ACT 512 Final Exam

Fall 2022

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ACT 512
Valuation Metrics

Metric	Formula
Current Ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Quick Ratio	$\frac{\text{Current assets - inventory}}{\text{Current liabilities}}$
Profit Margin	$\frac{\text{Earnings Without Interest}}{\text{Net Sales Revenue}}$
Asset Turnover	$\frac{\text{Net Sales Revenue}}{\text{Avg Total Assets}}$
Return on Assets	$\frac{\text{Earnings Without Interest}}{\text{Avg Total Assets}}$
Quality of Income Ratio	$\frac{\text{Cash flow from operations}}{\text{Net income}}$
Return on Equity	$\frac{\text{Net Income}}{\text{Avg Total Equity}}$
Receivables Turnover	$\frac{\text{Net Sales Revenue}}{\text{Avg Net A/R}}$
Inventory Turnover	$\frac{\text{COGS}}{\text{Avg Inventory}}$
Fixed Asset Turnover	$\frac{\text{Net Sales Revenue}}{\text{Avg NBV of Fixed Assets}}$
Debt to Equity Ratio	$\frac{\text{Interest-bearing debt}}{\text{Total shareholder's equity}}$
Interest Coverage Ratio	$\frac{\text{EBIT}}{\text{Interest Expense}}$
Dividend Yield	$\frac{\text{Dividend per share}}{\text{Market price per share}}$
Basic EPS	$\frac{\text{Net income - preferred dividends}}{\text{Weighted avg. no. of common shares outstanding}}$

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THE SHERWIN-WILLIAMS COMPANY AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME

(in millions, except per share data)	Year Ended December 31,		
	2021	2020	2019
Net sales	**$ 19,944.6**	$ 18,361.7	$ 17,900.8
Cost of goods sold	**11,401.9**	9,679.1	9,864.7
Gross profit	**8,542.7**	8,682.6	8,036.1
Percent to net sales	***42.8 %***	*47.3 %*	*44.9 %*
Selling, general and administrative expenses	**5,572.5**	5,477.9	5,274.9
Percent to net sales	***27.9 %***	*29.8 %*	*29.5 %*
Other general expense - net	**101.8**	27.7	39.1
Amortization	**309.5**	313.4	312.8
Impairment of trademarks	**—**	2.3	122.1
Interest expense	**334.7**	340.4	349.3
Interest and net investment income	**(4.9)**	(3.6)	(25.9)
Other (income) expense - net	**(19.5)**	5.3	(18.0)
Income before income taxes	**2,248.6**	2,519.2	1,981.8
Income tax expense	**384.2**	488.8	440.5
Net income	**$ 1,864.4**	$ 2,030.4	$ 1,541.3
Net income per share:			
Basic	**$ 7.10**	$ 7.48	$ 5.60
Diluted	**$ 6.98**	$ 7.36	$ 5.50
Weighted average shares outstanding:			
Basic	**262.5**	271.3	275.4
Diluted	**267.1**	275.8	280.3

See notes to consolidated financial statements.

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THE SHERWIN-WILLIAMS COMPANY AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME

(in millions)	Year Ended December 31,		
	2021	2020	2019
Net income	**$ 1,864.4**	$ 2,030.4	$ 1,541.3
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments [1]	**(30.6)**	(14.1)	(49.8)
Pension and other postretirement benefit adjustments:			
Amounts recognized in Other comprehensive income (loss) [2]	**48.7**	(19.4)	(5.1)
Amounts reclassified from Other comprehensive income (loss) [3]	**6.3**	1.4	22.3
	55.0	(18.0)	17.2
Unrealized net gains on cash flow hedges:			
Amounts reclassified from Other comprehensive income (loss) [4]	**(4.5)**	(6.7)	(8.7)
Other comprehensive income (loss), net of tax	**19.9**	(38.8)	(41.3)
Comprehensive income	**$ 1,884.3**	$ 1,991.6	$ 1,500.0

(1) The years ended December 31, 2021, 2020 and 2019 include unrealized gains (losses), net of taxes, of $37.1 million, $(54.0) million and $1.1 million, respectively, related to net investment hedges. See Note 15.

(2) Net of taxes of $(12.6) million, $3.4 million and $1.3 million in 2021, 2020 and 2019, respectively.

(3) Net of taxes of $(2.1) million, $(0.4) million and $(7.3) million in 2021, 2020 and 2019, respectively.

