THE SHERWIN-WILLIAMS COMPANY
AND CONSOLIDATED SUBSIDIARIES
ANNUAL REPORT
1957

N 15366

S-W000305

PRESIDENT'S REPORT

To the Stockholders:

Herewith are presented the Consolidated Balance Sheet and the Consolidated Income and Surplus Statements of The Sherwin-Williams Company for the fiscal year ended August 31, 1957.

The earnings before Federal Income Tax and provision for the Pension Plan are $33,197,861.

The amount estimated for Federal Income Tax is $14,899,452.

$3,200,000 has been set aside for the Pension Plan, of which approximately $2,500,000 takes care of the annual normal requirement of the Plan. The balance of $700,000 will be applied against the original past service liability.

The final consolidated net earnings, after all deductions, are $15,098,409. This sets a new high record in the history of the Company. These net earnings, after allowing for Preferred Dividends, are equivalent to $11.38 per share on the present outstanding 1,277,854 shares of Common Stock as compared with $10.49 per share last year.

Sales for the year, as shown on the Consolidated Income Statement submitted herewith, amounted to $257,807,442, highest in the Company's history, which is 5.9% over the previous year. These sales do not take into account the cans, pigments, colors and chemicals of these producing divisions of the business, which materials are manufactured for our paint factories and affiliated companies. They also do not include the sale of our products to our branches. If all these transactions had been treated as sales, the total volume for the fiscal year would have been $368,252,582. In both of the figures stated, the sales of The Sherwin-Williams Company of Canada, Ltd. have been omitted, as well as those of wholly-owned unconsolidated South American subsidiaries.

The major portion of the gain in sales for the year can be attributed to further expansion in the volume of consumer products such as Super Kem-Tone, Kem-Glo, house paint and the various shelf goods items marketed by tens of thousands of dealers and the Company's own branches. In fact, these consumer products constitute about 80% of the Company's business, outside of sales of cans, pigments and chemicals to other manufacturers. The balance consists of specialized finishes for industrial uses.

As stated, the distribution of the Company's consumer products is through the medium of tens of thousands of dealers and about 1,100 of the

Company's own branches. These branches, in addition to selling directly to the consumers and painters in their immediate trading areas, serve as convenient warehouses for dealers everywhere. The proximity of branches to dealers permits dealers to conduct their business with smaller inventories and, consequently, smaller investment. Branches are so situated throughout the country that in most cases deliveries of needed merchandise can be made in a matter of hours after an order is placed. The branches also provide painters with a convenient source of supply for all of their requirements.

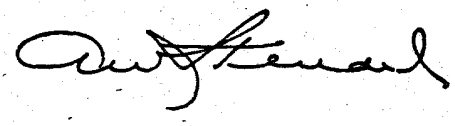
Color is playing an ever-increasing role in the American home today. To help in the proper selection of colors, the Company has provided a Color Harmony Guide with over 1,500 different color combinations, which is available as a free color service to consumers. About 200,000 of these books have been distributed throughout the country to dealers and branches, who lend this authoritative guide in color selection without charge to all who wish to use it.

In the chemical division of the business, which supplies manufacturers with intermediates and colors, the results were not quite as good as in the previous year due to highly competitive conditions in this industry. The new Phthalocyanine Blue plant mentioned in our last year's report, although in partial production, has not yet reached a capacity output but is expected to show a marked improvement during the next year.

The Company is spending more than ever before on research and development. Coatings are in a constant state of evolution and it requires intense laboratory research and extensive field testing to take early advantage of the new materials that are continually being developed as paint ingredients.

The gross amount expended for plants during the year, that is before depreciation, was $4,117,997. Included in this is part of the cost of the new paint plant at Dallas, Texas which, when completed, will require a total investment of $3,500,000. The old plant at Dallas was quite inadequate for the Company's needs in the area which it services. The remainder of plant disbursements covers a multitude of miscellaneous items distributed over the Company's manufacturing units and branches.

Once again the management expresses its thanks to the staff in our plants, offices and branches for their loyalty and intense efforts that have made this year's results possible.



President

THE SHERWIN-WILLIAMS COMPANY

Consolidated Balanc

Assets

CURRENT ASSETS		
Cash		$ 32,360,186
Trade accounts receivable, less allowances for doubtful accounts		26,251,339
Inventories—raw materials and supplies, in process and finished merchandise, at lower of cost or market		54,558,237
TOTAL CURRENT ASSETS		$113,169,762
INVESTMENTS AND OTHER ASSETS		
Securities of subsidiaries not consolidated —Note A	$ 5,005,522	
Receivables, advances, and miscellaneous items, less allowances	556,960	5,562,482
PROPERTY, PLANT, AND EQUIPMENT		
Land, buildings, machinery, and equipment — at cost, less allowances for depreciation		39,559,117
PATENTS AND TRADE-MARKS		1
DEFERRED CHARGES		
Advertising stock and supplies	$ 1,126,899	
Prepaid insurance and other items	1,267,470	2,394,369
		$160,685,731

Note A—Securities of subsidiaries not consolidated are stated at cost and approximately $877,000 in subsidiaries in Brazil and Argentina. The approx of such subsidiaries not consolidated, were as follows: Canada—$4,993,000; Br can subsidiaries is restricted and although they are wholly-owned the accoun

