

	2018	2017	2016
Dividend and royalty income	**$ (4,276)**	$ (7,648)	$ (4,573)
Net expense from financing activities	**9,658**	9,843	8,667
Foreign currency transaction related losses	**7,532**	450	7,335
Domestic pension plan settlement expense	**37,648**		
Miscellaneous pension income	**(10,761)**	(15,728)	(7,236)
Other income	**(32,219)**	(32,570)	(25,279)
Other expense	**12,535**	12,951	9,263
Total	**$ 20,117**	$ (32,702)	$ (11,823)

The Net expense from financing activities includes the net expense relating to changes in the Company's financing fees.

Foreign currency transaction related losses represent net realized losses on U.S. dollar-denominated liabilities of foreign subsidiaries and net realized and unrealized losses from foreign currency option and forward contracts. There were no material foreign currency option and forward contracts outstanding at December 31, 2018 , 2017 and 2016 .

See Note 7 for information on the Domestic pension plan settlement expense and Miscellaneous pension income. See Note 1 for information on the adoption of ASU No. 2017-07.

Other income and Other expense included items of revenue, gains, expenses and losses that were unrelated to the primary business purpose of the Company. There were no items within Other income or Other expense that were individually significant at December 31, 2018 , 2017 and 2016 .

NOTE 15 – INCOME TAXES

On December 22, 2017, the Tax Cuts and Jobs Act (Tax Act) was enacted. The Tax Act significantly revised the U.S. corporate income tax system by, among other things, lowering corporate income tax rates from 35% to 21% , implementing a territorial tax system and imposing a repatriation tax on deemed repatriated earnings of foreign subsidiaries. Staff Accounting Bulletin (SAB) No. 118 provided a measurement period that should not extend beyond one year from the enactment date for companies to complete the accounting under the Tax Act.

In accordance with SAB No. 118, based on the information available as of December 31, 2017 the Company recorded a provisional reduction of income taxes of $607,919 as a result of the Tax Act. The Company's deferred tax liabilities were reduced by $560,198 due to the lower income tax rate. The remaining $47,721 is the effects of the implementation of the territorial tax system and the remeasurement of U.S. deferred tax liabilities on unremitted foreign earnings.

As a result of the Inventory Accounting Change (see Note 1), Cost of goods sold was increased for the year ended December 31, 2017 while income tax provision was reduced by $14,595 , including a reversal of $7,853 income tax benefit related to the remeasurement of U.S. deferred tax liabilities in 2017 for the Tax Act. Related amounts in this Income Tax Note have been revised due to the impact of the Inventory Accounting Change for the year ended December 31, 2017.

During the second quarter of 2018, the Company made purchase accounting adjustments related to the Acquisition which resulted in the reversal of $27,455 of income tax benefits related to the remeasurement of U.S. deferred tax liabilities. No other material adjustments were made under SAB No. 118 for the 2018 tax year. The Company completed its analysis of the Tax Act in the fourth quarter of 2018 and the accounting under the Tax Act has been finalized.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes using the enacted tax rates and laws that are currently in effect. Significant components of the Company's deferred tax assets and liabilities as of December 31, 2018 , 2017 and 2016 were as follows:

	2018	2017	2016
Deferred tax assets:			
Exit costs, environ-mental and other similar items	**$ 84,517**	$ 50,193	$ 74,535
Employee related and benefit items	**96,963**	104,098	166,313
Other items	**161,578**	113,184	148,910
Total deferred tax assets	**343,058**	267,475	389,758
Deferred tax liabilities:			
Depreciation and amortization	**1,303,620**	1,506,650	254,430
LIFO inventories	**64,502**	66,580	83,659
Other items	**29,464**	49,670	59,746
Total deferred tax liabilities	**1,397,586**	1,622,900	397,835
Net deferred tax liabilities	**$ 1,054,528**	$ 1,355,425	$ 8,077

As of December 31, 2018 , the Company's net deferred income tax liability relates primarily to deferred tax liabilities recorded for intangible assets acquired through the Acquisition.

Netted against the Company's other deferred tax assets were valuation allowances of $73,543 , $44,101 and $17,292 at December 31, 2018 , 2017 and 2016 , respectively. The increase in the valuation allowance in 2018 is primarily due to net operating losses of certain foreign subsidiaries, as well as foreign tax credit carryforwards due to uncertainty of their realization. The Company has $23,210 of domestic net operating loss carryforwards acquired through acquisitions that have expiration dates through the tax year 2037, foreign tax credits of $18,781 that expire in calendar years 2027 through 2028 and foreign net operating losses of $340,007 . The foreign net operating losses are related to various jurisdictions that provide for both indefinite carryforward periods and others with carryforward periods that range from the tax years 2018 to 2038.

Significant components of the provisions for income taxes were as follows:

	2018	2017	2016
Current:			
Federal	**$ 288,755**	$ 269,330	$ 438,244
Foreign	**53,155**	53,442	31,125
State and local	**52,372**	39,320	61,402
Total current	**394,282**	362,092	530,771
Deferred:			
Federal	**(102,149)**	(486,669)	(56,891)
Foreign	**(35,276)**	(42,292)	(2,121)
State and local	**(5,953)**	(91,769)	(9,229)
Total deferred	**(143,378)**	(620,730)	(68,241)
Total provisions (credits) for income taxes	**$ 250,904**	$ (258,638)	$ 462,530

Under provisions of the Tax Act, the Company received an income tax benefit in 2018 of $8,590 related to foreign derived intangible income and incurred a $5,515 income tax expense related to Global Intangible Low Taxed Income (GILTI). The Company has made an accounting policy election to record GILTI as a period cost.

Significant components of income before income taxes as used for income tax purposes, were as follows:

	2018	2017	2016
Domestic	**$ 1,309,279**	$ 1,415,572	$ 1,504,990
Foreign	**50,371**	53,738	90,243
	$ 1,359,650	$ 1,469,310	$ 1,595,233

A reconciliation of the statutory federal income tax rate to the effective tax rate follows:

	2018	2017	2016
Statutory federal income tax rate	**21.0 %**	35.0 %	35.0 %
Effect of:			
State and local income taxes	**3.2**	2.1	2.3
Investment vehicles	**(1.2)**	(1.4)	(1.5)
Domestic production activities		(3.1)	(2.9)
Employee share-based payments	**(3.2)**	(5.9)	(2.8)
Research and development credits	**(1.3)**	(.9)	(.2)
Amended returns and refunds	**(1.6)**	(.9)	
Other - net	**(.3)**	(.4)	(.9)
Subtotal	**16.6 %**	24.5 %	29.0 %
Effect of:			
Tax Act	**1.9**	(40.8)	
Subsidiary mergers		(4.2)	
Reported effective tax rate	**18.5 %**	(20.5)%	29.0 %