(4) Net of taxes of $1.0 million, $2.2 million and $2.8 million in 2021, 2020 and 2019, respectively.

See notes to consolidated financial statements.

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THE SHERWIN-WILLIAMS COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(in millions)	December 31,		
	2021	2020	2019
Assets			
Current assets:			
Cash and cash equivalents	**$ 165.7**	$ 226.6	$ 161.8
Accounts receivable, less allowance	**2,352.4**	2,078.1	2,088.9
Inventories	**1,927.2**	1,804.1	1,889.6
Other current assets	**608.4**	482.6	491.4
Total current assets	**5,053.7**	4,591.4	4,631.7
Property, plant and equipment, net	**1,867.3**	1,834.5	1,835.2
Goodwill	**7,134.6**	7,049.1	7,004.8
Intangible assets	**4,001.5**	4,471.2	4,734.5
Operating lease right-of-use assets	**1,820.6**	1,761.1	1,685.6
Other assets	**789.0**	694.3	604.4
Total Assets	**$ 20,666.7**	$ 20,401.6	$ 20,496.2
Liabilities and Shareholders' Equity			
Current liabilities:			
Short-term borrowings	**$ 763.5**	$ 0.1	$ 204.7
Accounts payable	**2,403.0**	2,117.8	1,876.3
Compensation and taxes withheld	**716.6**	752.7	552.7
Accrued taxes	**160.3**	183.5	85.7
Current portion of long-term debt	**260.6**	25.1	429.8
Current portion of operating lease liabilities	**409.7**	387.3	371.6
Other accruals	**1,005.8**	1,127.9	1,001.1
Total current liabilities	**5,719.5**	4,594.4	4,521.9
Long-term debt	**8,590.9**	8,266.9	8,050.7
Postretirement benefits other than pensions	**259.4**	275.6	263.0
Deferred income taxes	**768.2**	846.1	969.9
Long-term operating lease liabilities	**1,470.7**	1,434.1	1,370.7
Other long-term liabilities	**1,420.8**	1,373.7	1,196.7
Shareholders' equity:			
Common stock - $0.33 par value:			
261.1, 268.7, and 276.4 million shares outstanding			
at December 31, 2021, 2020 and 2019, respectively	**90.8**	89.9	119.4
Other capital	**3,793.0**	3,491.4	3,153.0
Retained earnings	**2,121.7**	844.3	7,366.9
Treasury stock, at cost	**(2,869.9)**	(96.5)	(5,836.5)
Accumulated other comprehensive loss	**(698.4)**	(718.3)	(679.5)
Total shareholders' equity	**2,437.2**	3,610.8	4,123.3
Total Liabilities and Shareholders' Equity	**$ 20,666.7**	$ 20,401.6	$ 20,496.2

See notes to consolidated financial statements.

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THE SHERWIN-WILLIAMS COMPANY AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED CASH FLOWS

