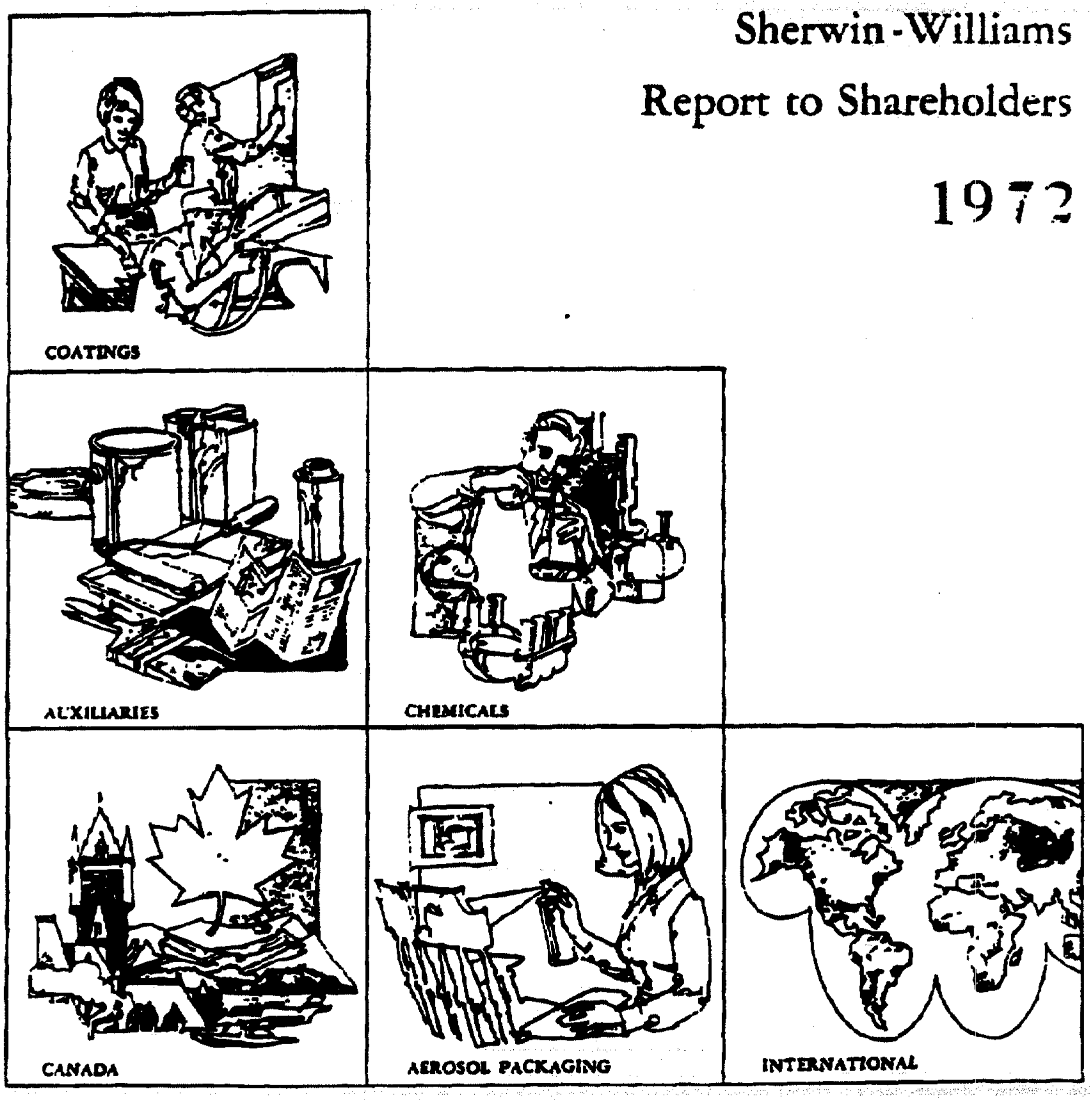
Sherwin-Williams

Report to Shareholders

1972



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Annual Meeting

The annual meeting of Shareholders will be held at 10:00 A.M., December 20, 1972, at the Sheraton-Cleveland Hotel, Public Square, Cleveland, Ohio.

TRANSFER AGENTS

The Cleveland Trust Company
Cleveland, Ohio

The Chase Manhattan Bank, N.A.
New York, New York

REGISTRARS

The Cleveland Trust Company
Cleveland, Ohio

The Chase Manhattan Bank, N.A.
New York, New York

TRUSTEES

5.45% Debentures Due 1992
The Cleveland Trust Company
Cleveland, Ohio

6.25% Convertible Subordinated Debentures Due 1995
Central National Bank of Cleveland
Cleveland, Ohio

0007-SWP-035063

Financial Highlights

	Thousands of Dollars August 31	
	1972	1971 (Restated) (A)
Net sales	$658,285	$590,969
Income before income taxes and extraordinary charge	38,745	29,404
Income taxes	18,248	14,063
Income before extraordinary charge (Includes loss from discontinued segments of chemical operations of $1,224 in 1972 and $1,391 in 1971)	20,497	15,341
Extraordinary charge—provision for losses on disposition of certain chemical facilities resulting from discontinuance of operations, net of income tax of $2,240	2,260	-0-
Net income	18,237	15,341
Cash dividends declared:		
Preferred	1,107	1,110
Common	10,659	10,631
Per common share:		
Income from continuing operations	3.86	2.94
Loss from discontinued operations	.23	.26
Income before extraordinary charge	3.63	2.68
Extraordinary charge	.42	-0-
Net income	3.21	2.68
Cash flow	6.27	5.31
Dividends paid	2.00	2.00
Working capital	208,256	201,523
Ratio of current assets to current liabilities	4.07 to 1	4.35 to 1
Capital expenditures	17,354	13,278
Provision for depreciation	12,519	12,333

(A) Beginning with 1972, The Sherwin-Williams Company of Canada, Limited, has been included in the consolidation, and accordingly 1971 has been restated.

0007-SWP-035064

Letter To Shareholders

Fiscal 1972 reflected continued progress, with record sales and a substantial increase in earnings, despite the fact that the year was marked with a larger than normal number of uncertainties and unusual circumstances. The year began just two weeks after President Nixon announced the wage and price freeze and ended in the midst of a heated presidential election campaign. In between, we worked our way through Phase II wage and price controls, new international monetary exchange rates, and constantly changing environmental and consumer protection regulations.

However, the economy continued on its steady recovery path led by increasing consumer spending and an accelerated housing construction boom. These leading segments of the economic recovery were good for our coatings and coatings-related businesses. As a result, we achieved record sales of $658,285,000, or 11.4% over last year. Because of previous investments in expansion and modernization, we were able to meet this surge in demand and translate it into an after-tax income from operations of $20,497,000, representing a 33.6% increase over last fiscal year. After providing for preferred dividends, this results in $3.63 per common share, compared to $2.68 last year.

Continuing our program of eliminating unprofitable operations that do not fit into our forward planning, we did close three such chemical facilities. This resulted in an extraordinary after-tax charge of $2,260,000, or 42¢ per common share, giving a final net income of $18,237,000, or $3.21 per share. This represents an increase of 18.9% over the previous year's net of $15,341,000, or $2.68 per share.

During the year we made substantial progress toward meeting our ongoing objectives. One of these has been the restructuring of our chemicals operations to provide a base for future permanent growth. In 1972 we reduced our total pretax operating loss to $3,657,000, as compared to $4,541,000 in 1971; however, those businesses which have been discontinued accounted for $2,353,000 of that loss in 1972, compared to $2,676,000 in 1971. The balance of the operations fit into our present and future planning, and are being continued and given substantial support. While they accounted for a pretax loss of $1,304,000 in 1972, compared to $1,865,000 in 1971, we fully anticipate that they will contribute to future earnings. The closing down of operations noted in the previous paragraph, plus the starting up of two new chemical specialty plants and the formation of a Flavor and Fragrance Division, should put our Chemicals Group on a much firmer foundation for the future.

Our Auxiliaries Group, led by higher production from our new Elgin Container Plant, a trend we expect will continue, increased their before tax income by $2,472,000, or 34.9%. Not only the Container Division, the largest unit within the Group, but other operations also showed sales and earnings gains in fiscal 1972.

We continue to build management strength and support functions for our International Operations. We expect to expand our operations in the West Indies this year and are discussing a joint venture coatings marketing operation in Belgium. Considering the higher developmental and organizational costs, we are pleased with International Operations' before tax income of $1,094,000 compared to last year's $1,331,000.

Our Sprayon subsidiary had record sales of $16,923,000 and record pretax income of $1,892,000. We are expanding their operations in Bedford Heights, Ohio, and Anaheim, California, and expect continuing gains in the aerosol business.

As indicated in the balance of the report, we have for the first time consolidated the results for majority-owned The Sherwin-Williams Company of Canada, Limited. For the year, they achieved a 10.8% sales gain to $40,970,000. Our share of pretax profits after currency conversion amounted to $897,000, a 73.2% gain over last year. We are optimistic about the potential in Canada and are mounting an aggressive marketing expansion program there.

Chairman E. C. Baldwin

President W. O. Spencer

Our Coatings Group finished the year with record sales of $478,678,000, a 12.4% gain over last year. This resulted in a pretax profit of $28,971,000, equal to a 22.8% gain over last year. The major factor was a strong increase of coatings sales and related items through our Company-owned branch stores. We continued our aggressive expansion and modernization of our branch stores backed by an imaginative, increased advertising campaign featuring the "We're More Than a Paint Store" theme. Industrial coatings sales continued to accelerate during the year with improved high technology products, such as coil coatings, electrodeposition coatings and high performance urethanes leading the way. Our new specialized Powder Coatings plant at Pontiac, Illinois, was completed and we began operations in September 1972.

Capital expenditures during the year were $17,354,000, an increase of $4,076,000 over last year. In fiscal year 1972-73 we expect another increase to approximately $20,000,000. Again a major portion of this will go to support and expand our coatings marketing effort.