Excluding the tax benefit recorded in the 2017 tax year for the enactment of the Tax Act, the 2018 effective tax rate was significantly lower than the 2017 effective tax rate. The decrease in the effective tax rate was primarily due to the overall impact of the Tax Act in 2018 and the favorable tax benefits from the reduction in the corporate domestic income tax rate from 35% to 21% . The Company received tax benefits in 2018 from filing amended U.S. income tax returns and favorable adjustments to the 2017 U.S. income tax return filed in 2018. Due to the reduction in the federal benefit related to the deduction of state and local income taxes, the impact of state and local income taxes increased in 2018 compared to 2017. The tax benefit related to employee share based payments decreased in 2018 compared to 2017 due to a decrease in the excess tax benefit related to Company stock options exercised by current and former employees of the Company and a reduction in the benefit of the deduction for U.S. income tax purposes from 35% to 21% . The Tax Act eliminated the favorable deduction for domestic production activities.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. The IRS is currently auditing the Company's 2014 and 2015 income tax returns. There has been no significant adjustments proposed by the IRS at this point in the audits. The IRS and the Joint Committee of Taxation have approved refund claims for the 2010, 2011 and 2012 tax years. The Company will receive approximately $5,000 of tax and interest related to the refund claims. In addition, the IRS concluded the refund claim audit for the 2014 tax year of the Company's Valspar subsidiary and has approved refunds of $5,426 and submitted them to the Joint Committee of Taxation for approval. As of December 31, 2018 , the federal statute of limitations has not expired for the 2013, 2014, 2015, 2016 and 2017 tax years.

As of December 31, 2018 , the Company is subject to non-U.S. income tax examinations for the tax years of 2013 through 2017 . In addition, the Company is subject to state and local income tax examinations for the tax years 1998 through 2018 .

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2018	2017	2016
Balance at beginning of year	**$ 59,001**	$ 32,805	$ 33,873
Additions from the Acquisition	**12,396**	18,928	
Additions based on tax positions related to the current year	**12,890**	6,780	5,674
Additions for tax positions of prior years	**10,968**	4,033	3,890
Reductions for tax positions of prior years	**(1,993)**	(1,168)	(5,901)
Settlements	**(1,380)**	(368)	(3,763)
Lapses of statutes of limitations	**(2,393)**	(2,009)	(968)
Balance at end of year	**$ 89,489**	$ 59,001	$ 32,805

An additional $12,396 in unrecognized tax benefits were recorded in 2018 related to the Acquisition. Other increases in the balance of unrecognized tax benefits at December 31, 2018 were related to a number of positions taken on current and amended income tax returns filed in the U.S. federal, and various state and foreign jurisdictions. At December 31, 2018 , 2017 and 2016 , the Company had unrecognized tax benefits of $82,960 , $49,520 , $27,686 , respectively, the recognition of which would have an effect on the effective tax rate.

Included in the balance of unrecognized tax benefits at December 31, 2018 is $14,509 related to tax positions for which it is reasonably possible that the total amounts could significantly change during the next twelve months. This amount represents a decrease in unrecognized tax benefits comprised primarily of items related to federal audits of partnership investments and expiring statutes in federal, foreign and state jurisdictions.

The Company classifies all income tax related interest and penalties as income tax expense. During the year ended December 31, 2018 , there was an increase in income tax interest and penalties of $4,899 . There was a decrease in income tax interest and penalties of $790 and an increase of $1,410 for the years ended December 31, 2017 and 2016 , respectively. At December 31, 2018 , 2017 and 2016 , the Company has separately accrued $24,757 , $14,592 and $9,275 , respectively, for the potential payment of interest and penalties.

NOTE 16 – NET INCOME PER SHARE

	2018	2017	2016
Basic			
Average shares outstanding	**92,992,457**	92,908,638	91,838,603
Net income			
Continuing operations [1]	**$ 1,108,746**	$ 1,769,488	$ 1,132,703
Discontinued operations		(41,540)	
Net income [1]	**$ 1,108,746**	$ 1,727,948	$ 1,132,703
Basic net income per share			
Continuing operations [1]	**$ 11.92**	$ 19.04	$ 12.33
Discontinued operations		(.44)	
Net income per share [1]	**$ 11.92**	$ 18.60	$ 12.33
Diluted			
Average shares outstanding	**92,992,457**	92,908,638	91,838,603
Stock options and other contingently issuable shares [2]	**1,938,586**	1,931,157	2,089,921
Non-vested restricted stock grants	**57,027**	87,418	559,562
Average shares outstanding assuming dilution	**94,988,070**	94,927,213	94,488,086
Net income			
Continuing operations [1]	**$ 1,108,746**	$ 1,769,488	$ 1,132,703
Discontinued operations		(41,540)	
Net income [1]	**$ 1,108,746**	$ 1,727,948	$ 1,132,703
Diluted net income per share			
Continuing operations [1]	**$ 11.67**	$ 18.64	$ 11.99
Discontinued operations		(.44)	
Net income per share [1]	**$ 11.67**	$ 18.20	$ 11.99

[1] The year ended December 31, 2017 has been adjusted for an inventory accounting change. See Note 1.
[2] Stock options and other contingently issuable shares excludes 28,321 , 638,795 and 62,935 shares at December 31, 2018 , 2017 and 2016 , respectively, due to their anti-dilutive effect.

Basic and diluted net income per share are calculated using the treasury stock method.

NOTE 17 – SUMMARY OF QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

	2018				
	1st Quarter	**2nd Quarter**	**3rd Quarter**	**4th Quarter**	**Full Year**
Net sales	**$ 3,965,006**	**$ 4,773,796**	**$ 4,731,470**	**$ 4,064,221**	**$ 17,534,493**
Gross profit	**1,686,847**	**2,038,628**	**2,010,404**	**1,682,683**	**7,418,562**
Net income	**250,127**	**403,604**	**354,027**	**100,988**	**1,108,746**
Net income per share - basic	**2.68**	**4.34**	**3.80**	**1.09**	**11.92**
Net income per share - diluted	**2.62**	**4.25**	**3.72**	**1.07**	**11.67**

	2017				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Full Year
Net sales	$ 2,761,387	$ 3,735,817	$ 4,507,020	$ 3,979,564	$ 14,983,788
Gross profit	1,343,053	1,734,617	1,901,827	1,739,303	6,718,800
Net income	239,152	319,111	316,606	853,079	1,727,948
Net income per share - basic	2.58	3.44	3.40	9.14	18.60
Net income per share - diluted	2.53	3.36	3.33	8.92	18.20

Net income for the fourth quarter of 2018 included increased provisions for environmental matters of $135,904 related to one of the Company's four major sites and pension plan settlement expense of $37,648 resulting from the election of lump sum cash payouts to defined benefit plan participants. See Note 14 for information on the provision for environmental matters and Note 7 for information on the pension plan settlement expense. Net income in the fourth quarter of 2017 included a tax benefit of $668,779 related to Deferred income tax reductions.