(in millions)	Year Ended December 31,		
	2021	2020	2019
Operating Activities			
Net income	**$ 1,864.4**	$ 2,030.4	$ 1,541.3
Adjustments to reconcile net income to net operating cash:			
Depreciation	**263.1**	268.0	262.1
Non-cash lease expense	**400.7**	381.3	370.8
Amortization of intangible assets	**309.5**	313.4	312.8
Loss on divestiture of business	**111.9**	—	—
(Gain) loss on extinguishment of debt	**(1.4)**	21.3	14.8
Impairment of trademarks	**—**	2.3	122.1
Amortization of credit facility and debt issuance costs	**6.4**	7.2	9.2
Provisions for environmental-related matters	**(4.0)**	37.1	23.0
Deferred income taxes	**(80.3)**	(145.3)	(131.1)
Defined benefit pension plans net cost	**6.8**	7.6	43.1
Stock-based compensation expense	**97.7**	95.9	101.7
Decrease in non-traded investments	**53.6**	84.8	82.3
(Gain) loss on sale or disposition of assets	**(6.1)**	(9.4)	16.1
Other	**(6.4)**	(6.9)	10.2
Change in working capital accounts:			
(Increase) decrease in accounts receivable	**(287.8)**	10.3	(73.2)
(Increase) decrease in inventories	**(228.1)**	84.4	(75.5)
Increase in accounts payable	**346.1**	227.2	36.2
(Decrease) increase in accrued taxes	**(32.7)**	99.2	5.1
(Decrease) increase in accrued compensation and taxes withheld	**(10.9)**	197.7	49.6
(Increase) decrease in refundable income taxes	**(38.5)**	40.6	(47.8)
Other	**(46.8)**	(62.0)	(40.8)
Change in operating lease liabilities	**(401.4)**	(371.4)	(368.4)
Costs incurred for environmental-related matters	**(41.3)**	(39.0)	(26.1)
Other	**(29.9)**	133.9	83.8
Net operating cash	**2,244.6**	3,408.6	2,321.3
Investing Activities			
Capital expenditures	**(372.0)**	(303.8)	(328.9)
Acquisitions of businesses, net of cash acquired	**(210.9)**	—	(77.3)
Proceeds from divestiture of business	**122.5**	—	—
Proceeds from sale of assets	**14.8**	60.7	6.9
Other	**(30.8)**	(79.3)	(63.3)
Net investing cash	**(476.4)**	(322.4)	(462.6)
Financing Activities			
Net increase (decrease) in short-term borrowings	**763.9**	(204.6)	(122.8)
Proceeds from long-term debt	**994.8**	999.0	1,332.8
Payments of long-term debt	**(422.9)**	(1,204.7)	(1,875.8)
Payments for credit facility and debt issuance costs	**(11.5)**	(10.0)	(13.6)
Payments of cash dividends	**(587.1)**	(488.0)	(420.8)
Proceeds from stock options exercised	**192.8**	182.7	154.6
Treasury stock purchased	**(2,752.3)**	(2,446.3)	(778.8)
Proceeds from treasury stock issued	**11.7**	182.4	
Other	**(23.4)**	(30.6)	(122.0)
Net financing cash	**(1,834.0)**	(3,020.1)	(1,846.4)
Effect of exchange rate changes on cash	**4.9**	(1.3)	(6.0)
Net (decrease) increase in cash and cash equivalents	**(60.9)**	64.8	6.3
Cash and cash equivalents at beginning of year	**226.6**	161.8	155.5
Cash and cash equivalents at end of year	**$ 165.7**	$ 226.6	$ 161.8
Taxes paid on income	**$ 466.3**	$ 437.2	$ 407.5
Interest paid on debt	**338.8**	340.8	336.1

See notes to consolidated financial statements.

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THE SHERWIN-WILLIAMS COMPANY AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY

(in millions, except per share data)	Common Stock	Other Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total
Balance at January 1, 2019	$ 118.4	$ 2,896.4	$ 6,246.5	$ (4,900.7)	$ (629.9)	$ 3,730.7
Net income			1,541.3			1,541.3
Other comprehensive loss					(41.3)	(41.3)
Adjustment to initially adopt ASU 2016-02			(8.4)			(8.4)
Adjustment to initially adopt ASU 2018-02			8.3		(8.3)	—
Treasury stock purchased				(778.8)		(778.8)
Treasury stock transferred from defined benefit pension plan				(131.8)		(131.8)
Stock-based compensation activity	1.0	254.5		(25.2)		230.3
Other adjustments		2.1				2.1
Cash dividends -- $1.5067 per share			(420.8)			(420.8)
Balance at December 31, 2019	119.4	3,153.0	7,366.9	(5,836.5)	(679.5)	4,123.3
Net income			2,030.4			2,030.4
Other comprehensive loss					(38.8)	(38.8)
Adjustment to initially adopt ASU 2016-13			(3.0)			(3.0)
Treasury stock purchased				(2,446.3)		(2,446.3)
Treasury stock issued		61.6		120.8		182.4
Treasury stock retired	(30.6)		(8,061.6)	8,092.2		—
Stock-based compensation activity	1.1	276.4		(26.7)		250.8
Other adjustments		0.4	(0.4)			—
Cash dividends -- $1.7867 per share			(488.0)			(488.0)
Balance at December 31, 2020	**89.9**	**3,491.4**	**844.3**	**(96.5)**	**(718.3)**	**3,610.8**
Net income			**1,864.4**			**1,864.4**
Other comprehensive income					**19.9**	**19.9**
Treasury stock purchased				**(2,752.3)**		**(2,752.3)**
Treasury stock issued		**9.3**		**2.4**		**11.7**
Stock-based compensation activity	**0.9**	**290.9**		**(23.5)**		**268.3**
Other adjustments		**1.4**	**0.1**			**1.5**
Cash dividends -- $2.20 per share			**(587.1)**			**(587.1)**
Balance at December 31, 2021	**$ 90.8**	**$ 3,793.0**	**$ 2,121.7**	**$ (2,869.9)**	**$ (698.4)**	**$ 2,437.2**

See notes to consolidated financial statements.