During the year we completed negotiations for new multiple year labor contracts covering 72% of our organized factory employees. Labor relations continued good with only a one-week interruption at our Cleveland Coatings and Printing plants.

Recognizing our responsibility in the matter of environmental quality, we considerably expanded the staff support in this area and completed or began major installations to improve environmental conditions and safety at many of our operations. We estimate that up to 15% of our capital expenditures for the new fiscal year will be in such improvements.

We have also mounted a major Affirmative Action program for the employment and upgrading of minorities and women at all of our locations. Progress has been made, but we recognize that much more is necessary and this effort will continue to get concentrated attention.

In December 1971, acceding to Mr. E. C. Baldwin's wishes to be relieved of active day-to-day management responsibility, the directors elected Mr. W. O. Spencer as President and Chief Executive Officer. To achieve an orderly transition in management, Mr. Baldwin was elected to continue as Chairman of the Board of Directors.

As we move into our new fiscal year, many of the national and international economic and political uncertainties are still with us. However, we look for a continued strong economy in 1973 and continued benefits from our internal changes and accomplishments already in place. With confidence in our employees and appreciation of our customers, we look for further improvements in results for fiscal year 1972-73.

E. C. Baldwin

Chairman of the Board

W. O. Spencer

President

Cleveland, Ohio
October 19, 1972

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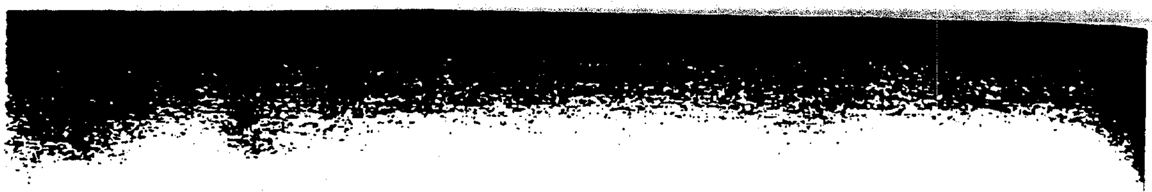

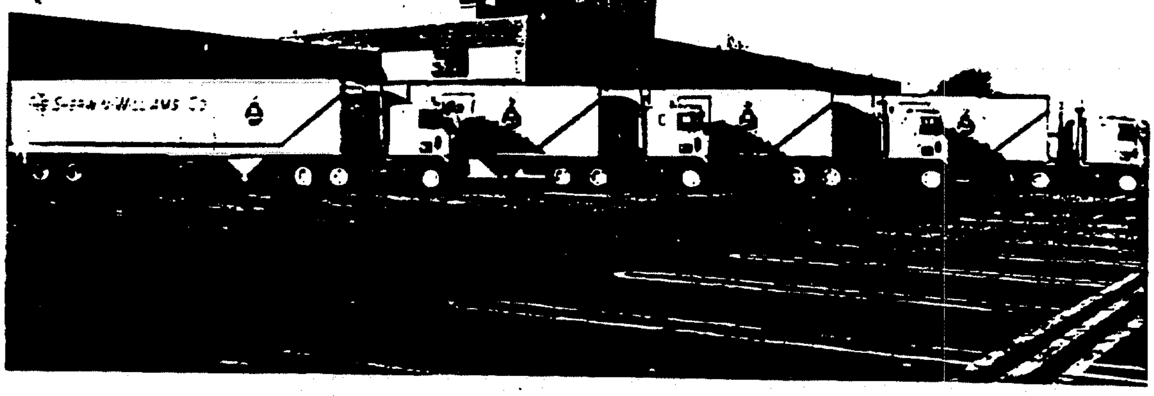

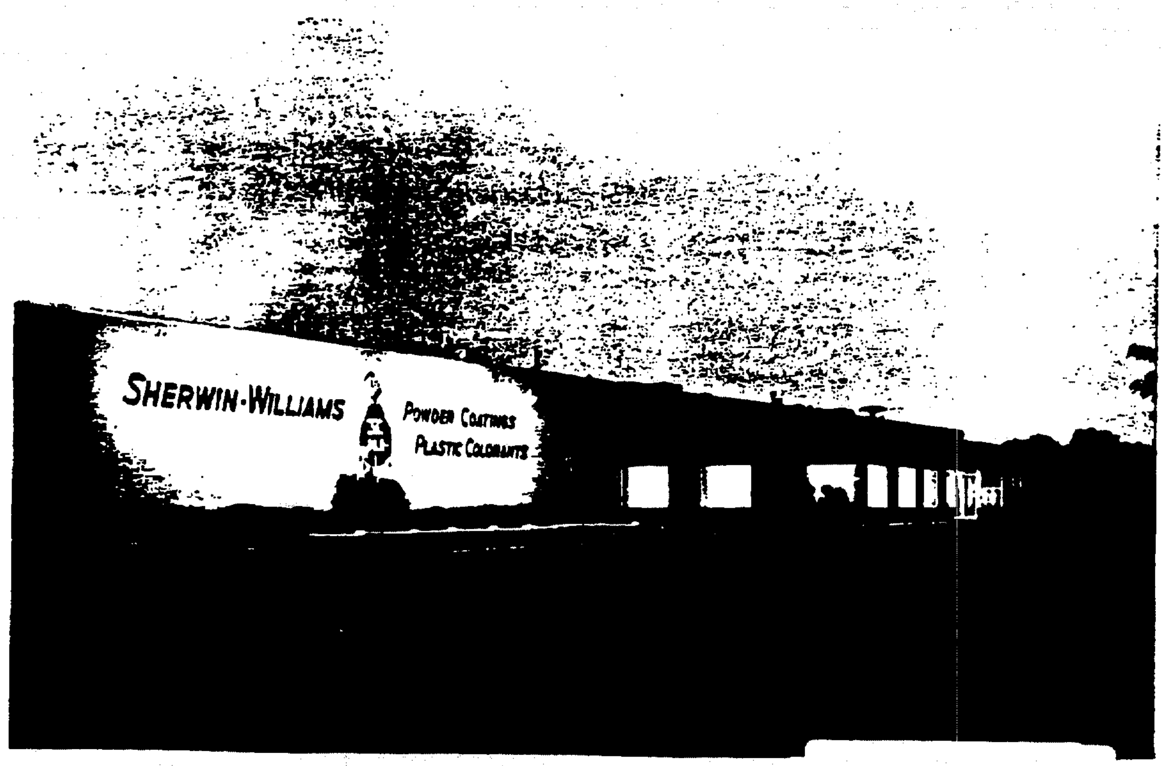

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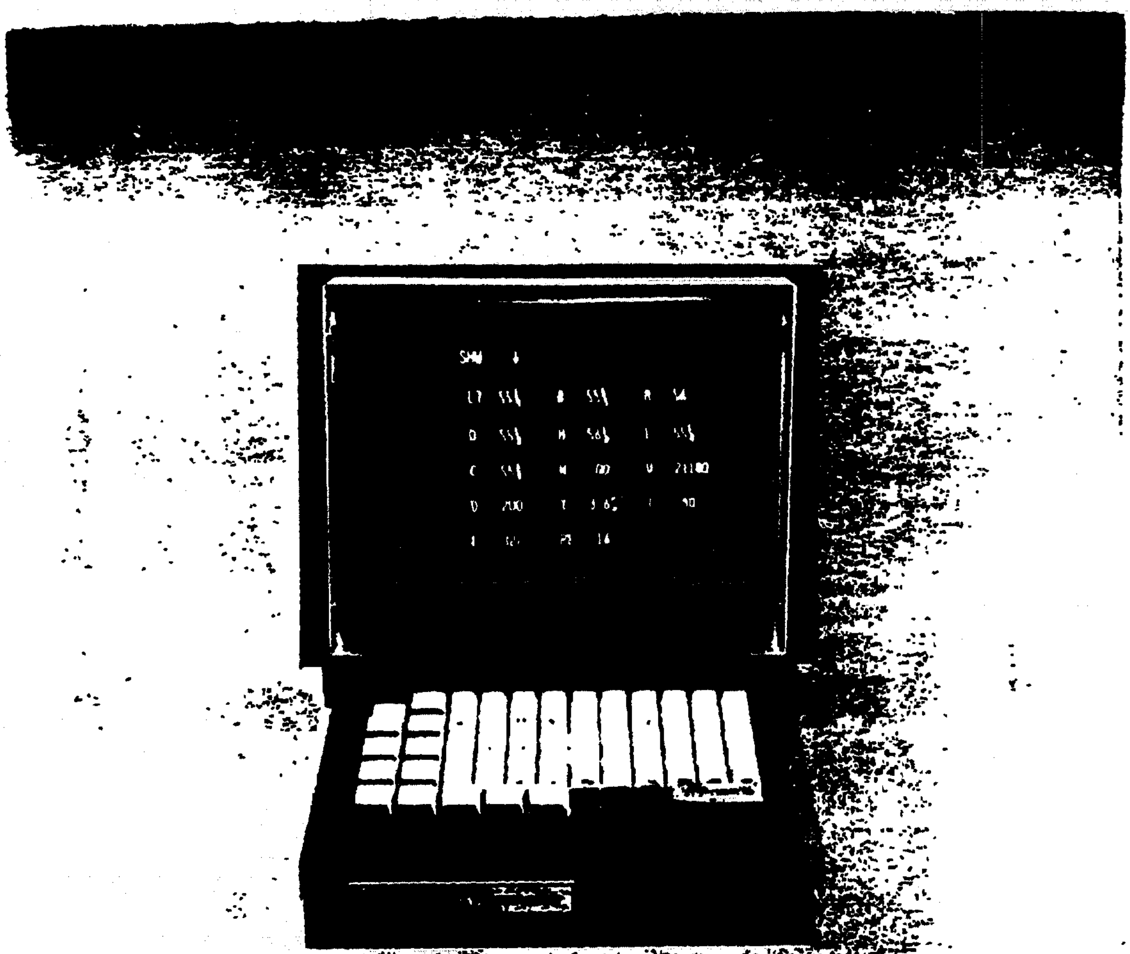

INFORMATION ON any listed stock is available at the touch of a button on this electronic device. The information displayed here pertains to Sherwin-Williams stock at the close of the market August 17, 1978.