The effect of retrospectively applying the Inventory Accounting Change (see Note 1) was recorded in the fourth quarter of 2017. The impact of the change was not material to any other period presented. Therefore the results for the second and third quarter of 2017 and the first, second and third quarter of 2018 have not been retrospectively adjusted.

NOTE 18 – OPERATING LEASES

The Company leases certain stores, warehouses, manufacturing facilities, office space and equipment. Renewal options are available on the majority of leases and, under certain conditions, options exist to purchase certain properties. Rental expense for operating leases, recognized on a straight-line basis over the lease term in accordance with the Leases Topic of the ASC was $552,658 , $464,616 and $417,549 for 2018 , 2017 and 2016 , respectively. Certain store leases require the payment of contingent rentals based on sales in excess of specified minimums. Contingent rentals included in rent expense were $68,180 , $63,300 and $58,865 in 2018 , 2017 and 2016 , respectively. Rental income, as lessor, from real estate leasing activities and sublease rental income for all years presented was not significant. The following schedule summarizes the future minimum lease payments under noncancellable operating leases having initial or remaining terms in excess of one year at December 31, 2018 :

2019	$ 412,211
2020	369,570
2021	306,994
2022	245,437
2023	179,892
Later years	392,423
Total minimum lease payments	$ 1,906,527

During 2018, the Company completed transactions to sell and subsequently leaseback certain real estate properties and received proceeds totaling $225,345 . The transactions were accounted for as financing transactions primarily due to the Company's continuing involvement resulting from the length of the lease term in comparison to the remaining economic life of the real estate properties. The financing transactions have related future obligations of $225,914 at December 31, 2018 .

NOTE 19 – REPORTABLE SEGMENT INFORMATION

The Company reports its segment information in the same way that management internally organizes its business for assessing performance and making decisions regarding allocation of resources in accordance with the Segment Reporting Topic of the ASC. The Company has three reportable operating segments: The Americas Group, Consumer Brands Group and Performance Coatings Group (individually, a Reportable Segment and collectively, the Reportable Segments). Factors considered in determining the three Reportable Segments of the Company include the nature of business activities, the management structure directly accountable to the Company's chief operating decision maker (CODM) for operating and administrative activities, availability of discrete financial information and information presented to the Board of Directors. The Company reports all other business activities and immaterial operating segments that are not reportable in the Administrative segment. See pages 8 through 15 of this report for more information about the Reportable Segments.

The Company's CODM has been identified as the Chief Executive Officer because he has final authority over performance assessment and resource allocation decisions. Because of the diverse operations of the Company, the CODM regularly receives discrete financial information about each Reportable Segment as well as a significant amount of additional financial information about certain divisions, business units or subsidiaries of the Company. The CODM uses all such financial information for performance assessment and resource allocation decisions. The CODM evaluates the performance of and allocates resources to the Reportable Segments based on segment profit or loss and cash generated from operations. The accounting policies of the Reportable Segments are the same as those described in Note 1 of this report.

The Americas Group consisted of 4,696 company-operated specialty paint stores in the United States, Canada, Latin America and the Caribbean region at December 31, 2018 . Each store in this segment is engaged in servicing the needs of architectural and industrial paint contractors and do-it-yourself homeowners. The Americas Group company-owned stores market and sell Sherwin-Williams ® and other controlled brand architectural paint and coatings, protective and marine products, OEM product finishes and related products. The majority of these products are produced by manufacturing facilities in the Consumer Brands Group. In addition, each store sells select purchased associated products. The Americas Group sells a variety of architectural paints, coatings and related products through dedicated dealers, home centers, distributors, hardware stores and other retailers throughout Latin America. The Americas Group meets regional customer demands through developing, licensing, manufacturing, distributing and selling a variety of architectural paints, coatings and related products in North and South America. The loss of any single customer would not have a material adverse effect on the business of this segment. At December 31, 2018 , The Americas Group consisted of operations from subsidiaries in 10 foreign countries. During 2018 , this segment opened 76 net new stores, consisting of 91 new stores opened (74 in the United States, 16 in Canada, and 1 in South America) and 15 stores closed (1 in the United States, 2 in Canada, 11 in South America and 1 in Mexico). In 2017 and 2016 , this segment opened 101 and 142 net new stores, respectively. A map on the cover flap of this report shows the number of paint stores and their geographic location. The CODM uses discrete financial information about The Americas Group, supplemented with information by geographic region, product type and customer type, to assess performance of and allocate resources to The Americas Group as a whole. In accordance with ASC 280-10-50-9, The Americas Group as a whole is considered the operating segment, and because it meets the criteria in ASC 280-10-50-10, it is also considered a Reportable Segment.

The Consumer Brands Group supplies a broad portfolio of branded and private-label architectural paints, stains, varnishes, industrial products, wood finishes products, wood preservatives, applicators, corrosion inhibitors, aerosols, caulks and adhesives to retailers and distributors throughout North America, as well as in Australia, New Zealand, China and Europe. The Consumer Brands Group also supports the Company's other businesses around the world with new product research and development, manufacturing, distribution and logistics. Approximately 55.82% of the total sales of the Consumer Brands Group in 2018 were intersegment transfers of products primarily sold through The Americas Group. At December 31, 2018 , the Consumer Brands Group consisted of operations in the United States and subsidiaries in 6 foreign countries. Sales and marketing of certain controlled brand and private labeled products is performed by a direct sales staff. The products distributed through third-party customers are intended for resale to the ultimate end-user of the product. The Consumer Brands Group had sales to certain customers that, individually, may be a significant portion of the sales of the segment. However, the loss of any single customer would not have a material adverse effect on the overall profitability of the segment. This segment incurred most of the Company's capital expenditures related to ongoing environmental compliance measures at sites currently in operation. The CODM uses discrete financial information about the Consumer Brands Group, supplemented with information by product type and customer type, to assess performance of and allocate resources to the Consumer Brands Group as a whole. In accordance with ASC 280-10-50-9, the Consumer Brands Group as a whole is considered the operating segment, and because it meets the criteria in ASC 280-10-50-10, it is also considered a Reportable Segment.