Note B—Amounts included in the financial statements for consolidated

AND CONSOLIDATED SUBSIDIARIES

Sheet, August 31, 1957

Liabilities, Capital Stock, and Surplus

CURRENT LIABILITIES		
Trade accounts payable, payrolls, and miscellaneous items		$ 14,398,994
Dividend payable on Preferred Stock—payable September 2, 1957		135,584
Deposits—employees and officers		1,356,820
Accrued taxes, other than federal taxes on income		984,068
Federal taxes on income—estimated	$13,100,000	
Less U. S. Treasury Certificates of Indebtedness	3,991,943	9,108,057
TOTAL CURRENT LIABILITIES		$ 25,983,523
RESERVES		
For contingencies and other	$ 4,358,152	
For pensions	3,200,000	7,558,152
CAPITAL STOCK AND SURPLUS		
Capital stock:		
Preferred—authorized 395,500 shares (par value $100.00 each—redeemable at $105.00 per share):		
Outstanding—cumulative Preferred Stock, 4% series—135,584 shares	$13,558,400	
Common—authorized 1,600,000 shares (par value $25.00 each):		
Outstanding 1,277,854 shares	31,946,350	
Earned surplus	81,639,306	127,144,056
		$160,685,731

include investments of $4,119,000 in a partly-owned Canadian subsidiary, and nate amounts of accumulated undistributed net income, based on the records til—$3,253,000; Argentina—$169,000. Transfer of funds from the South Ameri- of such subsidiaries are not consolidated for that reason.

oreign subsidiaries were not significant.

CONSOLIDATED INCOME AND EARNED SURPLUS

THE SHERWIN-WILLIAMS COMPANY AND CONSOLIDATED SUBSIDIARIES

Year Ended August 31, 1957

Income

Net sales		$257,807,442
Dividends received (net) on capital stock of unconsolidated foreign subsidiaries		518,894
Miscellaneous		914,125
		$259,240,461
Deductions from income:		
Cost of products sold, selling, general, and administrative expenses	$221,839,606	
Provision for pensions	3,200,000	
Provision for depreciation	3,244,785	
Provision for foreign taxes and miscellaneous items	655,074	
Net charge arising from sale or abandonment of depreciable assets	199,278	
Interest expense	103,857	229,242,600
INCOME BEFORE INCOME TAXES		$ 29,997,861
Federal taxes on income:		
Provision for the year—estimated	$ 15,500,000	
Less adjustments for prior year	600,548	14,899,452
NET INCOME		$ 15,098,409

Earned Surplus

Balance at September 1, 1956			$ 73,461,289
Net income for the year			15,098,409
			$ 88,559,698
Deduct:			
Cash dividends declared and paid or provided for during the year:			
Preferred—$4.00 per share	$ 555,818		
Common—$5.00 per share	6,389,292	$ 6,945,110	
Less discount on Preferred Stock redeemed		24,718	6,920,392
BALANCE AT AUGUST 31, 1957			$ 81,639,306

Note A—Equity in net income for the year ended August 31, 1957, reported by unconsolidated subsidiaries was approximately $743,000 more than the Company's share of dividends paid by such subsidiaries.

AUDITORS' CERTIFICATE

Board of Directors.
The Sherwin-Williams Company,
Cleveland, Ohio.

We have examined the consolidated financial statements of The Sherwin-Williams Company and consolidated subsidiaries for the year ended August 31, 1957. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and earned surplus present fairly the consolidated financial position of The Sherwin-Williams Company and consolidated subsidiaries at August 31, 1957, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST
Certified Public Accountants

Cleveland, Ohio
October 12, 1957

THE SHERWIN-WILLIAMS COMPANY

Founded in 1866

101 PROSPECT AVE., N. W., CLEVELAND, OHIO

Manufacturers of Paints, Varnishes, Colors, Stains, Enamels, Lacquers, Zinc Pigments, Dyes, Chemicals, Lithopone, Linseed Oil, Dry Colors, Brushes, Cans, Insecticides.

Main Plants Cleveland • Chicago • Dayton • Detroit • Newark • Pittsburgh Hubbard, Ohio; Oakland, Cal.; Bound Brook, N. J. Gibbsboro, N. J.; Deshler, Ohio; Dallas • Los Angeles Coffeyville, Kan.; San Leandro, Cal.; Montreal, Toronto, Winnipeg, Vancouver and Gravenhurst, Canada

Directors

A. H. BURT	L. H. SCHROEDER
S. B. COOLIDGE	A. W. STEUDEL
E. A. DANIELS	B. M. VAN CLEVE
C. S. EATON	N. E. VAN STONE
GEORGE GUND	C. M. WHITE
C. P. JARDEN	H. D. WHITTLESEY
G. H. ROBERTSON	L. W. WOLCOTT

J. D. WRIGHT

Officers

A. W. STEUDEL	*President*
A. H. BURT	*Vice President*
S. B. COOLIDGE	*Vice President*
L. H. SCHROEDER	*Vice President and Treasurer*
B. M. VAN CLEVE	*Vice President*
N. E. VAN STONE	*Vice President*
H. D. WHITTLESEY	*Vice President*
F. J. SQUIRES	*Secretary*

Transfer Agents CLEVELAND TRUST COMPANY, Cleveland, Ohio
BANKERS TRUST COMPANY, New York, N. Y.

Registrars CENTRAL NATIONAL BANK, Cleveland, Ohio
GUARANTY TRUST COMPANY, New York, N. Y.