(Photo left, above)
A GROWING FLEET of leased trucks insures improved service and helps reduce the cost of moving products to the point of sale or use.

(Photo left, below)
POWDER COATINGS and plastic colorants are manufactured in the new Pontiac, Illinois, plant. The facility is rapidly approaching full production.

0007-SWP-035068

Financial Review

The following table presents sales and pretax income for each of the operating groups for the fiscal years 1972 and 1971, and the changes that occurred in 1972 when compared to 1971. The income figures have been computed after full absorption by each of the units of all direct and indirect costs and allocation to those units of all corporate costs including interest, pension and general administrative expenses. Since all costs have been fully reflected in the operations of each unit, the total of the income figures agrees exactly with the income before income taxes and extraordinary charge reported in the Statements of Consolidated Income.

	1972		(Thousands of Dollars)		1971				Change	
	Sales	Percent of Total	Income Before Taxes	Percent of Total	Sales	Percent of Total	Income Before Taxes	Percent of Total	Sales	Income Before Taxes
Coatings	$478,678	72.7%	$28,971	74.8%	$425,791	72.1%	$23,592	80.2%	$52,887	$5,379
Auxiliaries	60,057	9.1%	9,548	24.6%	50,417	8.5%	7,076	24.1%	9,640	2,472
Chemicals:										
Continuing operations	39,616	6.0%	-1,304	-3.3%	34,451	5.8%	-1,865	-6.3%	5,165	561
Discontinued operations	9,760	1.5%	-2,353	-6.1%	17,613	3.0%	-2,676	-9.1%	-7,853	323
Total Chemicals	49,376	7.5%	-3,657	-9.4%	52,064	8.8%	-4,541	-15.4%	-2,688	884
Sherwin-Williams Canada	40,970	6.2%	897	2.3%	36,969	6.3%	518	1.7%	4,001	379
Sprayon	16,923	2.6%	1,892	4.9%	14,281	2.4%	1,428	4.9%	2,642	464
International	12,281	1.9%	1,094	2.8%	11,447	1.9%	1,331	4.5%	834	-237
Total	$658,285	100.0%	$38,745	100.0%	$590,969	100.0%	$29,404	100.0%	$67,316	$9,341

Beginning with 1972, The Sherwin-Williams Company of Canada, Limited, a majority-owned subsidiary (74% of common stock), has been included in the consolidated financial statements, as well as the Five-Year Comparison. In accordance with generally accepted accounting practices, the various statements include sales and other accounts at full value, before provision for minority interest. Net income before taxes, as reported in the above table, gives effect to the minority interest adjustment and, therefore, properly represents the parent Company's share of that income.

Certain Chemicals operations were discontinued in 1971 and others in 1972. In order to present a clear picture of the effect of these decisions on operating results, total Chemicals sales and losses before taxes have been separated into those associated with continuing operations and those resulting from operations that have been discontinued.

Sales

Consolidated net sales in fiscal 1972 amounted to $658,285,000 compared to $590,969,000 in 1971. This is a record high and represents an 11.4% increase over the prior year.

Income

Consolidated net income from operations totalled $20,497,000, or $3.63 per common share after providing for preferred dividends. As a result of the discontinuance of certain Chemicals operations, provision was made in 1972 for losses on the disposition of facilities associated with those operations. The net after-tax effect of this provision was a reduction in income from operations of $2,260,000 or 42¢ per common share, producing a net income of $18,237,000 or $3.21 per common share. These results compare to net income in 1971 of $15,341,000 or $2.68 per common share.

Currency Conversion
The effect of rather significant changes during 1972 in the value of various currencies vis-a-vis the dollar was favorable to the parent Company. The net effect on after-tax income was an addition of approximately 8¢ per common share in 1972 and 2¢ in 1971.

Taxes
The provision for U.S. and foreign income taxes for fiscal 1972 amounts to $18,248,000. Taxes other than Federal continued to rise. In grand total, these amounted to $17,522,000, up from $15,575,000 in 1971.

Dividends
Total dividends of $11,766,000 were declared in fiscal 1972, common stock dividends amounted to $10,659,000 and dividends on preferred stock amounted to $1,107,000. Common stock cash dividends for fiscal 1972 were at the annual rate of $2.00 per share. The Company has paid cash dividends in every year since 1885.

Capital Expenditures
Expenditures during fiscal 1972 for property, plant and equipment amounted to $17,354,000, compared with $13,278,000 in 1971. The budget for 1973 fiscal year provides for such expenditures at slightly more than $20,000,000, a significant portion of which is designated for expansion, relocations and renovations in our branch stores system.

Closed Facilities
The Cleveland Linseed Oil Mill and Bound Brook, New Jersey, Insecticide Plant, closed in 1971, have been disposed of. Conversion of our Phthalocyanine facility to other uses is under way and the manufacturing plant for Azo pigments has been demolished. Both of these units were located in our large Chicago manufacturing complex. A Strontium Chemicals plant at Ashtabula, Ohio, was shut down in 1972. Provision for the disposition of this facility has been made in this year's extraordinary charge.

General Financial Condition
Working capital at August 31, 1972 amounted to $208,256,000, up from $201,523,000 in 1971. The ratio of current assets to current liabilities was 4.07 to 1.

Accounts receivable increased somewhat more than normal, largely due to heavy volume during the late weeks of the fiscal year. Credit losses continued to fall well within a normal and acceptable range. Total inventories increased modestly; however, the percentage of increase was very much less than the increase in sales and, therefore, considered to be satisfactory. The raw material inventories decreased slightly, whereas the finished goods inventories were higher, providing good support for continued high level of sales volume into the new year.

During the year, $2,462,000 principal amount of the Company's 5.45% Debentures Due 1992 were repurchased by the Company, increasing the amount held in the Treasury at August 31, 1972 to $3,765,000 principal amount. It is the present intention of the Company to use these bonds to meet $2,000,000 annual sinking fund requirements which first become effective April 1973. Our projections indicate no need for additional financing during fiscal 1973 except for seasonal borrowings.

Pension Plans
Substantially all employees of the Company and its domestic subsidiaries participate in non-contributory pension plans. The Company's pension expense for fiscal 1972 was $6,620,000, compared to $5,509,000 in 1971. All such expense has been allocated to cost of sales and selling, general and administrative accounts to reflect more properly true operating costs.

Employees Stock Purchase and Savings Plan
Just over 6,700 salaried employees currently are participating, through regular payroll deductions, in the Plan which was started April 1, 1969. Under the Plan, the employees have the option of directing that their contributions be invested in amounts ranging from 50% in the Common Stock of the Company and 50% in Federal government securities, up to 100% in the Company's Common Stock. The Company in turn, contributes to the fund in an amount equal to 25% of the employees' contributions and all such contributions are invested in the Company's Common Stock.

At August 31, 1972, 259,000 shares of Common Stock, representing approximately 5% of the total number of shares outstanding, were owned by this employee fund.

THE SHERWIN-WILLIAMS COMPANY AND SUBSIDIARIES

Statements of Consolidated Income

	Thousands of Dollars Year Ended August 31 1972	1971 Restated (Note A)
Net sales	$658,285	$590,969
Other income—net	1,444	1,161
	659,729	592,130
Costs and expenses:		
Cost of products sold	418,492	379,771
Selling, general and administrative expenses	196,254	176,356
Interest	6,238	6,599
	620,984	562,726
Income Before Income Taxes and Extraordinary Charge	38,745	29,404
Income taxes—Note A:		
Payable currently	15,750	12,395
Deferred	2,498	1,668
	18,248	14,063
Income Before Extraordinary Charge (Includes loss from discontinued segments of chemical operations of $1,224 in 1972 and $1,391 in 1971)	20,497	15,341
Extraordinary charge—provision for losses on disposition of certain chemical facilities resulting from discontinuance of operations, net of income tax of $2,240	2,260	-0-
Net Income	$ 18,237	$ 15,341
Per Share of Common Stock—Note D:		
Assuming no dilution:		
Income from continuing operations	$ 3.86	$ 2.94
Loss from discontinued operations	.23	.26
Income before extraordinary charge	3.63	2.68
Extraordinary charge	.42	-0-
Net income	$ 3.21	$ 2.68
Assuming full dilution:		
Income from continuing operations	$ 3.44	$ 2.72
Loss from discontinued operations	.18	.22
Income before extraordinary charge	3.26	2.50
Extraordinary charge	.34	-0-
Net income	$ 2.92	$ 2.50

See notes to consolidated financial statements.

THE SHERWIN-WILLIAMS COMPANY AND SUBSIDIARIES

Statements of Changes in Consolidated Financial Position

	Thousands of Dollars Year Ended August 31 1972	1971 Restated (Note A)
Source of Funds		
From operations:		
Income before extraordinary charge	$ 20,497	$ 15,341
Add back charges to operations not requiring funds:		
Provision for depreciation—Note A	12,519	12,333
Increase in noncurrent deferred income taxes	1,782	1,578
Funds Provided From Operations Exclusive of Extraordinary Charge	34,798	29,252
Extraordinary charge	(2,260)	-0-
Add back components not requiring funds	4,636	-0-
Funds Provided From Operations	37,174	29,252
Proceeds from sale of stock under stock option plan	957	254
	$ 38,131	$ 29,506
Application of Funds		
Cash dividends declared	$ 11,766	$ 11,741
Additions to property, plant and equipment, net of normal retirements	16,178	12,128
Purchase of 5.45% debentures	2,462	1,303
Increase in working capital	6,733	4,140
Other—net	992	194
	$ 38,131	$ 29,506
Changes in Working Capital—Increase (Decrease)		
Cash and short-term investments	$ 417	$ (6,230)
Trade accounts receivable	11,173	8,091
Inventories	3,137	1,250
Trade accounts payable	(5,861)	627
Pension, interest and other accruals	(2,222)	(748)
Income taxes	3,312	1,875
Other—net	(3,223)	(725)
Increase In Working Capital	$ 6,733	$ 4,140

See notes to consolidated financial statements.