The Performance Coatings Group develops and sells industrial coatings for wood finishing and general industrial (metal and plastic) applications, automotive refinish, protective and marine coatings, coil coatings, packaging coatings and

performance-based resins and colorants worldwide. This segment licenses certain technology and trade names worldwide. Sherwin-Williams ® and other controlled brand products are distributed through The Americas Group and this segment's 282 company-operated branches and by a direct sales staff and outside sales representatives to retailers, dealers, jobbers, licensees and other third-party distributors. The Performance Coatings Group had sales to certain customers that, individually, may be a significant portion of the sales of the segment. However, the loss of any single customer would not have a material adverse effect on the overall profitability of the segment. During 2018 , this segment opened 3 new branches and closed 11 branches for a net decrease of 8 branches. At December 31, 2018 , the Performance Coatings Group consisted of operations in the United States and subsidiaries in 45 foreign countries. The CODM uses discrete financial information about the Performance Coatings Group reportable segment, supplemented with information about geographic divisions, business units and subsidiaries, to assess performance of and allocate resources to the Performance Coatings Group as a whole. In accordance with ASC 280-10-50-9, the Performance Coatings Group as a whole is considered the operating segment, and because it meets the criteria in ASC 280-10-50-10, it is also considered a Reportable Segment. A map on the cover flap of this report shows the number of branches and their geographic locations.

The Administrative segment includes the administrative expenses of the Company's corporate headquarters site. Also included in the Administrative segment is interest expense, interest and investment income, certain expenses related to closed facilities and environmental-related matters, and other expenses which are not directly associated with the Reportable Segments. The Administrative segment does not include any significant foreign operations. Also included in the Administrative segment is a real estate management unit that is responsible for the ownership, management and leasing of non-retail properties held primarily for use by the Company, including the Company's headquarters site, and disposal of idle facilities. Sales of this segment represents external leasing revenue of excess headquarters space or leasing of facilities no longer used by the Company in its primary businesses. Material gains and losses from the sale of property are infrequent and not a significant operating factor in determining the performance of the Administrative segment.

Net external sales of all consolidated foreign subsidiaries were $4,027,775 , $2,959,785 and $1,722,246 for 2018 , 2017 and 2016 , respectively.

Long-lived assets consisted of Property, plant and equipment, Goodwill, Intangible assets, Deferred pension assets and Other assets. The aggregate total of long-lived assets for the Company was $14,789,793 , $15,492,586 and, $3,125,222 at December 31, 2018 , 2017 and 2016 , respectively. Long-lived assets of consolidated foreign subsidiaries totaled $3,289,794 , $3,691,035 and $477,889 at December 31, 2018 , 2017 and 2016 , respectively.

Total Assets of the Company were $19,134,279 , $19,899,517 and $6,752,521 at December 31, 2018 , 2017 and 2016 , respectively. Total assets of consolidated foreign subsidiaries were $4,809,356 , $5,253,995 and $1,233,666 , which represented 25.1 percent , 26.4 percent and 18.3 percent of the Company's total assets at December 31, 2018 , 2017 and 2016 , respectively.

No single geographic area outside the United States was significant relative to consolidated net external sales or consolidated long-lived assets. Export sales and sales to any individual customer were each less than 10 percent of consolidated sales to unaffiliated customers during all years presented.

In the reportable segment financial information that follows, Segment profit was total net sales and intersegment transfers less operating costs and expenses. Identifiable assets were those directly identified with each reportable segment. The Administrative segment assets consisted primarily of cash and cash equivalents, investments, deferred pension assets and headquarters property, plant and equipment. The margin for each reportable segment was based upon total net sales and intersegment transfers. Domestic intersegment transfers were primarily accounted for at the approximate fully absorbed manufactured cost, based on normal capacity volumes, plus customary distribution costs for paint products. Non-paint domestic and all international intersegment transfers were accounted for at values comparable to normal unaffiliated customer sales. All intersegment transfers are eliminated within the Administrative segment. Certain amounts in the following table for 2017 have been adjusted to reflect the Inventory Accounting Change (see Note 1).

(millions of dollars)

	2018				
	The Americas Group	Consumer Brands Group	Performance Coatings Group	Administrative	Consolidated Totals
Net external sales	**$ 9,625**	**$ 2,739**	**$ 5,166**	**$ 4**	**$ 17,534**
Intersegment transfers	**1**	**3,460**	**22**	**(3,483)**	
Total net sales and intersegment transfers	**$ 9,626**	**$ 6,199**	**$ 5,188**	**$ (3,479)**	**$ 17,534**
Segment profit	**$ 1,898**	**$ 261**	**$ 452**		**$ 2,611**
Interest expense				**$ (367)**	**(367)**
Administrative expenses and other				**(884)**	**(884)**
Income from continuing operations before income taxes	**$ 1,898**	**$ 261**	**$ 452**	**$ (1,251)**	**$ 1,360**
Reportable segment margins	**19.7%**	**4.2%**	**8.7%**		
Identifiable assets	**$ 4,071**	**$ 5,385**	**$ 8,535**	**$ 1,143**	**$ 19,134**
Capital expenditures	**70**	**96**	**61**	**24**	**251**
Depreciation	**72**	**89**	**78**	**39**	**278**
Amortization	**5**	**97**	**211**	**5**	**318**

	2017				
	The Americas Group	Consumer Brands Group	Performance Coatings Group	Administrative	Consolidated Totals
Net external sales	$ 9,117	$ 2,155	$ 3,706	$ 6	$ 14,984
Intersegment transfers	6	3,162	22	(3,190)	
Total net sales and intersegment transfers	$ 9,123	$ 5,317	$ 3,728	$ (3,184)	$ 14,984
Segment profit	$ 1,769	$ 203	$ 263		$ 2,235
Interest expense				$ (263)	(263)
Administrative expenses and other				(503)	(503)
Income from continuing operations before income taxes	$ 1,769	$ 203	$ 263	$ (766)	$ 1,469
Reportable segment margins	19.4%	3.8%	7.1%		
Identifiable assets	$ 4,359	$ 5,816	$ 8,265	$ 1,460	$ 19,900
Capital expenditures	69	95	37	22	223
Depreciation	75	92	69	49	285
Amortization	4	61	135	7	207

	2016				
	The Americas Group	Consumer Brands Group	Performance Coatings Group	Administrative	Consolidated Totals
Net external sales	$ 8,377	$ 1,528	$ 1,946	$ 5	$ 11,856
Intersegment transfers	39	2,775	15	(2,829)	
Total net sales and intersegment transfers	$ 8,416	$ 4,303	$ 1,961	$ (2,824)	$ 11,856
Segment profit	$ 1,606	$ 301	$ 257		$ 2,164
Interest expense				$ (154)	(154)
Administrative expenses and other				(415)	(415)
Income from continuing operations before income taxes	$ 1,606	$ 301	$ 257	$ (569)	$ 1,595
Reportable segment margins	19.1%	7.0%	13.1%		
Identifiable assets	$ 2,148	$ 2,005	$ 818	$ 1,782	$ 6,753
Capital expenditures	100	99	19	21	239
Depreciation	76	47	20	29	172
Amortization	4	5	9	7	25