THE SHERWIN-WILLIAMS COMPANY AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(millions of dollars, unless otherwise noted)

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the accounts of The Sherwin-Williams Company and its wholly owned subsidiaries (collectively, the Company). Inter-company accounts and transactions have been eliminated.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (US GAAP) requires management to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those amounts.

Nature of Operations

The Company is engaged in the development, manufacture, distribution and sale of paint, coatings and related products to professional, industrial, commercial and retail customers primarily in North and South America, with additional operations in the Caribbean region, Europe, Asia and Australia.

Reportable Segments

See Note 21 for further details.

Cash Equivalents

Management considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable were recorded at the time of credit sales net of allowance for credit losses. The Company recorded an allowance for doubtful accounts of $48.9 million, $53.5 million and $36.5 million at December 31, 2021, 2020 and 2019, respectively, to reduce Accounts receivable to the net amount expected to be collected (estimated net realizable value).

Effective January 1, 2020, the Company adopted Accounting Standards Update (ASU) 2016-13, "Measurement of Credit Losses on Financial Instruments" (ASC 326) using the modified retrospective transition method, electing to not restate prior periods. This ASU replaced the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. As a result of the transition method elected, the required comparative period disclosures are prepared in accordance with the incurred loss impairment methodology.

Under ASC 326, the Company reviews the collectibility of the Accounts receivable balance each reporting period and estimates the allowance based on historical bad debt experience, aging of accounts receivable, current creditworthiness of customers, current economic factors, as well as reasonable and supportable forward-looking information. Accounts receivable balances are written-off against the allowance if a final determination of uncollectibility is made. All provisions for allowances for doubtful accounts are included in Selling, general and administrative expenses. See Note 17 for further details.

Property, Plant and Equipment

Property, plant and equipment (including leasehold improvements) is stated on the basis of cost. Depreciation is charged to expense using the straight-line method over the assets' estimated useful lives which range from 5 to 25 years for buildings and 3 to 15 years for machinery and equipment. Depreciation and amortization are included in the appropriate Cost of goods sold or Selling, general and administrative expenses caption on the Statements of Consolidated Income.

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Goodwill and Intangible Assets

Goodwill represents the cost in excess of fair value of net assets acquired in business combinations accounted for by the purchase method. Intangible assets include trademarks, customer relationships and intellectual property. In accordance with the Goodwill and Other Intangibles Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), goodwill and indefinite-lived trademarks are not amortized, but instead are tested for impairment on an annual basis, as well as whenever an event occurs or circumstances change that indicate impairment has more likely than not occurred. Finite-lived intangible assets are amortized on a straight-line basis over the expected period of benefit, which ranges primarily from 15 to 20 years. See Note 5 for further details.

Impairment of Long-Lived Assets

In accordance with the Property, Plant and Equipment Topic of the ASC, management evaluates the recoverability and remaining lives of long-lived assets (including right-of-use assets) whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or the useful life has changed. See Note 5 for further details.

Derivative Instruments

The Company utilizes derivative instruments to mitigate certain risk exposures as part of its overall financial risk management policy and accounts for these instruments in accordance with the Derivatives and Hedging Topic of the ASC. Derivatives are recorded as assets or liabilities in the consolidated balance sheets at fair value. Changes in fair value of the derivative instruments are recognized immediately in earnings unless the derivative instrument qualifies for and is designated in an effective hedging relationship.

The Company entered into foreign currency forward contracts with maturity dates of less than twelve months in 2021, 2020, and 2019, primarily to hedge against value changes in foreign currency. There were no material foreign currency option and forward contracts outstanding at December 31, 2021, 2020 and 2019. See Note 18 for further details.

The Company also entered into cross currency swap contracts to hedge its net investment in European operations in 2021, 2020, and 2019. These contracts qualified for and were designated as net investment hedges as permitted under US GAAP. The changes in fair value for the cross currency swaps are recognized in the foreign currency translation adjustments component of AOCI. The cash flow impact of these instruments is classified as an investing activity in the consolidated statement of cash flows. See Note 15 for further details.