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Statements of Consolidated Shareholders' Equity

	Thousands of Dollars				
	Serial Preferred Stock	Common Stock	Other Capital	Retained Earnings	Common Stock in Treasury
Balance at September 1, 1970 as previously reported . . .	$ 9,199	$ 33,348	$ 1,289	$188,090	$ (690)
Undistributed earnings of Canadian subsidiary (Note A)	—	—	—	6,573	—
Balance at September 1, 1970 as restated	9,199	33,348	1,289	194,663	(690)
Common stock issued:					
6,150 shares upon exercise of stock options and 31 shares upon conversion of 18 shares of Series A preferred stock	(1)	39	216	—	—
Subsidiary's repurchase of its preferred shares	—	—	104	(87)	—
Net income	—	—	—	15,341	—
Cash dividends declared:					
Series A preferred stock—$4.00 per share	—	—	—	(296)	—
Series B preferred stock—$4.40 per share	—	—	—	(814)	—
Common—$2.00 per share	—	—	—	(10,631)	—
Balance at August 31, 1971	9,198	33,387	1,609	198,176	(690)
Common stock issued:					
22,388 shares upon exercise of stock options and 2,164 shares upon conversion of 1,255 shares of Series A preferred stock	(44)	153	848	—	—
Subsidiary's repurchase of its preferred shares	—	—	1,049	(935)	—
Net income	—	—	—	18,237	—
Cash dividends declared:					
Series A preferred stock—$4.00 per share	—	—	—	(293)	—
Series B preferred stock—$4.40 per share	—	—	—	(814)	—
Common—$2.00 per share	—	—	—	(10,659)	—
Balance at August 31, 1972	$ 9,154	$ 33,540	$ 3,506	$203,712	$ (690)

See notes to consolidated financial statements.

Consolidated Balance Sheets

	Thousands of Dollars August 31 1972	1971 Restated (Note A)
Assets		
Current Assets		
Cash	$ 13,445	$ 13,267
Short-term investments—at cost (approximate market)	5,239	5,000
Trade accounts receivable, less allowances ($1,590 in 1972; $1,486 in 1971)	88,337	77,164
Inventories—at lower of cost (average or first-in, first-out method) or market:		
Finished merchandise	113,768	108,963
Work in process, raw materials and supplies	47,147	48,815
	160,915	157,778
Prepaid expenses	6,468	6,106
Deferred income taxes—Note A	1,753	2,438
Total Current Assets	276,157	261,753
Other Assets		
Receivables, advances and other assets	4,473	4,263
Intangibles arising from previously acquired businesses—Note A	2,324	2,324
	6,797	6,587
Property, Plant and Equipment— on the basis of cost		
Land	5,981	6,006
Buildings	78,908	81,341
Machinery and equipment	162,425	166,346
	247,314	253,693
Less allowances for depreciation	106,067	110,869
	141,247	142,824
	$424,201	$411,164
Liabilities and Shareholders' Equity		
Current Liabilities		
Notes payable	$ 2,817	$ 2,817
Trade accounts payable	23,720	17,859
Compensation and amounts withheld	17,186	14,645
Pension, interest and other accruals	16,033	13,811
Taxes, other than income taxes	4,736	4,377
Income taxes	3,409	6,721
Total Current Liabilities	67,901	60,230
Long-Term Debt—Note B		
5.45% Debentures (exclusive of $3,765 in treasury in 1972; $1,303 in 1971)	46,235	48,697
6.25% Convertible Subordinated Debentures	40,000	40,000
	86,235	88,697
Deferred Income Taxes—Note A	8,768	7,585
Reserves—for pensions and other items	6,507	6,236
Minority Interest in Subsidiaries	5,568	6,736
Shareholders' Equity		
Capital stock—Notes C and G:		
Serial preferred—without par value	9,154	9,198
Common—$6.25 par value	33,540	33,387
Other capital	3,506	1,609
Retained earnings	203,712	198,176
	249,912	242,370
Less cost of common shares in treasury	690	690
	249,222	241,680
	$424,201	$411,164

See notes to consolidated financial statements.

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Notes to Consolidated Financial Statements

Years Ended August 31, 1972 and 1971

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include all significant subsidiaries. Beginning with 1972, The Sherwin-Williams Company of Canada, Limited, a majority-owned subsidiary, has been included in the consolidated financial statements, whereas the investment in this company was previously recorded at cost. This change was made to reflect more appropriately consolidated operating results. The financial statements for 1971 have been restated to give effect to this change, which did not have a material effect on net income in either year. Intercompany transactions have been eliminated. Appropriate rates of exchange have been used to translate foreign currency amounts into United States dollars, and the gains of $441,000 in 1972 and $117,000 in 1971 are included as other income in the statements of consolidated income. Sales, costs and expenses of discontinued operations have not been segregated in the statements of consolidated income because the respective amounts are not material.

Income Taxes

The Company has recognized the deferred income tax liabilities and benefits resulting from timing differences between financial and tax accounting. The principal differences relate to depreciation and reserves. Investment tax credits (accounted for by the flow-through method) aggregated $598,000 in 1972 and $216,000 in 1971.

Depreciation Policy

Provisions for depreciation are based on annual rates calculated to amortize the cost of depreciable assets over their estimated economic lives. Such provisions are computed principally by the straight-line method.

Intangibles Arising From Previously Acquired Businesses

These intangibles, principally relating to The Sherwin-Williams Company of Canada, Limited, are not being amortized because in the opinion of management, there has been no decrease in value.

Research and Development

The Company charges research and development costs to operations as incurred.

NOTE B—LONG-TERM DEBT

The 5.45% Debentures Due 1992 and the 6.25% Convertible Subordinated Debentures Due 1995 are redeemable in whole or in part at the option of the Company at the rates of 103.75% and 105.63% respectively and at declining rates to 100% in 1987 and 1990 respectively. The related indentures require annual sinking fund payments of $2,000,000 for each of the issues, commencing in 1973 for the 5.45% Debentures and in 1981 for the 6.25% Debentures. The Company presently intends to make the payment required in 1973 from debentures held in treasury. The Convertible Subordinated Debentures are convertible into Common Stock at $46 a share, subject to adjustment in certain events.

NOTE C—CAPITAL STOCK

Authorized and issued shares of the various classes of stock at August 31, 1972 and 1971:

	Authorized Shares	Issued Shares 1972	Issued Shares 1971
Serial Preferred Stock:	1,500,000		
$4.00 Cumulative Convertible Preferred Stock, Series A		72,751	74,006
$4.40 Cumulative Convertible Preferred Stock, Series B		184,913	184,913
Common Stock (including 22,500 shares held in treasury in 1972 and 1971) . .	15,000,000	5,366,419	5,341,867

The shares of Series A and Series B preferred stock are convertible at base conversion prices of $57.93 and $62.50 per share of Common Stock, respectively, taking each share of preferred stock at $100 for this purpose. The holders of the preferred stock are entitled to one vote for each share.

The Company may redeem the Series A preferred stock until March 1973 at $104 per share and at a declining amount each year to $100 per share in 1980 and thereafter, and the Series B preferred stock at $107.50 until December 1972, and at declining amounts to $100 in 1981 and thereafter. The aggregate preference of the Serial Preferred Stock in involuntary liquidation for 1972 is $25,766,400 and 1971, $25,891,900.

At August 31, 1972 and 1971, an aggregate of 1,611,422 shares and 1,641,193 shares, respectively, were reserved for conversion of Serial Preferred Stock, conversion of Convertible Subordinated Debentures and exercise of stock options.

NOTE D—NET INCOME PER COMMON SHARE

Net income per common share has been computed based on the average number of shares outstanding during the year after deducting from net income the dividend requirements of the Serial Preferred Stock.

Net income per common share assuming full dilution also assumes the conversion of Series A preferred stock and the 6.25% Convertible Subordinated Debentures (after adding to net income interest on the debentures net of income taxes) and the exercise of stock options (with the proceeds from options used to purchase Common Stock of the Company). For 1972 the conversion of Series B preferred stock was also assumed, whereas for 1971 its inclusion would have been anti-dilutive.

NOTE E—RETIREMENT PLANS

Substantially all employees of the Company and its domestic and Canadian subsidiaries who meet certain requirements as to age and length of service, participate in non-contributory pension plans. The Company's policy is to accrue contributions for its pension funds representing normal cost and amortization of unfunded prior service cost over 30 years. Certain plans were amended effective September 1, 1971, to increase benefits. The net effect of these amendments and a change in an actuarial assumption resulted in additional pension expense in 1972 of approximately $1,000,000. Pension expense was $6,620,000 in 1972 and $5,509,000 in 1971. For two of the plans in 1972 the actuarially computed value of vested benefits at the most recent actuarial determination date exceeded the assets of the pension fund and the related balance sheet accrual by approximately $4,900,000. For the other plans, vested benefits are fully funded.

NOTE F—LEASES

Branches, offices and certain warehouses and plants are leased for various periods. The rental expense of leased premises for the year ended August 31, 1972 was approximately $18,900,000. Approximately 85% of these rentals relate to leases expiring in five years or less.

NOTE G—STOCK OPTIONS

During fiscal 1971, the shareholders approved a restatement of the Company's stock option plan authorizing the issuance of an additional 200,000 shares of Common Stock to officers and key employees. Options are granted at prices not less than fair market value of the shares at date of grant. The options are exercisable to the extent of one-half or one-fifth of the optioned shares for each full year of employment following the date of grant, and expire five or ten years after date of grant.