CAUTIONARY STATEMENT REGARDING
FORWARD-LOOKING INFORMATION

Certain statements contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Letter to Shareholders" and elsewhere in this report constitute "forward-looking statements" within the meaning of the federal securities laws. These forward-looking statements are based upon management's current expectations, estimates, assumptions and beliefs concerning future events and conditions and may discuss, among other things, anticipated future performance (including sales and earnings), expected growth, future business plans and the costs and potential liability for environmental-related matters and the lead pigment and lead-based paint litigation. Any statement that is not historical in nature is a forward-looking statement and may be identified by the use of words and phrases such as "believe," "expect," "may," "will," "should," "project," "could," "plan," "goal," "potential," "seek," "intend" or "anticipate" or the negative thereof or comparable terminology.

Readers are cautioned not to place undue reliance on any forward-looking statements. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside our control, that could cause actual results to differ materially from such statements and from our historical results and experience. These risks, uncertainties and other factors include such things as: (a) general business conditions, strengths of retail and manufacturing economies and growth in the coatings industry; (b) changes in general domestic economic conditions such as inflation rates, interest rates, tax rates, unemployment rates, higher labor and healthcare costs, recessions, and changing government policies, laws and regulations; (c) changes in raw material and energy supplies and pricing; (d) changes in our relationships with customers and suppliers; (e) our ability to successfully integrate past and future acquisitions into our existing operations, including Valspar, as well as the performance of the businesses acquired; (f) risks inherent in the achievement of additional anticipated cost synergies resulting from the Acquisition and the timing thereof; (g) competitive factors, including pricing pressures and product innovation and quality; (h) our ability to attain cost savings from productivity initiatives; (i) risks and uncertainties associated with our expansion into and our operations in Asia, Europe, South America and other foreign markets, including general economic conditions, inflation rates, recessions, foreign currency exchange rates, foreign investment and repatriation restrictions, legal and regulatory constraints, civil unrest and other external economic and political factors; (j) the achievement of growth in foreign markets, such as Asia, Europe and South America; (k) increasingly stringent domestic and foreign governmental regulations, including those affecting health, safety and the environment; (l) inherent uncertainties involved in assessing our potential liability for environmental-related activities; (m) other changes in governmental policies, laws and regulations, including changes in tariff policies, as well as changes in accounting policies and standards and taxation requirements (such as new tax laws and new or revised tax law interpretations); (n) the nature, cost, quantity and outcome of pending and future litigation and other claims, including the lead pigment and lead-based paint litigation, and the effect of any legislation and administrative regulations relating thereto; and (o) adverse weather conditions and natural disasters.

Readers are cautioned that it is not possible to predict or identify all of the risks, uncertainties and other factors that may affect future results and that the above list should not be considered to be a complete list. Any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise except as otherwise required by law.

Annual Meeting
The annual meeting of shareholders will be held in the Landmark Conference Center, 927 Midland Building, 101 W. Prospect Avenue, Cleveland, Ohio on Wednesday, April 17, 2019 at 9:00 A.M., local time.

Headquarters
101 W. Prospect Avenue
Cleveland, Ohio 44115-1075
(216) 566-2000
www.sherwin.com

Investor Relations
Robert J. Wells
Senior Vice President - Corporate Communications and Public Affairs
The Sherwin-Williams Company
101 W. Prospect Avenue
Cleveland, Ohio 44115-1075

Independent Registered Public Accounting Firm
Ernst & Young LLP
Cleveland, Ohio

Stock Trading
Sherwin-Williams Common Stock—Symbol, SHW—is traded on the New York Stock Exchange.

Dividend Reinvestment Program
A dividend reinvestment program is available to shareholders of common stock. For information, contact Equiniti Trust Company.

Form 10-K
The Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission, is available without charge. To obtain a copy, contact Investor Relations.

Transfer Agent & Registrar
Our transfer agent, EQ Shareowner Services, maintains the records for our registered shareholders and can help with a wide variety of shareholder related services, including the direct deposit of dividends and online access to your account. Contact:
EQ Shareowner Services
P.O. Box 64874
St. Paul, MN 55164-0874
www.shareowneronline.com
1-800-468-9716 Toll-free
651-450-4064 outside the United States

COMMON STOCK TRADING STATISTICS

	2018	2017	2016	2015	2014
High	**$ 477.98**	$ 414.34	$ 312.10	$ 292.44	$ 266.25
Low	**365.24**	274.54	239.35	218.94	174.29
Close December 31	**393.46**	410.04	268.74	259.60	263.04
Shareholders of record	**6,244**	6,488	6,787	6,996	7,250
Shares traded (thousands)	**180,900**	154,970	212,100	195,560	152,913

QUARTERLY STOCK PRICES AND DIVIDENDS

2018			
Quarter	**High**	**Low**	**Dividend**
1st	**$ 432.84**	**$ 385.25**	**$ .860**
2nd	**407.57**	**367.66**	**.860**
3rd	**477.98**	**406.76**	**.860**
4th	**457.00**	**365.24**	**.860**

2017			
Quarter	High	Low	Dividend
1st	$ 315.36	$ 274.54	$ .850
2nd	361.03	308.35	.850
3rd	359.72	328.97	.850
4th	414.34	359.43	.850

CORPORATE OFFICERS AND
OPERATING MANAGEMENT

Corporate Officers

John G. Morikis, 55*
Chairman, President and
Chief Executive Officer

Allen J. Mistysyn, 50*
Senior Vice President - Finance
and Chief Financial Officer

Jane M. Cronin, 51*
Senior Vice President -
Corporate Controller

Mary L. Garceau, 46*
Senior Vice President, General
Counsel and Secretary

Thomas P. Gilligan, 58*
Senior Vice President -
Human Resources

Robert J. Wells, 61*
Senior Vice President - Corporate
Communications and Public Affairs

Lawrence J. Boron, 60
Vice President - Taxes and
Assistant Secretary

John D. Hullibarger, 38
Vice President - Corporate Audit
and Loss Prevention

Jeffrey J. Miklich, 44
Vice President and Treasurer

Stephen J. Perisutti, 56
Vice President, Deputy General
Counsel and Assistant Secretary

Bryan J. Young, 43
Vice President - Corporate
Strategy & Development

Operating Management

Joel D. Baxter, 58*
President & General Manager
Global Supply Chain Division
Consumer Brands Group

