

The Sherwin-Williams Company Reports 2014 Third Quarter and First Nine Months Financial Results

- **Consolidated net sales increased 10.6% in the quarter to a record \$3.15 billion**
- **Net sales from stores open more than twelve calendar months increased 9.6% in the quarter**
- **Diluted net income per common share increased 31.4% to a record \$3.35 per share in the quarter, including a \$.01 per share EPS loss from Comex, and increased 20.9% to a record \$7.39 per share in nine months, including an \$.18 per share EPS loss from Comex**
- **Anticipates 4Q14 sales increase of 6% to 8% and EPS in the range of \$1.30 to \$1.40; Expects Comex 4Q14 EPS loss of approximately \$.10 per share**
- **Increasing FY14 EPS guidance to \$8.70 to \$8.80 per share, including a Comex EPS loss of \$.28 per share, vs. \$7.26 per share in 2013**

CLEVELAND, OHIO, October 28, 2014 - The Sherwin-Williams Company (NYSE: SHW) announced its financial results for the third quarter and nine months ended September 30, 2014. Compared to the same periods in 2013, consolidated net sales increased \$303.2 million, or 10.6%, to \$3.15 billion in the quarter and increased \$831.6 million, or 10.8%, to \$8.56 billion in nine months due primarily to higher paint sales volume in our Paint Stores Group and acquisitions. Acquisitions increased consolidated net sales 3.3% in the quarter and 4.1% in nine months. Unfavorable currency translation rate changes decreased consolidated net sales 0.7% in the quarter and 1.1% in nine months.

Diluted net income per common share in the quarter increased to \$3.35 per share from \$2.55 per share in 2013, and increased in nine months to \$7.39 per share from \$6.11 per share last year. The quarter and nine months 2013 diluted net income per common share included charges of \$.13 and \$.21 per share, respectively, related to Brazil tax assessments. The increases in third quarter and nine month diluted net income per common share were due primarily to improved operating results of the Paint Stores, Global Finishes and Consumer Groups. Acquisitions decreased diluted net income per common share by \$.01 per share and \$.18 per share in the quarter and nine months, respectively. Currency translation rate changes decreased diluted net income per common share by \$.03 per share in the quarter and \$.08 per share in nine months.

Net sales in the Paint Stores Group increased 15.0% to \$2.03 billion in the quarter and increased 16.1% to \$5.27 billion in nine months due primarily to higher architectural paint sales volume across all end market segments. Acquisitions increased net sales 4.6% in the quarter and 5.9% in nine months. Net sales from stores open for more than twelve calendar months increased 9.6% in the quarter and increased 9.2% in nine months over last year's comparable periods. Paint Stores Group segment profit increased \$72.4 million to \$431.8 million in the quarter from \$359.4 million last year and increased \$132.0 million to \$954.0 million in nine months from \$822.0 million last year due primarily to higher paint sales volume partially offset by the loss from acquisitions and increases in selling, general and administrative expenses. Acquisitions had an unfavorable impact on segment profit of \$5.4 million in the quarter and \$32.3 million in nine months. Segment profit as a percent to net sales increased in the quarter to 21.3% from 20.4% last year due primarily to higher paint sales volume partially offset by the impact of acquisitions. Segment profit as a percent to sales was flat at 18.1% in nine months compared to 2013 due to the impact of acquisitions.

Net sales of the Consumer Group increased 5.0% to \$385.2 million in the quarter and increased 7.0% to \$1.14 billion in nine months due primarily to the impact of acquisitions and higher volume sales to most of the Group's retail customers. Acquisitions increased net sales 3.9% and 4.3% in the quarter and nine months, respectively. Segment profit increased to \$79.0 million in the quarter from \$73.1 million last year and increased to \$222.5 million in nine months from \$206.1 million last year due primarily to higher volume sales, and improved operating efficiencies. Acquisitions decreased segment profit \$1.9 million in the quarter and had no significant impact on segment profit in nine months. As a percent to net external sales, segment profit increased in the quarter to 20.5% from 19.9% last year and increased in nine months to 19.5% from 19.3% last year.