Non-Traded Investments

The Company has investments in the U.S. affordable housing and historic renovation real estate markets and certain other investments that have been identified as variable interest entities. However, because the Company does not have the power to direct the day-to-day operations of the investments and the risk of loss is limited to the amount of contributed capital, the Company is not considered the primary beneficiary. In accordance with the Consolidation Topic of the ASC, the investments are not consolidated. For affordable housing investments entered into prior to the January 1, 2015 adoption of ASU 2014-01, the Company uses the effective yield method to determine the carrying value of the investments. Under the effective yield method, the initial cost of the investments is amortized to income tax expense over the period that the tax credits are recognized. For affordable housing investments entered into on or after the January 1, 2015 adoption of ASU 2014-01, the Company uses the proportional amortization method. Under the proportional amortization method, the initial cost of the investments is amortized to income tax expense in proportion to the tax credits and other tax benefits received. The carrying value of the investments are recorded in Other assets. The liabilities for the estimated future capital contributions are recorded in Other accruals and Other long-term liabilities. The following table summarizes the balances related to the investments at December 31, 2021, 2020 and 2019, respectively.

	2021	2020	2019
Other assets	**$ 355.8**	$ 198.2	$ 176.2
Other accruals	**61.8**	89.0	87.3
Other long-term liabilities	**289.7**	127.3	87.1

Standby Letters of Credit

The Company occasionally enters into standby letter of credit agreements to guarantee various operating activities. These agreements provide credit availability to the various beneficiaries if certain contractual events occur. Amounts outstanding under these agreements totaled $89.2 million, $51.3 million and $61.2 million at December 31, 2021, 2020 and 2019, respectively.

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Product Warranties

The Company offers assurance type product warranties for certain products. The specific terms and conditions of such warranties vary depending on the product or customer contract requirements. Management estimated the costs of unsettled product warranty claims based on historical results and experience and included an amount in Other accruals. Management periodically assesses the adequacy of the accrual for product warranty claims and adjusts the accrual as necessary. Changes in the Company's accrual for product warranty claims during 2021, 2020 and 2019, including customer satisfaction settlements during the year, were as follows:

	2021	2020	2019
Balance at January 1	**$ 43.3**	$ 42.3	$ 57.1
Charges to expense	**27.5**	38.1	32.5
Settlements	**(35.6)**	(37.1)	(47.3)
Balance at December 31	**$ 35.2**	$ 43.3	$ 42.3

Defined Benefit Pension and Other Postretirement Benefit Plans

The Company accounts for its defined benefit pension and other postretirement benefit plans in accordance with the Retirement Benefits Topic of the ASC, which requires the recognition of a plan's funded status as an asset for overfunded plans and as a liability for unfunded or underfunded plans. See Note 7 for further details.

Environmental Matters

Capital expenditures for ongoing environmental compliance measures were recorded in Property, plant and equipment, and related expenses were included in the normal operating expenses of conducting business. The Company accrued for environmental-related activities for which commitments or clean-up plans have been developed and when such costs could be reasonably estimated based on industry standards and professional judgment. Accrued amounts were primarily recorded on an undiscounted basis and have not been recorded net of insurance proceeds in accordance with the Offsetting Subtopic of the Balance Sheet Topic of the ASC. Environmental-related expenses included direct costs of investigation and remediation and indirect costs such as compensation and benefits for employees directly involved in the investigation and remediation activities and fees paid to outside engineering, consulting and law firms. See Notes 9 and 18 for further details.

ESOP

The Company accounts for its employee stock ownership plan (ESOP), in accordance with the Employee Stock Ownership Plans Subtopic of the Compensation – Stock Ownership Topic of the ASC. The Company recognized compensation expense for amounts contributed to the ESOP. See Note 12 for further details.

Stock-Based Compensation

The cost of the Company's stock-based compensation is recorded in accordance with the Stock Compensation Topic of the ASC. See Note 13 for further details.

Other Liabilities

The Company retains risk for certain liabilities, primarily workers' compensation claims, employee medical and disability benefits, and automobile, property, general and product liability claims. Estimated amounts were accrued for certain workers' compensation, employee medical and disability benefits, automobile and property claims filed but unsettled, and estimated claims incurred but not reported. Estimates were based upon management's estimated aggregate liability for claims incurred using historical experience, actuarial assumptions followed in the insurance industry and actuarially-developed models for estimating certain liabilities. Certain estimated general and product liability claims filed but unsettled were accrued based on management's best estimate of ultimate settlement or actuarial calculations of potential liability using industry experience and actuarial assumptions developed for similar types of claims.

Foreign Currency Translation

All consolidated non-highly inflationary foreign operations use the local currency of the country of operation as the functional currency and translated the local currency asset and liability accounts at year-end exchange rates while income and expense accounts were translated at average exchange rates. The resulting translation adjustments were included in accumulated other comprehensive income (loss) (AOCI), a component of Shareholders' equity.