No options were granted in 1972. In 1971, options were granted for 178,150 shares. During 1972, options for 22,388 shares (6,150 in 1971) were exercised at an aggregate price of $957,337 ($253,719 in 1971) and options for 3,337 shares (50,666 in 1971) were canceled. At August 31, 1972, options for 223,632 shares (249,357 in 1971) were outstanding at an aggregate price of $9,044,455 ($10,137,086 in 1971), options for 84,392 shares (72,457 in 1971) were exercisable and 84,448 shares (81,111 in 1971) were reserved for future grants.

Accountants' Report

Board of Directors
The Sherwin-Williams Company
Cleveland, Ohio

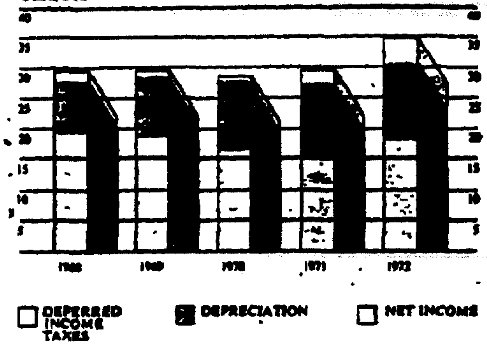
We have examined the consolidated financial statements of The Sherwin-Williams Company and subsidiaries for the years ended August 31, 1972 and 1971. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheets and statements of income, shareholders' equity, and changes in financial position present fairly the consolidated financial position of The Sherwin-Williams Company and subsidiaries at August 31, 1972 and 1971, and the consolidated results of their operations, changes in shareholders' equity and changes in financial position for the years then ended, in conformity with generally accepted accounting principles, which, after giving effect to the consolidation of the Canadian subsidiary described in Note A, have been applied on a consistent basis.

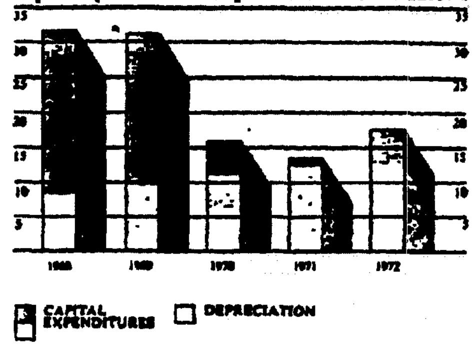
Cleveland, Ohio
October 17, 1972

Ernst & Ernst

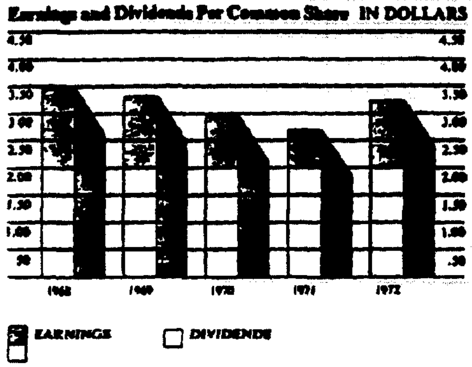
Cash Flow IN MILLIONS



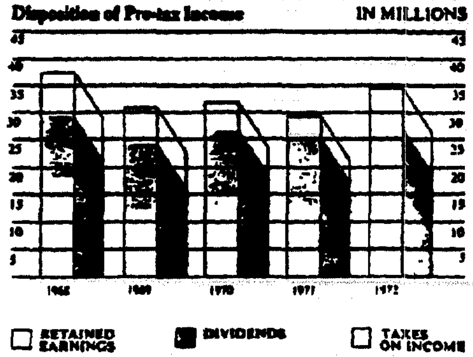
Capital Expenditures and Depreciation IN MILLIONS



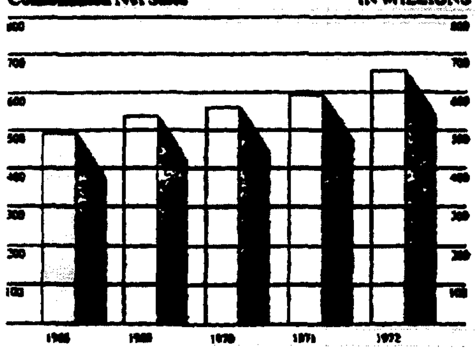
Earnings and Dividends Per Common Share IN DOLLARS



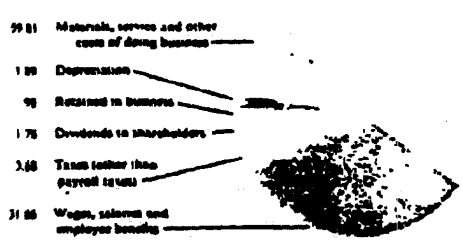
Disposition of Pre-tax Income IN MILLIONS



Consolidated Net Sales IN MILLIONS



Distribution of Total Revenue
YEAR ENDED AUGUST 31, 1972



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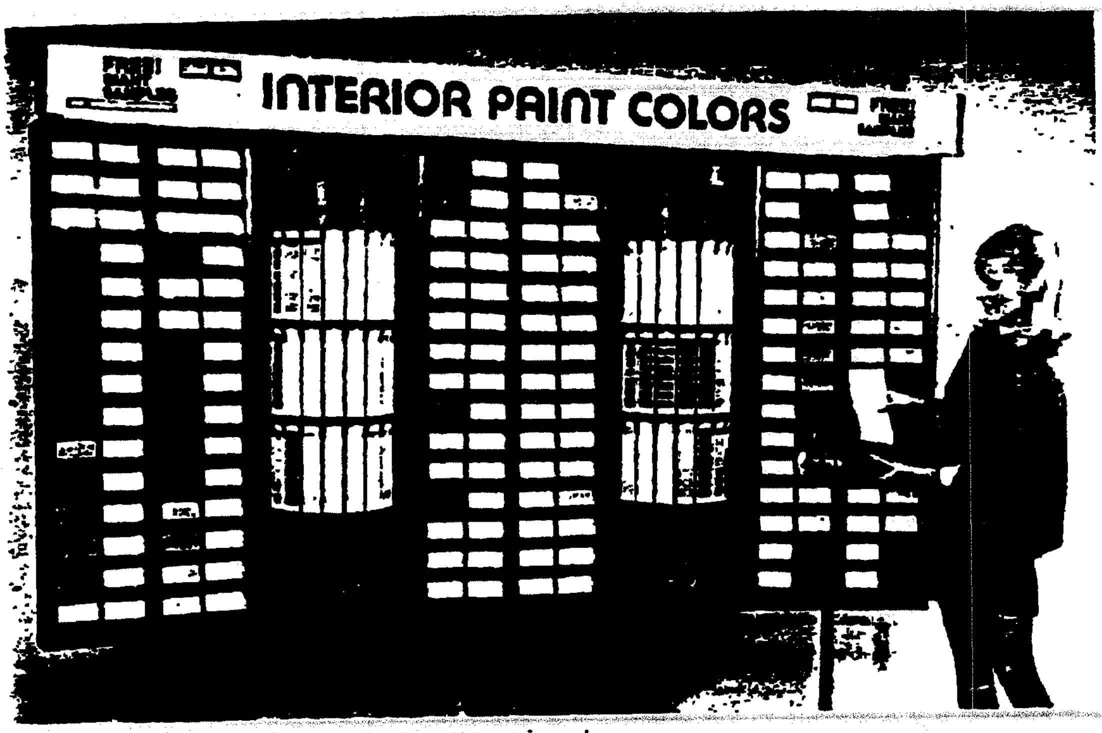
Five-Year Comparison