The Global Finishes Group's net sales stated in U.S. dollars increased 5.7% to \$536.3 million in the quarter due primarily to higher paint sales volume and selling price increases. Nine month sales stated in U.S. dollars increased 4.7% to \$1.58 billion due primarily to selling price increases partially offset by unfavorable currency translation rate changes. Unfavorable currency translation rate changes decreased net sales by 0.4% in the quarter and 0.7% in nine months. Stated in U.S. dollars, segment profit increased in the quarter to \$60.8 million from \$44.5 million last year due primarily to higher paint sales volume, the \$6.3 million gain on the early termination of a customer agreement and selling price increases. Nine month segment profit increased to \$162.1 million from \$132.9 million last year due primarily to improved operating efficiencies, selling price increases, and

the early termination of a customer agreement. Unfavorable currency translation rate changes decreased segment profit \$0.9 million in the quarter and \$3.3 million in nine months. As a percent to net external sales, segment profit was 11.3% in the quarter versus 8.8% last year and 10.3% in nine months compared to 8.8% in 2013.

The Latin America Coatings Group's net sales stated in U.S. dollars decreased 4.0% to \$200.4 million in the quarter and decreased 7.6% to \$564.0 million in nine months due primarily to unfavorable currency translation rate changes and lower paint sales volume partially offset by selling price increases. Unfavorable currency translation rate changes decreased net sales by 7.8% in the quarter and 11.8% in nine months. Stated in U.S. dollars, segment profit increased in the quarter to \$11.8 million from a loss of \$1.0 million last year and increased in nine months to \$27.4 million from \$20.7 million last year due primarily to charges recorded in the third quarter and nine months 2013 related to Brazil tax assessments and selling price increases partially offset by lower volume sales, increasing raw material costs and unfavorable currency translation rate changes. Charges of \$19.8 million and \$31.6 million in the quarter and nine months 2013, respectively, were related to Brazil tax assessments. Unfavorable currency translation rate changes decreased segment profit \$4.0 million in the quarter and \$10.7 million in nine months. As a percent to net external sales, segment profit improved in the quarter to 5.9% from negative 0.5% last year and increased in nine months to 4.9% from 3.4% in 2013.

The Company acquired 2.00 million shares of its common stock through open market purchases in the quarter and 5.33 million shares in nine months. The Company had remaining authorization at September 30, 2014 to purchase 6.83 million shares.

Commenting on the financial results, Christopher M. Connor, Chairman and Chief Executive Officer, said, "We are pleased to report record sales and earnings per share in the third quarter and first nine months of 2014 on the continued positive sales volume and strong operating results of our Paint Stores Group. The Paint Stores Group architectural volume growth was positive across all end market segments. The Comex acquisition continues to perform better than expected in the year. Our Consumer Group improved its operating results through higher volume sales and operating efficiencies. Our Global Finishes Group continues to improve its operating margins through improved operating efficiencies. The Latin America Coatings Group is minimizing the impact on its core operating margins through selling price increases and good cost control, although we are not satisfied with the results.

"We are continuing to invest in our business. In the first nine months, Paint Stores Group opened 51 net new stores. Our working capital ratio (accounts receivable plus inventories less accounts payable to sales) at September 30, 2014 was 10.8% compared to 12.5% last year. During the quarter, we continued to buy shares of our stock, and we increased the dividend rate to \$.55 from \$.50 last year. Our balance sheet remains flexible and is positioned well for future acquisitions and other investments in our business.

"For the fourth quarter, we anticipate our consolidated net sales will increase six to eight percent compared to last year's fourth quarter. At that anticipated sales level, we estimate diluted net income per common share in the fourth quarter of 2014 to be in the range of \$1.30 to \$1.40 per share compared to \$1.14 per share earned in the fourth quarter of 2013. This guidance includes our expectation that the Comex acquisition will reduce diluted net income per common share by approximately \$.10 per share in the fourth quarter. For the full year 2014, we expect consolidated net sales to increase nine to eleven percent compared to full year 2013. With annual sales at that level, we have raised our expectation for diluted net income per common share for 2014 to a range of \$8.70 to \$8.80 per share compared to \$7.26 per share earned in 2013. This annual guidance includes our expectation that the Comex acquisition will increase net sales by a low single digit percentage in the year and negatively impact diluted net income per common share \$.28 per share in 2014."