Justin T. Binns, 43
President & General Manager
Automotive Finishes Division
Performance Coatings Group

Lee B. Diamond, 49
President & General Manager
Canada Division
The Americas Group

Aaron M. Erter, 45*
President
Consumer Brands Group

Peter J. Ippolito, 54*
President
The Americas Group

Bruce G. Irussi, 58
President & General Manager
General Industrial Coatings Division
Performance Coatings Group

Karl J. Jorgenrud, 42
President & General Manager
Protective & Marine Division
Performance Coatings Group

Dennis H. Karnstein, 52
President & General Manager
Industrial Wood Coatings Division
Performance Coatings Group

Robert F. Lynch, 58
President & General Manager
Retail - North America
Consumer Brands Group

Mark A. Provenson, 45
President & General Manager
Eastern Division
The Americas Group

Jonathan N. Reid, 47
President & General Manager
South Western Division
The Americas Group

David B. Sewell, 50*
President
Performance Coatings Group

Samuel W. Shoemaker, 57
President & General Manager
Global Packaging, Coil, and Coatings
Resins & Colorants Division
Performance Coatings Group

Todd A. Stephenson, 49
President & General Manager
Mid Western Division
The Americas Group

Todd V. Wipf, 54
President & General Manager
Southeastern Division
The Americas Group

** Executive Officer as defined by the Securities Exchange Act of 1934*

Board of Directors

1. ***Christine A. Poon, 66****
   Executive In Residence
   The Max M. Fisher College of Business
   The Ohio State University
   Retired, former Vice Chairman
   Johnson & Johnson

2. ***Steven H. Wunning, 67***
   Retired, former Group President
   Caterpillar Inc.

3. ***Arthur F. Anton, 61****
   Chairman and Chief Executive Officer
   Swagelok Company

4. ***Matthew Thornton III, 60****
   Executive Vice President and
   Chief Operating Officer
   FedEx Freight
   FedEx Corporation

5. ***John G. Morikis, 55***
   Chairman, President and
   Chief Executive Officer
   The Sherwin-Williams Company

6. ***Richard J. Kramer, 55****
   Chairman of the Board,
   Chief Executive Officer and President
   The Goodyear Tire & Rubber Company

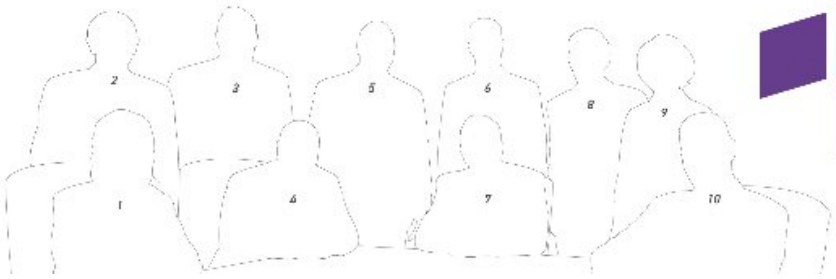
7. ***John M. Stropki, 68***
   Retired, former Chairman, President
   and Chief Executive Officer
   Lincoln Electric Holdings, Inc.

8. ***David F. Hodnik, 71***
   Retired, former President and
   Chief Executive Officer
   Ace Hardware Corporation

9. ***Susan J. Kropf, 70***
   Retired, former President and
   Chief Operating Officer
   Avon Products, Inc.

10. ***Michael H. Thaman, 55***
    Chairman and Chief Executive Officer
    Owens Corning

*Audit Committee Member



SHERWIN-WILLIAMS.

The Sherwin-Williams Company
101 W. Prospect Avenue
Cleveland, Ohio 44115-1075

www.sherwin-williams.com

EXHIBIT
18

February 22, 2019

Board of Directors
The Sherwin-Williams Company
101 West Prospect Avenue
Cleveland, Ohio 44115

Ladies and Gentlemen:

Note 1 to the consolidated financial statements of The Sherwin-Williams Company incorporated by reference in its Annual Report (Form 10-K) for the year ended December 31, 2018 describes a change to reduce the number of pools used for determining inventory cost under the last-in, first-out (LIFO) method of accounting for inventory in the United States. There are no authoritative criteria for determining a "preferable" application of the LIFO inventory method based on the particular circumstances; however, we conclude that such change in the application of the LIFO method of accounting is to an acceptable alternative application of the LIFO method which, based on your business judgment to make this change and for the stated reasons, is preferable in your circumstances.

Very truly yours,

/s/ Ernst & Young LLP
Cleveland, Ohio

The Sherwin-Williams Company
Operating Subsidiaries
December 2018 - 10K

Domestic

Subsidiary	State of Incorporation
Acquire Sourcing, LLC	DE
Comex North America, Inc.	DE
Contract Transportation Systems Co.	DE
CTS National Corporation	DE
Omega Specialty Products & Services LLC	OH
Plasti-Kote Co., Inc.	OH
Sherwin-Williams Realty Holdings, Inc.	IL
SWIMC LLC	DE
The Sherwin-Williams Acceptance Corporation	NV
The Sherwin-Williams Headquarters Company	OH
The Sherwin-Williams Manufacturing Company	OH
The Sherwin-Williams US Licensing Company	DE
Valspar Specialty Paints, LLC	DE

Foreign

Subsidiary	Country of Incorporation
Compania Sherwin-Williams, S.A. de C.V.	Mexico
Dongguan Lilly Paint Industries Ltd	China
EPS B.V.	Netherlands
EPS Polidrox Industria e Comercio de Resinas Ltda	Brazil
EPS (Shanghai) Trading Co., Ltd.	China
Geocel Limited	UK
Guangdong Valspar Paints Manufacturing Co Ltd.	China
Guangdong Yuegang Dadi Paints Company Limited	China
Invercolor Bologna Srl	Italy
Invercolor Ltd	UK
Invercolor Roma Srl	Italy
Invercolor Torino Srl	Italy
Invercolor Toscana Srl	Italy
Inver East Med S.A.	Greece
Inver France SAS	France
Inver GmbH	Germany
Inver Industrial Coating SRL	Romania
Inver Polska Spó³ka Z O.O	Poland
Inver Spa	Italy
Isocoat Tintas e Vernizes Ltda	Brazil
Isva Vernici Srl	Italy
Oy Sherwin-Williams Finland Ab	Finland