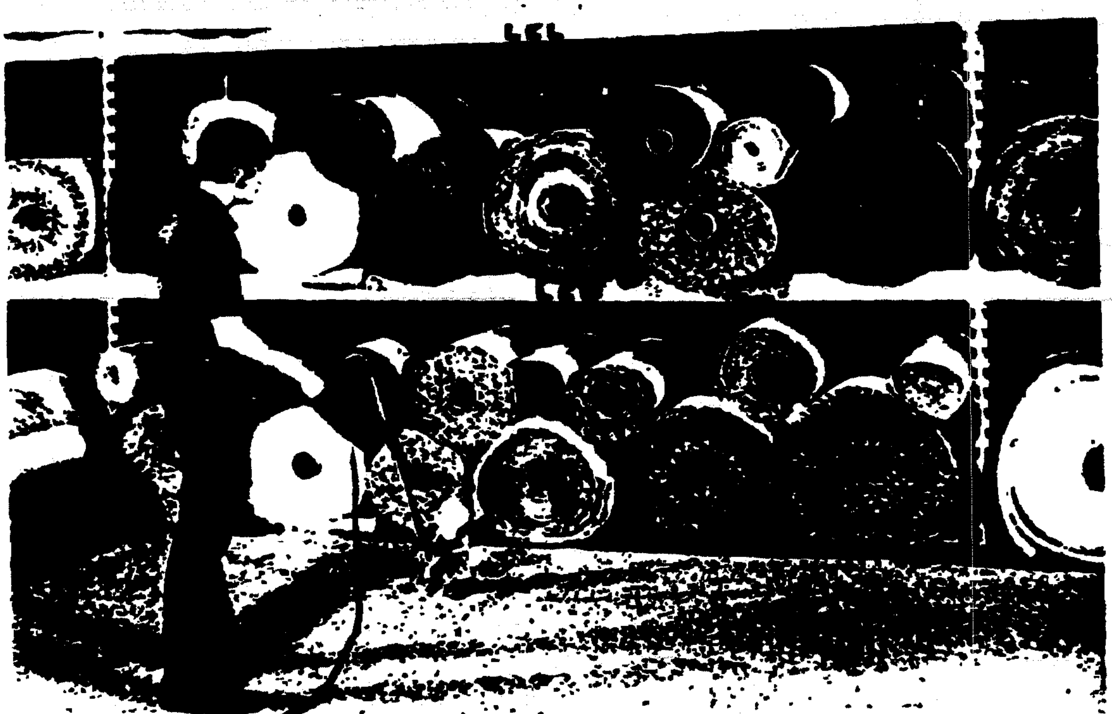
	Thousands of Dollars				
	Year Ended August 31				
	1972	1971	1970	1969	1968
Net sales	$658,285	$590,969	$559,924	$534,068	$490,163
Income before income taxes and extraordinary items	38,745	29,404	29,541	30,835	37,269
Income taxes	18,248	14,063	14,689	12,150	18,044
Income before extraordinary items	20,497	15,341	14,852	18,685	19,225
Extraordinary (charge) credit	(2,260)	-0-	1,745	-0-	-0-
Net income	18,237	15,341	16,597	18,685	19,225
Earnings per share of Common Stock:					
Income before extraordinary items	3.63	2.68	2.58	3.30	3.41
Net income	3.21	2.68	2.91	3.30	3.41
Cash flow per share of Common Stock	$6.27	$5.31	$5.07	$5.29	$5.25
Earnings as percent of sales	2.77%	2.60%	2.96%	3.50%	3.92%
Return on invested capital—Common Stock (A)	7.94%	6.72%	7.46%	8.84%	9.44%
Cash dividends declared:					
Preferred	$1,107	$1,110	$1,110	$1,045	$299
Common	10,659	10,631	10,657	10,651	10,617
Cash dividends per share of Common Stock	2.00	2.00	2.00	2.00	2.00
Number of shareholders:					
Preferred	1,030	1,027	1,078	1,075	1,280
Common	9,353 (B)	9,903 (B)	8,996 (B)	8,278 (B)	8,252
Preferred and common shareholders' equity	$249,222	$241,680	$237,721	$233,432	$225,872
Common shareholders' equity	223,456	215,788	211,828	207,548	199,568
Per share	41.94	40.60	39.75	38.98	37.56
Capital expenditures	17,354	13,278	15,900	31,106	31,594
Provision for depreciation	12,519	12,333	11,061	9,690	8,322
Working capital	208,256	201,523	197,318	180,581	173,828
Ratio of current assets to current liabilities	4.07 to 1	4.35 to 1	4.22 to 1	4.41 to 1	4.50 to 1
Total assets	$424,201	$411,164	$408,152	$378,921	$346,081
Number of employees	21,908	21,480	22,017	21,935	21,129

Above reflects consolidation of Sherwin-Williams Canada.

(A) Based on common shareholders' equity at beginning of year.

(B) In addition to the registered shareholders, there were beneficial shareholders participating in the Company's Stock Purchase and Savings Plan for salaried employees (6,732 in 1972, 6,802 in 1971, 7,068 in 1970 and 7,220 in 1969).





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The Year in Review

Expanded services to customers keynoted our 1972 fiscal year. This was reflected in activities in all segments of the business. The services ranged from new products to new distribution facilities, with considerable emphasis on the latter as we sought to move closer to the ultimate users of everything we make and market.

This underlying thrust of our efforts is readily discernible in the reports that follow. It is particularly evident in the increased emphasis on retail selling in the Coatings Group; the broadened scope of production capabilities in elements of the Auxiliaries Group; and the continuing transition within the Chemicals Group toward specific end-use markets. Other evidence is found in the moves by The Sherwin-Williams Co. of Canada, Ltd. to improve production and distribution efficiency; the introduction of several new and highly useful products by Sprayon Products, Inc.; and the organizational planning and staff building carried through by International Operations with a view to giving greater assistance to subsidiaries and licensees in serving their customers more effectively.

(Photo left, above)

A NEW VERSION of the Color Boutique displays more than 900 paint colors. The unique display also dispenses large color samples to help customers in color selection.

(Photo left, below)

COLORFUL CARPETING is available in many branch stores. The Memphis, Tennessee, warehouse is a convenient and economical source of supply for branch stores in a multi-state area.

All of these developments are in accordance with our previously expressed philosophy of committing the corporation to a strong marketing orientation. That orientation has as its basic tenet a determination to produce quality products, to promote them honestly and to sell them at fair prices. Beyond that, it calls for making our products readily available in the marketplace and sharing with purchasers all of our technical skills to insure their satisfactory use.

While this commitment requires us to focus our resources on fulfilling market needs, we recognize that we have broader responsibilities with which our marketing objectives must be correlated. These responsibilities include: treating employees fairly and rewarding them adequately; providing equality of opportunity; cooperating as fully as possible in the protection of our environment; and participating appropriately in the resolution of social problems. All of these responsibilities must be met within the framework of the fundamental obligation of safeguarding the interests of the owners of this enterprise.

THE COATINGS GROUP

In an industry as fragmented as the coatings industry (an estimated 1600-plus producers), effective marketing is the key to increasing sales on a national scale. The Coatings Group demonstrated the truth of that axiom again in fiscal 1972 when it posted record sales and earnings. With the branch organization setting the pace, all segments of the group contributed positively to results.

Appropriate steps were taken to keep the branch stores closely geared to the dynamics of the marketplace. These included opening 24 new branches, relocating 105 units, remodeling and expanding 76 others and closing or consolidating 33 outlets. These changes resulted in an increase in total square footage in the branch stores despite a decline in the number to 1838 exclusive of automotive finishes service centers. We will continue upgrading our branch stores through relocations and renovations during the year ahead. We will also open new branches to broaden our penetration in specific markets and continue our strong multiple-line selling programs with Rogers and Lawrence products.

As the "more than a paint store" concept continued to be implemented, sales of products other than paint also increased. This occurred in spite of the fact that the number of company-operated leased departments, excellent channels for associated products sales, decreased in fiscal 1972. The reduction stemmed from the continuing program under which certain retail chains assume operation of such departments themselves. In such cases the Coatings Group becomes a supplier of paint products to the units instead of a merchant of paint and associated products within them.

The conversion of leased departments, coupled with sustained high levels of sales to other multiple-unit retailers and to dealer-owned warehousing organizations, brought an increase in sales to dealers. Smaller independent dealers, although still important and valued customers, again accounted for a diminishing proportion of sales.

Professional coatings sales to painting contractors continued in excellent volume during the year. Increased housing starts and home modernization were important factors in this area. Similarly, the higher level of industrial activity, expanded industrial construction and the growing interest in the use of color to enhance industrial environments and safety contributed to greater sales of those products designed for industrial maintenance applications. Sales through architects were expanded and communication with this important segment of the building market was further strengthened.

Continuing the trend begun in mid-1971, sales of finishes for industrial products (frequently identified as chemical coatings) moved upward again. Finishes for appliances, furniture, wall paneling, exterior siding and other housing components were in particularly strong demand. The introduction of coatings that cure in seconds through the use of such high energy sources as ultraviolet light and electron beam has laid the groundwork for future growth in the hardboard and plywood industries. Increased acceptance of our total systems approach to electrodeposition, involving design of the application equipment as well as the coatings, suggests sales will continue to expand in this field.

Sales of automotive refinishes scored strong gains. All four divisions active in this market — Sherwin-Williams, Martin-Senour, Acme and Rogers — contributed to the increase. The number of automotive finishes service centers grew to 52, an increase of 4 over last year.

The group's 12 plants achieved record production during the year. This was accomplished largely by inaugurating multi-shift operations at all plants. Even though production increased substantially, finished goods inventories were kept in good balance.

The new powder coatings facility at Pontiac, Illinois, is expected to come fully on stream early in fiscal 1973. This plant has been producing pilot quantities of powder coatings for several months.

Labor relations continued good at all factories. Contract negotiations were recently completed at six locations.

with economic provisions within Phase II guidelines. The new contracts are effective through varying dates in 1975 and 1976.

The group's capital investment during the year amounted to $10,206,000. Much of that was put into facilities to strengthen our marketing position. Also included were environmental quality control measures and plant changes dictated by the Occupational Safety and Health Act. Projects relating to the environment were undertaken at the Chicago, Cleveland, Oakland and Newark plants.

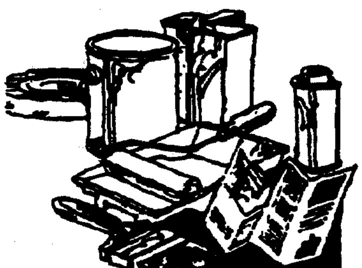
Among several promising research projects now underway is the search for improved polyester insulating materials for use in the electrical industry. A number of interesting formulations are currently being evaluated in the laboratory for further development.

Considerable research and development effort was concentrated on reducing or eliminating lead in coatings products. This was given further urgency by a recent Food and Drug Administration regulation requiring the reduction of lead in products packaged in a form suitable for household use. Practically all of our household paints are at or below the lead level restrictions of the regulation that becomes effective December 31, 1972. An order to reduce lead levels further by December 31, 1973 has not yet been implemented. We do not anticipate difficulty achieving complete compliance should the lower lead levels be prescribed.

Another area of technical effort centered on the regulations growing out of the Occupational Safety and Health Act, particularly the preparation of required Material Safety Data Sheets. These frequently call for the development of test methods, conduct of tests and compilation of detailed data. This work is progressing satisfactorily but will undoubtedly demand continued attention in the future.

At the same time we are working to meet these federal requirements, we also feel an obligation to help our customers, particularly those using our industrial finishes, to meet local regulations regarding air pollution. Technical developments nearing commercial usefulness in this area are new resins for powder coatings, water-dispersed coatings and coatings that cure under ultraviolet light radiation. All of these materials are essentially pollution-free.

With the economy continuing to exhibit increasing strength, coating sales can be expected to enjoy further growth in the coming year. Other segments of the corporation will support that growth with materials and services they supply the Coatings Group. For example: titanium dioxide and other pigments from the Chemicals Group; metal containers, printed labels, brushes and paint rollers from the Auxiliaries Group; and the packaging of aerosol products by Sprayon Products, Inc. Our stepped-up advertising and merchandising programs along with aggressive marketing effort should also contribute to that growth.