The Company will conduct a conference call to discuss its financial results for the third quarter and first nine months, and its outlook for the fourth quarter and full year 2014, at 11:00 a.m. EDT on Tuesday, October 28, 2014. The conference call will be webcast simultaneously in the listen only mode by Vcall. To listen to the webcast on the Sherwin-Williams website, www.sherwin.com, click on About Us, choose Investor Relations, then select Press Releases and click on the webcast icon following the reference to the October 28th release. The webcast will also be available at Vcall's Investor Calendar website, www.investorcalendar.com. An archived replay of the live webcast will be available at www.sherwin.com beginning approximately two hours after the call ends and will be available until November 17, 2014 at 5:00 p.m. EDT.

Founded in 1866, The Sherwin-Williams Company is a global leader in the manufacture, development, distribution, and sale of coatings and related products to professional, industrial, commercial, and retail customers. The company manufactures

products under well-known brands such as Sherwin-Williams[®], Dutch Boy[®], Krylon[®], Minwax[®], Thompson's[®] Water Seal[®], and many more. With global headquarters in Cleveland, Ohio, Sherwin-Williams[®] branded products are sold exclusively through a chain of more than 4,100 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. The Sherwin-Williams Global Finishes Group distributes a wide range of products in more than 115 countries around the world. For more information, visit www.sherwin.com.

This press release contains certain "forward-looking statements", as defined under U.S. federal securities laws, with respect to sales, earnings and other matters. These forward-looking statements are based upon management's current expectations, estimates, assumptions and beliefs concerning future events and conditions. 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 the control of the Company, that could cause actual results to differ materially from such statements and from the Company's historical results and experience. These risks, uncertainties and other factors include such things as: general business conditions, strengths of retail and manufacturing economies and the growth in the coatings industry; changes in the Company's relationships with customers and suppliers; changes in raw material availability and pricing; unusual weather conditions; and other risks, uncertainties and factors described from time to time in the Company's reports filed with the Securities and Exchange Commission. Since it is not possible to predict or identify all of the risks, uncertainties and other factors that may affect future results, the above list should not be considered a complete list. Any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

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The Sherwin-Williams Company and Subsidiaries
Statements of Consolidated Income (Unaudited)

Thousands of dollars, except per share data	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net sales	\$ 3,150,570	\$ 2,847,417	\$ 8,560,121	\$ 7,728,474
Cost of goods sold	1,679,615	1,551,459	4,613,612	4,236,086
Gross profit	1,470,955	1,295,958	3,946,509	3,492,388
<i>Percent to net sales</i>	46.7%	45.5%	46.1%	45.2%
Selling, general and administrative expenses	984,366	889,690	2,837,637	2,505,493
<i>Percent to net sales</i>	31.2%	31.2%	33.1%	32.4%
Other general expense - net	11,873	834	12,071	5,266
Interest expense	16,025	15,394	48,793	45,774
Interest and net investment income	(764)	(916)	(2,110)	(2,363)
Other (income) expense - net	(14,593)	3,494	(19,237)	1,488
Income before income taxes	474,048	387,462	1,069,355	936,730
Income taxes	147,808	124,496	336,211	300,292
Net income	<u>\$ 326,240</u>	<u>\$ 262,966</u>	<u>\$ 733,144</u>	<u>\$ 636,438</u>
Net income per common share:				
Basic	\$ 3.42	\$ 2.60	\$ 7.53	\$ 6.24
Diluted	\$ 3.35	\$ 2.55	\$ 7.39	\$ 6.11
Average shares outstanding - basic	<u>94,800,191</u>	<u>100,460,185</u>	<u>96,744,423</u>	<u>101,362,328</u>
Average shares and equivalents outstanding - diluted	<u>96,714,043</u>	<u>102,622,514</u>	<u>98,670,999</u>	<u>103,551,542</u>

The Sherwin-Williams Company and Subsidiaries
Business Segments (Unaudited)