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Revenue Recognition

The Company recognized revenue when performance obligations under the terms of the agreement were satisfied. This generally occurs with the transfer of control of our products to the customer. Collectibility of amounts recorded as revenue was probable at the time of recognition. See Note 17 for further details.

Customer and Vendor Consideration

The Company offered certain customers rebate and sales incentive programs which were classified as reductions in net sales. Such programs were in the form of volume rebates, rebates that constituted a percentage of sales or rebates for attaining certain sales goals. The Company received consideration from certain suppliers of raw materials in the form of volume rebates or rebates that constituted a percentage of purchases. These rebates were recognized on an accrual basis by the Company as a reduction of the purchase price of the raw materials and a subsequent reduction of Cost of goods sold when the related product was sold.

Costs of Goods Sold

Included in Costs of goods sold were costs for materials, manufacturing, distribution and related support. Distribution costs included expenses related to the distribution of products including inbound freight charges, purchase and receiving costs, warehousing costs, internal transfer costs and other costs incurred to ship products. Also included in Costs of goods sold were total technical expenditures, which included research and development costs, quality control, product formulation expenditures and other similar items. Research and development costs included in technical expenditures were $115.9 million, $97.1 million and $103.1 million for 2021, 2020 and 2019, respectively.

Selling, General and Administrative Expenses

Selling costs included advertising expenses, marketing costs, employee and store costs and sales commissions. The cost of advertising was expensed as incurred. The Company incurred $311.9 million, $363.4 million and $355.2 million in advertising costs during 2021, 2020 and 2019, respectively. General and administrative expenses included human resources, legal, finance and other support and administrative functions.

Earnings Per Share

Common stock held in a revocable trust (see Note 11) was not included in outstanding shares for basic or diluted income per share calculations. Basic and diluted net income per share were calculated using the treasury stock method in accordance with the Earnings Per Share Topic of the ASC. Basic net income per share amounts were computed based on the weighted-average number of shares outstanding during the year. Diluted net income per share amounts were computed based on the weighted-average number of shares outstanding plus all dilutive securities potentially outstanding during the year. See Note 20 for further details.

Reclassifications

Certain amounts in the consolidated financial statements and notes to the consolidated financial statements for 2019 and 2020 have been reclassified to conform to the 2021 presentation.

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NOTE 2 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Adopted in 2021

Effective January 1, 2021, the Company adopted Accounting Standards Update (ASU) 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes." This ASU simplifies the accounting for income taxes by removing certain exceptions to the general principles in ASC 740. It also improves consistent application of and simplifies U.S. GAAP for other areas of ASC 740 by clarifying and amending existing guidance. The amendments are being applied prospectively. The adoption of ASU 2019-12 did not have a material impact on the Company's financial position, results of operations or cash flows.

Not Yet Adopted

In October 2021, the FASB issued ASU 2021-08, "Business Combinations (Topic 805): Accounting for Contract Assets and Liabilities from Contracts with Customers." This ASU requires an acquiring entity to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606. The ASU is effective for fiscal years and interim periods beginning after December 15, 2022, with early adoption permitted. The Company is evaluating the impact of adopting this ASU.

In November 2021, the FASB issued ASU 2021-10, "Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance." This ASU requires disclosures for material government assistance transactions during annual reporting periods. The disclosures include information about the nature of the transaction, the related accounting policies used to account for the government assistance, the effect of government assistance on the entity's financial statements, and any significant terms and conditions. The ASU is effective for the Company as of January 1, 2022 and will not affect the Company's financial position, results of operations or cash flows as the standard only impacts annual financial statement footnote disclosures.

NOTE 3 – ACQUISITIONS AND DIVESTITURES

During the third quarter of 2021, the Company signed an agreement to acquire the European industrial coatings business of Sika AG (Sika). Sika's European industrial coatings business engineers, manufactures and sells corrosion protection coating systems and fire protection coating systems. The transaction is subject to customary closing conditions and is expected to close in the first quarter of 2022. The acquired business will be reported within the Company's Performance Coatings Group.

During the fourth quarter of 2021, the Company completed the acquisition of Specialty Polymers, Inc. (Specialty Polymers), a leading manufacturer and developer of water-based polymers used in architectural and industrial coatings and other applications. The acquisition added to the Company's existing internal resin manufacturing capabilities. Specialty Polymers will be reported within the Company's Performance Coatings Group.