Pinturas Condor S.A. Ecuador
Pinturas Industriales S.A. Uruguay
Plasti-kote Limited UK
Productos Quimicos y Pinturas, S.A. de C.V. Mexico
PT Sherwin-Williams Indonesia Indonesia
PT Valspar Indonesia Indonesia
Quest Automotive Products UK Limited UK
Quetzal Pinturas, S.A. de C.V. Mexico
Ronseal (Ireland) Limited Ireland
Sherwin-Williams Argentina I.y C.S.A. Argentina
Sherwin-Williams Aruba VBA Aruba
Sherwin-Williams (Australia) Pty. Ltd. AU
Sherwin-Williams Automotive Mexico S.de R.L.de C.V. Mexico
Sherwin-Williams Balkan S.R.L. Romania
Sherwin-Williams Bel Unitary Enterprise Belarus
Sherwin-Williams (Belize) Limited Belize
Sherwin-Williams Benelux NV Belgium
Sherwin-Williams Canada Inc. Canada
Sherwin-Williams (Caribbean) N.V. Curacao
Sherwin-Williams Cayman Islands Limited Grand Cayman
Sherwin-Williams Chile S.A. Chile
Sherwin-Williams Coatings India Private Limited India
Sherwin-Williams Coatings S.a r.l. Luxembourg
Sherwin Williams Colombia S.A.S. Columbia
Sherwin-Williams Czech Republic spol. s r.o Czech Republic
Sherwin-Williams Denmark A/S Denmark
Sherwin-Williams Deutschland GmbH Germany
Sherwin-Williams Diversified Brands Limited UK
Sherwin-Williams do Brasil Industria e Comercio Ltda. Brazil
Sherwin-Williams France Finishes SAS France
Sherwin-Williams (Ireland) Limited Ireland
Sherwin-Williams Italy S.r.l. Italy
Sherwin-Williams Luxembourg Investment Management Company S.a r.l . Luxembourg
Sherwin-Williams (Malaysia) Sdn. Bhd. Malaysia
Sherwin-Williams (Nantong) Company Limited China
Sherwin-Williams (Nantong) Coatings Technology Co., Ltd. China
Sherwin-Williams Norway AS Norway
Sherwin-Williams Paints Limited Liability Company Russia
Sherwin-Williams Peru S.R.L. Peru
Sherwin-Williams Pinturas de Venezuela S.A. Venezuela
Sherwin-Williams Poland Sp. z o.o Poland
Sherwin-Williams Protective & Marine Coatings UK
Sherwin-Williams (S) Pte. Ltd. Singapore
Sherwin-Williams Services (Malaysia) Sdn. Bhd. Malaysia
Sherwin-Williams (Shanghai) Limited China
Sherwin-Williams (South China) Co., Ltd. China
Sherwin-Williams Spain Coatings S.L. Spain
Sherwin-Williams STL Limited St. Lucia
Sherwin-Williams Sweden AB Sweden
Sherwin-Williams (Thailand) Co., Ltd. Thailand
Sherwin-Williams UK Coatings Limited UK
Sherwin-Williams (Vietnam) Limited Vietnam
Sherwin-Williams (West Indies) Limited Jamaica

Spanyc Paints Joint Stock Company	Vietnam
SWIPCO - Sherwin Williams do Brasil Propriedade Intelectual Ltda.	Brazil
Syntema I Vaggeryd AB	Sweden
Taiwan Valspar Co., Ltd.	Taiwan
The Valspar (Asia) Corporation Limited	Hong Kong
The Valspar (Australia) Corporation Pty. Ltd.	Australia
The Valspar Corporation Limitada	Brazil
The Valspar (Finland) Corporation Oy	Finland
The Valspar (France) Corporation S.A.S.	France
The Valspar (France) Research Corporation SAS	France
The Valspar (Malaysia) Corporation Sdn Bhd	Malaysia
The Valspar (Nantes) Corporation S.A.S.	France
The Valspar (Singapore) Corporation Pte. Ltd	Singapore
The Valspar (South Africa) Corporation (Pty) Ltd	South Africa
The Valspar (Spain) Corporation S.R.L.	Spain
The Valspar (Switzerland) Corporation AG	Switzerland
The Valspar (Thailand) Corporation Ltd.	Thailand
The Valspar (UK) Corporation Limited	UK
The Valspar (Vietnam) Corporation Ltd.	Vietnam
TOB Becker Acroma Ukraine	Ukraine
UAB Sherwin-Williams Baltic	Lithuania
Valspar Aries Coatings, S. de R.L. de C.V.	Mexico
Valspar Automotive Australia Pty Limited	Australia
Valspar Automotive (UK) Corporation Limited	UK
Valspar B.V.	Netherlands
Valspar Coatings (Guangdong) Co., Ltd.	China
Valspar Coatings (Shanghai) Co. Ltd.	China
Valspar Coatings (Tianjin) Co., Ltd	China
Valspar D.o.o Beograd	Serbia
Valspar (India) Coatings Corporation Private Limited	India
Valspar Industries GmbH	Germany
Valspar Industries (Ireland) Ltd.	Ireland
Valspar Industries (Italy) S.r.l.	Italy
Valspar LLC	Russia
Valspar Mexicana, S.A. de C.V.	Mexico
Valspar Paint (Australia) Pty Ltd	Australia
Valspar Paint (NZ) Limited	New Zealand
Valspar Powder Coatings Limited	UK
Valspar Rock Company Limited (Japan)	Japan
Valspar (Shanghai) Management Co., Ltd.	China
Valspar (Uruguay) Corporation S.A.	Uruguay
Valspar (WPC) Pty Ltd	Australia
ZAO Sherwin-Williams	Russia

EXHIBIT 23

Consent of Independent Registered Public Accounting Firm and Report on Schedule

Consent

We consent to the incorporation by reference in the following Registration Statements:

Registration Number	Description
333-217457	The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan (Amended and Restated as of April 19, 2017) Form S-8 Registration Statement
333-218406	The Valspar Corporation Amended and Restated 2015 Omnibus Equity Plan Form S-8 Registration Statement
333-218914	The Sherwin-Williams Company Form S-4 Registration Statement
333-219654	The Sherwin-Williams Company 2005 Deferred Compensation Savings and Pension Equalization Plan, (Amended and Restated Effective as of January 1, 2016) Form S-8 Registration Statement
333-205897	The Sherwin-Williams Company Form S-3 Registration Statement
333-166365	The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan (as Amended and Restated as of February 17, 2015) Form S-8 Registration Statement
333-152443	The Sherwin-Williams Company Employee Stock Purchase and Savings Plan Form S-8 Registration Statement
333-133419	The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan and The Sherwin-Williams Company 2006 Stock Plan for Nonemployee Directors Form S-8 Registration Statement
333-129582	The Sherwin-Williams Company 2005 Deferred Compensation Savings and Pension Equalization Plan, The Sherwin-Williams 2005 Key Management Deferred Compensation Plan and The Sherwin-Williams Company 2005 Director Deferred Fee Plan Form S-8 Registration Statement
333-105211	The Sherwin-Williams Company Employee Stock Purchase and Savings Plan Form S-8 Registration Statement
333-66295	The Sherwin-Williams Company Deferred Compensation Savings Plan, The Sherwin-Williams Company Key Management Deferred Compensation Plan and The Sherwin-Williams Company Director Deferred Fee Plan Form S-8 Registration Statement