THE AUXILIARIES GROUP

Practically all of the diverse elements of the Auxiliaries Group showed sales and earnings gains in fiscal 1972 with a total pre-tax income gain of 34.9% over fiscal 1971.

Sales of the container division increased 19.3% over the previous year. They accounted for 56.5% of total group sales. Aerosol container production at Elgin, Illinois, improved markedly during the year. Oblong container production, while not up to our expectations, is showing improvement as a result of concentrated engineering efforts.

Performance of the Osborn Manufacturing Co. subsidiary, including its two consolidated subsidiaries — Societe Anonyme des Machines Osborn in France and Schmitz & Ludwig in Germany — showed improvement, with sales up 23.2% over last year. Osborn Manufacturing sales continued to reflect the general softness in heavy capital equipment demand but were buoyed by an active market for power-driven brushes. Both the French subsidiary and Schmitz & Ludwig posted sales gains. However, the latter continued to have operational difficulties and sustained an operating loss. Changes now in effect should improve this subsidiary's results next year. The total Osborn operation accounted for 31.3% of the Auxiliaries Group's overall sales.

Generating 6.5% of total group sales, the Rubberset Co. division enjoyed both sales and earnings gains. With Chinese bristles again becoming available, the division was able to achieve improvement in the quality of its professional and consumer paint brushes. Emphasis is being put on sales to mass merchandising outlets which are judged to offer exceptional potential for Rubberset products.

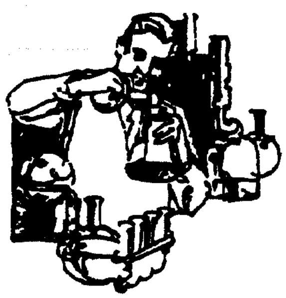
Although Rubberset Co. (Canada), Ltd. scored a sales increase, the cost-price squeeze depressed earnings from their year-ago level. As part of the solution to this problem, the company is planning to accelerate production of plastic brush handles in order to reduce raw material costs. The Canadian subsidiary posted 5.3% of total group sales during the year.

Productivity at the Deshler Products division plant continued upward. More than five million paint roller covers were produced, and marked gains were made in other product areas. Development of DANELLO®, a paint roller fabric that can be used to apply all types of consumer paints to all types of surfaces, is contributing significantly to cost reduction by lowering inventories and simplifying production procedures.

The printing division continued to supply the major portion of the corporation's label, stationery and advertising-merchandising sales aids requirements. At present, practically all of the division's production is for internal use.

New plant investment for the Auxiliaries Group amounted to $3,649,000 during the year. A large portion of this was spent in bringing equipment into compliance with Occupational Safety and Health Act requirements. Environmental control projects at the Chicago container plant and the Henderson, Kentucky, plant of the Osborn Manufacturing Co. subsidiary were also covered by these expenditures.

A five-day work stoppage at the printing division affected some operations there. The issues were resolved with negotiation of a new two-year labor contract expiring in 1974. In fiscal 1973, labor negotiations within the Auxiliaries Group will involve employees at the San Leandro container plant and Rubberset Co. (Canada), Ltd.



THE CHEMICALS GROUP

With the shutdown of several operations, Chemicals Group sales declined 5.2% in fiscal 1972. However, because the closed units were unprofitable, results of continuing operations showed some improvement, and the group's overall operating loss was somewhat less than in fiscal 1971. Elimination of these profit drains from all of next year's operations can be expected to result in continued improvement.

Affected by these moves were strontium carbonate production at Ashtabula and azo and phthalocyanine blue pigment production at Chicago. These closings, following earlier discontinuance of arsenic chemicals, leaded zinc oxide, vegetable oil products and phthalic anhydride, eliminate those chemical operations we perceive to hold no appreciable promise of contributing to earnings.

We have converted the phthalic anhydride facility to production of isophthalonitrile, an important chemical intermediate, and the process is expected to be fully on stream shortly. Similarly, conversion of the Coffeyville, Kansas, leaded zinc oxide plant to production of an improved zinc oxide for the coatings, rubber and plastics industries is virtually completed. The Pontiac, Illinois, facility for manufacture of color concentrates for plastics is scheduled to become operational early in fiscal 1973.

A new zinc-molybdate pigment, trade-named MOLY-WHITE 101™, which is corrosion resistant yet non-toxic, is generating favorable interest in the coatings industry. This product is seen as the nucleus of a family of pigments designed to replace lead products and chromates in corrosion-resistant coatings.

The textile chemicals division has made encouraging progress in supplying the textile industry. New formulations of textile printing inks for use with non-woven fabrics are being introduced, and a number of other new products are in the development stage. We have realigned the selling organization to conform more closely with market requirements, and headquarters for the division are now in Greensboro, North Carolina.

A Flavor and Fragrance Division has been established. This new division will develop, produce and market a number of aroma, flavor and perfume chemicals. A new leased plant is under construction at Danbury, Connecticut, and the division will be headquartered there early in fiscal 1973.

We are continuing to emphasize marketing of our triazole corrosion inhibitors sold under the trade name COBRATEC®. At the same time, we are expanding our line of corrosion inhibiting additives to broaden areas of application and increase participation in both existing and new markets. Initially, these new products will be sold to to the metal working and metal finishing industries under our SHERTEC® trade name. This new activity is expected to provide the basis for supplying complete systems to these markets.

Pollution abatement programs at the Chemicals Group's four plant sites are continuing on schedule. At Chicago, highly effective air and water pollution controls have been installed in the para cresol plant, and an absorber/scrubber installation in the color intermediate plant is adequately removing ammonia and sulfur dioxide vapors. Treatment facilities for water effluent at Ashtabula are now under construction. A comprehensive engineering study of environment-related problems at the Coffeyville, Kansas, facility is in progress. Although complete cost estimates are not yet available, we anticipate that environmental control expenses there will not be unduly burdensome.

The Chemicals Group is confident the difficulties that have interfered with profitability over the last few years are now on the way to being solved. The elimination of consistently unprofitable operations and the introduction of promising new products point to encouraging prospects for the entire operation.

SHERWIN-WILLIAMS CANADA

This year, for the first time, results of The Sherwin-Williams Co. of Canada, Ltd. have been consolidated into those of the parent Company. However, this subsidiary continues to operate with a high degree of autonomy so it can effectively meet the special requirements of the Canadian market.

Although exterior painting activity was adversely affected by the inclement weather that swept Canada through much of the summer, total sales in fiscal 1972 climbed to $40,970,000, an increase of 10.8% over the previous year. The parent company's share of pre-tax earnings after currency conversion increased 73.2% over last year. The improved sales performance was general throughout the organization. While automotive sales scored the highest gains, branch stores followed closely with excellent increases.

At year's end the company operated 133 branch stores. During the year two new branches were opened, eight were closed and two remodeled. The decline in the total number reflects a management decision that, in view of market changes now occurring, larger and more strategically located branch stores are presently indicated. A stepped-up program of branch modernization to further this objective is planned for next year.

Highly instrumental in promoting retail and painting contractor sales was the new "Fashion Right" color service introduced early in the fiscal year. This provides consumers and professional painters a wide selection of colors in a broad range of products.

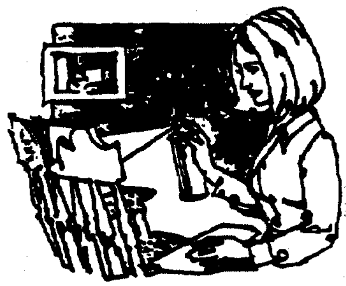
There were good gains in industrial sales, particularly in the Quebec division where wood finishing materials were in strong demand. Only the Ontario division suffered a modest decline in industrial sales due to a drop in industrial activity there.

The E. Harris Co. division, which supplies materials to the graphic arts industry, achieved sharply increased sales. However, those of the Winnipeg Paint & Glass division (building supplies and hardware) dipped from year-ago levels, primarily because last year's sales included a number of exceptionally large bid contracts not repeated this year.

Plant efficiency continued to improve during the year, and production reached a new record. This record output, plus a determined cost control program, had a favorable effect on unit costs. A number of production improvement projects have been launched with a view toward further efficiency gains in the future. New warehousing procedures are now being followed, and these can be expected to have a positive effect on distribution costs and customer service.

Research and development work on powder coatings is producing highly promising results. Construction of a powder coatings manufacturing unit is now under way.

The economic outlook for Canada in the year ahead is somewhat mixed. Forecasts generally predict further growth in consumer spending but caution against the possibility of escalating costs giving rise to another period of serious inflation. In view of this we will further intensify cost control measures in order to participate profitably in the anticipated increase in demand for our products.



SPRAYON PRODUCTS

Historically, the Sprayon Products, Inc. subsidiary has consistently posted year-to-year sales gains. Fiscal 1972 was no exception as sales climbed to $16,923,000, an 18.5% increase over the previous year.

Both the custom division and the industrial supply division contributed to the sales increase. The former packages aerosol products for many different industries; the latter markets over 80 industrial specialties ranging from strippable coatings, paints, gasket adhesives and mold release agents to lubricants, corrosion inhibitors, electronic cleaners and stencil marking inks.

Several new products were introduced by the industrial supply division during the year. These include an ultrathin transparent demoisturant for use in the electrical industry, a welding anti-spatter material for the quick and easy removal of weld spatters and a zinc rich galvanizing compound which makes practical the field application of protective galvanizing chemicals.

The subsidiary foresees further growth in the aerosol packaging of insecticides and weed killers. Developments along these lines involve more sophisticated propellant blends which, in turn, are expected to find application in the packaging of other materials. Sprayon's marketing thrust in the immediate future will capitalize on this developmental effort to seek new customers whose products have thus far been barred from aerosol packaging because of product/propellant incompatibility.