During the first quarter of 2021, the Company completed the acquisition of a domestic coatings company. The acquisition expanded the Performance Coatings Group's platform for growth and portfolio of brands and technologies.

The aggregate purchase price for acquisitions closed in 2021 was approximately $227.0 million, including amounts withheld as security for certain representations, warranties and obligations of the sellers. The purchase price for each acquisition was preliminarily allocated to identifiable assets and liabilities based on information available at the date of acquisition and may change as the Company completes its analysis of net assets acquired, primarily the valuation of intangible assets. As of December 31, 2021, $155.6 million of goodwill and $11.3 million of intangible assets were recognized from these transactions. The preliminary purchase price allocation for each acquisition is expected to be finalized within the allowable measurement period. The results of operations for the acquisitions have been included in the consolidated financial statements since the respective acquisition dates. Pro forma results of operations have not been presented as the impact on the Company's consolidated financial results is not material.

On March 31, 2021, the Company divested Wattyl, an Australian and New Zealand manufacturer and seller of architectural and protective paint and coatings with annual revenue of approximately $200 million. The divestiture will enable the Company to focus its resources on global opportunities which better align with our long-term strategies. In connection with this transaction, the Company recognized a pre-tax loss of $111.9 million within Other general (income) expense - net (see Note 15). The Wattyl divestiture does not meet the criteria to be reported as discontinued operations in our consolidated financial statements as the Company's decision to divest this business did not represent a strategic shift that will have a major effect on the Company's operations and financial results.

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During 2019, the Company completed the acquisition of a domestic packaging company and two European coatings companies for an aggregate purchase price of $84.4 million, including amounts withheld as security for certain representations, warranties and obligations of the sellers. These acquisitions support the growth of the Performance Coatings Group by providing new technologies and an expanded global platform. The acquisitions have been accounted for as business combinations. The results of operations of these companies have been included in the consolidated financial statements since the date of acquisition. Pro forma results of operations have not been presented as the impact on the Company's consolidated financial results was not material.

NOTE 4 – INVENTORIES

Included in Inventories were the following:

	2021	2020	2019
Finished goods	**$ 1,378.8**	$ 1,427.6	$ 1,509.6
Work in process and raw materials	**548.4**	376.5	380.0
Inventories	**$ 1,927.2**	$ 1,804.1	$ 1,889.6

Inventories were stated at the lower of cost or net realizable value, with cost primarily determined on the last-in, first-out (LIFO) method. Management believes that the use of LIFO results in a better matching of costs and revenues.

The following table summarizes the extent to which the Company's Inventories use the LIFO cost method, and presents the effect on Inventories had the Company used the first-in, first-out (FIFO) inventory valuation method.

	2021	2020	2019
Percentage of total inventories on LIFO	**70 %**	72 %	72 %
Excess of FIFO over LIFO	**$ 593.0**	$ 312.1	$ 339.8

During 2021, certain inventories accounted for on the LIFO method were reduced, resulting in the liquidation of certain quantities carried at costs prevailing in prior years. The 2021 liquidation increased net income by $25.8 million.

The Company recorded a reserve for obsolescence of $118.6 million, $125.8 million and $115.4 million at December 31, 2021, 2020 and 2019, respectively, to reduce Inventories to their estimated net realizable value.

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NOTE 5 – LONG-LIVED ASSETS, INCLUDING GOODWILL AND INTANGIBLE ASSETS

Included in Property, plant and equipment, net were the following:

	2021	2020	2019
Land	**$ 257.7**	$ 283.5	$ 242.1
Buildings	**1,157.8**	1,098.0	1,044.2
Machinery and equipment	**3,043.6**	3,026.8	2,952.1
Construction in progress	**205.4**	140.5	144.0
Property, plant and equipment, gross	**4,664.5**	4,548.8	4,382.4
Less allowances for depreciation	**2,797.2**	2,714.3	2,547.2
Property, plant and equipment, net	**$ 1,867.3**	$ 1,834.5	$ 1,835.2

In accordance with the Property, Plant and Equipment Topic of the ASC, whenever events or changes in circumstances indicate that the carrying value of long-lived assets may not be recoverable or the useful life may have changed, impairment tests are to be performed. Undiscounted cash flows are used to calculate the recoverable value of long-lived assets to determine if such assets are not recoverable. If the carrying value of the assets is deemed to not be recoverable, the impairment to be recognized is the amount by which the carrying value of the assets exceeds the estimated fair value of the assets as determined in accordance with the Fair Value Topic of the ASC. No material impairments of long-lived assets were recorded in 2021, 2020 or 2019.