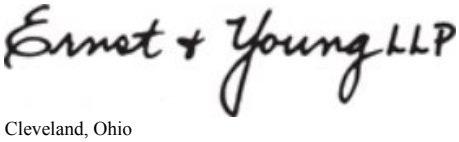
of our reports dated February 22, 2019 , with respect to the consolidated financial statements and the effectiveness of internal control over financial reporting of The Sherwin-Williams Company incorporated by reference in this Annual Report (Form 10-K) of The Sherwin-Williams Company for the year ended December 31, 2018 , and the financial statement schedule of The Sherwin-Williams Company, included on the follow page, filed with the Securities and Exchange Commission.

Report on Schedule

To the Shareholders and the Board of Directors of The Sherwin-Williams Company

We have audited the consolidated financial statements of The Sherwin-Williams Company (the “Company”) as of December 31, 2018 , 2017 and 2016 , and for each of the years then ended, and have issued our report thereon dated February 22, 2019 incorporated by reference in this Annual Report (Form 10-K) of the Company from the 2018 Annual Report to Shareholders of the Company. Our audits of the consolidated financial statements included the financial statement schedule listed in Item 15(a) of this Annual Report (Form 10-K) (the “schedule”). This schedule is the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s schedule based on our audits.

In our opinion, the schedule presents fairly, in all material respects, the information set forth therein when considered in conjunction with the consolidated financial statements.



Cleveland, Ohio
February 22, 2019

EXHIBIT 24(a)

POWER OF ATTORNEY

THE SHERWIN-WILLIAMS COMPANY

KNOW ALL BY THESE PRESENTS, that each of the undersigned directors and/or officers of The Sherwin-Williams Company, an Ohio corporation (the "Company"), hereby constitutes and appoints each of John G. Morikis, Allen J. Mistysyn and Mary L. Garceau, with full power of substitution and resubstitution, as the true and lawful attorney-in-fact or attorneys-in-fact of the undersigned to execute and file with the Securities and Exchange Commission under the Securities Exchange Act of 1934 the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018, with any and all amendments, supplements and exhibits thereto, and any and all other documents in connection therewith, with full power and authority to do and perform any and all acts and things necessary, appropriate or desirable to be done in the premises, or in the name, place and stead of the undersigned, as fully to all intents and purposes as such person might or could do in person, hereby ratifying and approving all that said attorneys-in-fact or any of them and any substitute therefor may lawfully do or cause to be done by virtue thereof.

This Power of Attorney may be executed in multiple counterparts, each of which shall be deemed an original with respect to the person executing it.

Executed as of this 13th day of February, 2019.

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Signature	Title
/s/ John G. Morikis John G. Morikis	Chairman, President and Chief Executive Officer, Director (Principal Executive Officer)
/s/ Jane M. Cronin Jane M. Cronin	Senior Vice President – Corporate Controller (Principal Accounting Officer)
/s/ Allen J. Mistysyn Allen J. Mistysyn	Senior Vice President – Finance and Chief Financial Officer (Principal Financial Officer)
/s/ Arthur F. Anton Arthur F. Anton	Director
/s/ David F. Hodnik David F. Hodnik	Director
/s/ Richard J. Kramer Richard J. Kramer	Director

/s/ Susan J. Kropf

Susan J. Kropf — Director

/s/ Christine A. Poon

Christine A. Poon — Director

/s/ John M. Stropki

John M. Stropki — Director

/s/ Michael H. Thaman

Michael H. Thaman — Director

/s/ Matthew Thornton III

Matthew Thornton III — Director

/s/ Steven H. Wunning

Steven H. Wunning — Director

EXHIBIT 24(b)

CERTIFICATE

I, the undersigned, Secretary of The Sherwin-Williams Company (the "Company"), hereby certify that attached hereto is a true and complete copy of a resolution of the Board of Directors of the Company, duly adopted at a meeting held on February 12-13, 2019, and that such resolution is in full force and effect and has not been amended, modified, revoked or rescinded as of the date hereof.

IN WITNESS WHEREOF, I have executed this certificate as of this 13th day of February, 2019.

/s/ Mary L. Garceau
Mary L. Garceau
Secretary

RESOLVED, that the appropriate officers of the Company are each hereby authorized to execute and deliver a power of attorney appointing John G. Morikis, Allen J. Mistysyn and Mary L. Garceau or any of them, with full power of substitution and resubstitution, to act as attorneys-in-fact for the Company and for such officers for the purpose of executing and filing with the Securities and Exchange Commission and any national securities exchange, on behalf of the Company, the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 and any and all amendments, exhibits and other documents in connection therewith, and to take other action deemed necessary and appropriate to effect the filing of such Annual Report on Form 10-K and any and all such amendments, exhibits and other documents in connection therewith.

EXHIBIT 31(a)

CERTIFICATION

I, John G. Morikis, certify that:

1. I have reviewed this annual report on Form 10-K of The Sherwin-Williams Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2019

/s/ John G. Morikis

John G. Morikis

Chairman, President and
Chief Executive Officer

EXHIBIT 31(b)

CERTIFICATION

I, Allen J. Mistysyn, certify that:

1. I have reviewed this annual report on Form 10-K of The Sherwin-Williams Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2019

/s/ Allen J. Mistysyn

Allen J. Mistysyn
Senior Vice President-Finance and
Chief Financial Officer

EXHIBIT 32(a)

SECTION 1350 CERTIFICATION

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

In connection with the Annual Report on Form 10-K of The Sherwin-Williams Company (the "Company") for the fiscal year ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John G. Morikis, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 22, 2019

/s/ John G. Morikis

John G. Morikis

Chairman, President and
Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to The Sherwin-Williams Company and will be retained by The Sherwin-Williams Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32(b)

SECTION 1350 CERTIFICATION

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

In connection with the Annual Report on Form 10-K of The Sherwin-Williams Company (the "Company") for the fiscal year ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Allen J. Mistysyn, Senior Vice President - Finance and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 22, 2019

/s/ Allen J. Mistysyn

Allen J. Mistysyn

Senior Vice President-Finance and Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to The Sherwin-Williams Company and will be retained by The Sherwin-Williams Company and furnished to the Securities and Exchange Commission or its staff upon request.