Increasingly higher production is necessitating some plant expansion, and Sprayon will invest over $800,000 in this effort during the coming year. Early in fiscal 1973, additional facilities with a completely automatic packaging system are scheduled for completion at Bedford Heights, Ohio. At about the same time, a 30% addition to the Anaheim, California, warehouse is slated to be in service.

Labor relations at both of the subsidiary's plants continue to be mutually harmonious. New labor contract negotiations involving employees at the Bedford Heights plant will be conducted during 1973.

There appears to be no diminution of interest in aerosol packaging, and the prospects for the industry are excellent.

INTERNATIONAL OPERATIONS

Although revenues of this division increased over last year, pre-tax earnings were down to $1,094,000. The dip in earnings was caused largely by continued problems at Verffabrieken Ralston, N.V. in the Netherlands. Also contributing were the shortfall in operations of The Sherwin-Williams Co. (West Indies), Ltd. and the difficulties in transmittal of royalties from licensees in Colombia, Chile and Argentina.

During the second half of the year, planned and extensive management changes were effected at Ralston to reverse the past unsatisfactory trends there. We are also strengthening our West Indies operations by realigning our approach to the market.

In line with plans initiated in fiscal 1971, we have strengthened our organization through the establishment of a European regional office and increases in staff at headquarters, the Latin American regional office and the international technical laboratory. While these additions add to costs, we believe they are a necessary prelude to effective expansion of our international activities.

During the year we entered into a licensing agreement with Peintures Ideales, S.A. in Haiti. The joint venture in Panama, established late last fiscal year, is operating satisfactorily and has reached the goals set for the first year. We are presently negotiating a joint marketing venture in Belgium.

In Mexico, Compania Sherwin-Williams S.A. de C.V. made steady progress. Eight new branch stores were opened during the year, raising to 51 the number of such outlets now in operation. We anticipate that an additional seven or eight branch stores will be opened in the coming year.

Our licensees continued to expand their businesses. Certain new developments in coil coatings which have now been adapted to the international market should prove of further help to those licensees who produce these specialized finishes.

As in the United States, many other countries are now putting into effect regulations regarding the environment. Among them are Mexico, Brazil and the Netherlands where air and water pollution have become matters of quite urgent concern. We are endeavoring to meet all requirements through the most practical measures, and we do not anticipate any difficulties in this regard.

The recurrent monetary crises of the past year have not had a material effect on our international operations. However, devaluation of the dollar has increased overseas staff expense.

In fiscal 1973 we will continue to develop and train management and staff for our international operations. We are convinced there is ample opportunity for further participation in international markets.

Directors


E. Colin Baldwin


Robert W. Ramsdell


Victor Holt, Jr.


Walter O. Spencer


Willis B. Boyer


George F. Schlaudecker


Allen C. Holmes


Richard G. Bull


John A. Hill


Robert F. Hennig


Arthur W. Steudel


John D. Wright


William C. Fine


Gene C. Brewer


Keith S. Benson


William Moonan

0007-SWP-035087

THE SHERWIN-WILLIAMS COMPANY

Founded in 1866

EXECUTIVE OFFICES

101 Prospect Avenue, N. W., Cleveland, Ohio 44115

Directors

E. Colin Baldwin
Chairman of the Board

Keith S. Benson
Partner—
Arter & Hadden,
Attorneys

Willis B. Boyer
President and Chief Executive Officer
Republic Steel Corporation

Gene C. Brewer
Vice Chairman
Southwest Forest Industries, Inc.

Richard O. Bull
Group Vice President—Coatings

William C. Fine
Senior Vice President—Finance and Administration

Robert F. Hennig
Vice President—Purchasing

John A. Hill
President
Hospital Corporation of America

Allen C. Holmes
Partner
Jones, Day, Cockley & Reavis
Attorneys

Victor Holt, Jr.
Director
The Goodyear Tire & Rubber Company

William Moonan
Group Vice President—Auxiliaries

Robert W. Ramsdell
Retired—Formerly Chairman
The East Ohio Gas Company

George F. Schlaudecker
Group Vice President—Chemicals

Walter O. Spencer
President and Chief Executive Officer

John D. Wright
Director and Retired Chairman
TRW Inc.

Arthur W. Steudel
Honorary Director

Officers

E. Colin Baldwin
Chairman of the Board

Walter O. Spencer
President and Chief Executive Officer

William C. Fine
Senior Vice President—Finance and Administration

Richard O. Bull
Group Vice President—Coatings

William Moonan
Group Vice President—Auxiliaries

George F. Schlaudecker
Group Vice President—Chemicals

James F. Cole
Vice President and Treasurer

Richard R. Crow
Vice President—Personnel

Ronald F. Curley
Vice President Marketing—Coatings Group

Robert F. Hennig
Vice President—Purchasing

Virgil A. Hollis
Vice President—Financial Operations

Robert A. Tschannen
Vice President Operations—Coatings Group

Michael D. Welsh
Vice President—International Operations

Alan D. Childs
Assistant Vice President and General Counsel

Earl W. Peck
Assistant Vice President and Controller

Harvey L. Piepho
Assistant Vice President—Purchasing

William P. Inman
Secretary and Corporate Director of Taxes

Frank H. Clark
Assistant Treasurer and Assistant Secretary

Martin J. Donelan
Assistant Treasurer

Frank C. Kollath
Assistant Treasurer

Products and Plants

Principal Products

Paints • Enamels • Varnishes • Lacquers • Stains • Aerosol Specialties • Zinc Pigments • Lithopone • Metal Containers • Industrial Power-Driven and Maintenance Brushes • Alkali Blue Pigments • Synthetic Para Cresol • Saccharin • Barium Chemicals • Foundry Machinery and Equipment • Finishing Machinery and Grinding Wheels • Organic Chemicals • Titanium Dioxide Pigments • Textile Printing and Dyeing Colors • Powder Coatings • Plastic Colorants • Paint Brushes • Rollers and Other Painting Accessories.

Domestic Plants

Anaheim, California
Ashtabula, Ohio
Bedford Heights, Ohio
Chicago, Illinois
Cincinnati, Ohio
Cleveland, Ohio
Coffeyville, Kansas
Crisfield, Maryland
Dayton, Ohio
Deshler, Ohio
Detroit, Michigan
Elgin, Illinois
Garland, Texas
Gibbsboro, New Jersey
Greensboro, North Carolina
Henderson, Kentucky
Hubbard, Ohio
Los Angeles, California
Morrow, Georgia
Newark, New Jersey
Oakland, California
Pontiac, Illinois
San Leandro, California

Foreign Plants

Bayamon, Puerto Rico
Frankenberg, Germany
Gravenhurst, Canada
Mexico City, Mexico
Montreal, Canada
Monmouthshire, England
Panama City, Panama
Sao Paulo, Brazil
Toronto, Canada
Vancouver, Canada
Winnipeg, Canada
Zeist, Netherlands

Printing Center

North Olmsted, Ohio

Research Center

Chicago, Illinois

The A. W. Steudel Technical Center

Chicago, Illinois

Container Technical Center

Countryside, Illinois

As in years past, this Annual Report was printed at the Sherwin-Williams Printing Center, North Olmsted, Ohio. Many of the inks used in its production contain pigments supplied by the Sherwin-Williams Chemicals Group.

Subsidiaries

Domestic

Sprayon Products, Inc.
The Osborn Manufacturing Company
The Osborn Manufacturing International Company
The Sherwin-Williams Company of Europe, Inc.
Sherwin-Williams International Company

Foreign

Compania Sherwin-Williams, S.A. de C.V., Mexico City, D. F., Mexico
Rubberset Company (Canada) Limited, Gravenhurst, Ontario, Canada
The Sherwin-Williams Co. of Puerto Rico, Inc., San Juan, Puerto Rico
The Sherwin-Williams Co. (West Indies) Ltd., Kingston, Jamaica
Sherwin-Williams (Europe) Société Anonyme, Antwerp, Belgium
Schmitz & Ludwig GmbH., Frankenberg, Germany
The Sherwin-Williams Company of Canada, Limited, Montreal, Canada
*Sherwin-Williams do Brasil S/A Tintas e Vernizes, Sao Paulo, Brazil
Societe Anonyme des Machines Osborn, Paris, France
Verffabrieken Ralston N. V., Zeist, Netherlands

Unconsolidated

Other Affiliates

(50% or less owned)

The Carter White Lead Company of Canada, Limited, Montreal, Canada
Dendix Brushes, Limited, Chepstow, Monmouthshire, England
Lowi Sherwin-Williams GmbH., Waldkraiburg, Germany
Sherwin-Williams de Panama, S. A., Panama City, Panama

Licensees

Aktiebolaget Syd-fernisa (Sweden)
Astral Sté de Peintures, Vernis et Encres D'Imprimerie (France)
Donald Macpherson Group, Ltd. (England)
Fabrica Nacional de Pinturas "Espiatbol" S. A. (Bolivia)
Fabrica Nacional de Pinturas Sherwin-Williams de Colombia S.A.
Industrias Quimicas Precolor, S. A. (Spain)
Montecatini Edison S. p. A. (Italy)
Nippon Paint Company, Ltd. (Japan)
Oxy Foundry Equipment Division (England)
Peintures Ideales, S. A. (Haiti)
Pinchin Johnson & Co. (New Zealand), Ltd.
Pinturas Andina S.A. (Chile)
Rhodiaceta, S.A. (France)
Sherwin-Williams Argentina Industrial y Comercial S.A.
Sherwin-Williams del Ecuador Fabrica Nacional de Pinturas S.A.
Sherwin-Williams Peruana S.A. (Peru)
Sherwin-Williams, Philippines, Inc.
Sherwin-Williams de Centro America, S.A. (El Salvador)
Sherwin-Williams de Costa Rica, S.A.
Sherwin-Williams Venezolana C.A.
Shinto Paint Co., Ltd. (Japan)
Taiyo Chuki Company, Ltd., (Japan)
Taubmans Industries, Ltd. (Australia)