Thousands of dollars

	2014		2013	
	Net External Sales	Segment Profit (Loss)	Net External Sales	Segment Profit (Loss)
<u>Three Months Ended September 30:</u>				
Paint Stores Group	\$ 2,027,485	\$ 431,840	\$ 1,763,404	\$ 359,352
Consumer Group	385,238	78,956	366,845	73,065
Global Finishes Group	536,261	60,751	507,284	44,536
Latin America Coatings Group	200,367	11,792	208,645	(983)
Administrative	1,219	(109,291)	1,239	(88,508)
Consolidated totals	<u>\$ 3,150,570</u>	<u>\$ 474,048</u>	<u>\$ 2,847,417</u>	<u>\$ 387,462</u>
 <u>Nine Months Ended September 30:</u>				
Paint Stores Group	\$ 5,270,080	\$ 953,962	\$ 4,537,849	\$ 822,037
Consumer Group	1,143,893	222,532	1,069,085	206,079
Global Finishes Group	1,578,497	162,093	1,507,626	132,929
Latin America Coatings Group	563,975	27,439	610,271	20,712
Administrative	3,676	(296,671)	3,643	(245,027)
Consolidated totals	<u>\$ 8,560,121</u>	<u>\$ 1,069,355</u>	<u>\$ 7,728,474</u>	<u>\$ 936,730</u>

The Sherwin-Williams Company and Subsidiaries

Consolidated Financial Position (Unaudited)

Thousands of dollars	September 30,	
	2014	2013
Cash	\$ 261,346	\$ 1,035,713
Accounts receivable	1,408,967	1,348,607
Inventories	1,046,642	1,017,618
Other current assets	362,780	368,777
Short-term borrowings	(55,621)	(295,276)
Current portion of long-term debt	(502,278)	(2,386)
Accounts payable	(1,266,167)	(1,121,001)
Other current liabilities	(1,044,316)	(987,610)
Working capital	211,353	1,364,442
Net property, plant and equipment	1,013,285	1,010,928
Deferred pension assets	304,207	252,229
Goodwill and intangibles	1,462,298	1,482,664
Other non-current assets	457,480	405,052
Long-term debt	(1,122,699)	(1,631,988)
Postretirement benefits other than pensions	(273,706)	(320,219)
Other long-term liabilities	(700,282)	(693,457)
Shareholders' equity	\$ 1,351,936	\$ 1,869,651

Selected Information (Unaudited)

Thousands of dollars	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Paint Stores Group - net new stores	18	326	51	348
Paint Stores Group - total stores	3,959	3,868	3,959	3,868
Global Finishes Group - net new branches		(3)		(3)
Global Finishes Group - total branches	300	299	300	299
Latin America Coatings Group - net new stores	(1)	(1)	(4)	2
Latin America Coatings Group - total stores	278	278	278	278
Depreciation	\$ 42,248	\$ 39,392	\$ 125,761	\$ 117,693
Capital expenditures	69,033	36,374	135,903	108,500
Cash dividends	53,342	51,052	162,178	154,352
Amortization of intangibles	7,465	7,346	22,611	21,473
Significant components of Other general expense - net:				
Provision for environmental related matters - net	11,209	584	11,034	2,353
Loss on disposition of assets	664	495	1,037	2,818
Adjustments to prior provisions for qualified exit costs		(245)		95
Significant components of Other (income) expense - net:				
Dividend and royalty income	(1,287)	(1,128)	(3,533)	(4,765)
Net expense from financing activities	2,706	2,508	8,175	7,251
Foreign currency transaction related (gains) losses	(481)	2,594	547	8,538
Other ⁽¹⁾	(15,531)	(480)	(24,426)	(9,536)
Intersegment transfers:				
Consumer Group	802,249	689,320	2,114,891	1,855,226
Global Finishes Group	2,097	2,438	5,712	7,469
Latin America Coatings Group	10,297	9,169	30,346	29,081
Administrative	3,129	3,101	9,371	8,877

(1) Consists of items of revenue, gains, expenses and losses unrelated to the primary business purpose of the Company. The three and nine months ended September 30, 2014 include a \$6,336 gain on the early termination of a customer agreement recorded in the Global Finishes Group and a \$6,198 realized gain resulting from final asset valuations related to the acquisition of the U.S./Canada business of Comex recorded in the Administrative segment. No other items are individually significant.