During 2021, the Company acquired two companies which resulted in the recognition of goodwill of $155.6 million and finite-lived intangibles of $11.3 million. During 2019, the Company acquired three companies which resulted in the recognition of goodwill of $14.2 million and finite-lived intangibles of $34.9 million. In addition, during 2021, the Company divested its Wattyl business in Australia and New Zealand. See Note 3 for additional information related to the acquisitions and divestiture.

In accordance with the Goodwill and Other Intangibles Topic of the ASC, goodwill and indefinite-lived intangible assets are tested for impairment annually at the reporting unit level, and interim impairment tests are performed whenever an event occurs or circumstances change that indicate an impairment has more likely than not occurred. October 1 has been established for the annual impairment review. At the time of impairment testing, values are estimated separately for goodwill and trademarks with indefinite lives using a valuation model, incorporating discount rates commensurate with the risks involved for each group of assets. An optional qualitative assessment may alleviate the need to perform the quantitative goodwill impairment test when impairment is unlikely.

The annual impairment review performed as of October 1, 2021 did not result in any trademark or goodwill impairment. The annual impairment review performed as of October 1, 2020 resulted in trademark impairment of $2.3 million in the Performance Coatings Group related to lower than anticipated sales of an acquired brand and no goodwill impairment.

During the fourth quarter of 2019, the Company performed a strategic review of its business lines as part of the annual planning cycle. Decisions were made during this review related to certain brands which resulted in a reduction to the long-term forecasted net sales for certain indefinite-lived trademarks acquired in the Valspar acquisition within the Performance Coatings and Consumer Brands Groups. As a result of the strategic decisions made at that time and in conjunction with the annual impairment review performed as of October 1, 2019, the Company recognized non-cash pre-tax impairment charges totaling $122.1 million related to certain recently acquired indefinite-lived trademarks. These charges included impairments totaling $117.0 million in the Performance Coatings Group and $5.1 million in the Consumer Brands Group. In the Performance Coatings Group, $75.6 million related to trademarks in North America directly associated with strategic decisions made to rebrand industrial products to the Sherwin-Williams® brand name, $25.7 million related to trademarks in the Asia Pacific region as a direct result of recent performance that reduced the long-term forecasted net sales and $15.7 million related to other recently acquired trademarks in various regions.The annual impairment review did not result in any goodwill impairment.

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A summary of changes in the Company's carrying value of goodwill by Reportable Segment is as follows:

Goodwill	The Americas Group	Consumer Brands Group	Performance Coatings Group	Consolidated Totals
Balance at January 1, 2019 [1]	$ 2,256.6	$ 1,753.8	$ 2,946.3	$ 6,956.7
Acquisitions			14.2	14.2
Currency and other adjustments		0.1	33.8	33.9
Balance at December 31, 2019 [1]	2,256.6	1,753.9	2,994.3	7,004.8
Currency and other adjustments		0.7	43.6	44.3
Balance at December 31, 2020 [1]	**2,256.6**	**1,754.6**	**3,037.9**	**7,049.1**
Acquisitions			**155.6**	**155.6**
Currency and other adjustments		**(45.7)**	**(24.4)**	**(70.1)**
Balance at December 31, 2021 [1]	**$ 2,256.6**	**$ 1,708.9**	**$ 3,169.1**	**$ 7,134.6**

[1] Net of accumulated impairment losses of $19.4 million ($10.5 million in The Americas Group, $8.1 million in the Consumer Brands Group and $0.8 million in the Performance Coatings Group).

A summary of the Company's carrying value of intangible assets is as follows:

	Finite-Lived Intangible Assets						
	Software	Customer Relationships	Intellectual Property	All Other	Subtotal	Trademarks With Indefinite Lives [1]	Total Intangible Assets
December 31, 2021							
Gross	**$ 166.0**	**$ 3,005.7**	**$ 1,730.3**	**$ 303.5**	**$ 5,205.5**		
Accumulated amortization	**(149.3)**	**(961.6)**	**(396.5)**	**(279.7)**	**(1,787.1)**		
Net value	**$ 16.7**	**$ 2,044.1**	**$ 1,333.8**	**$ 23.8**	**$ 3,418.4**	**$ 583.1**	**$ 4,001.5**
December 31, 2020							
Gross	$ 166.8	$ 3,181.6	$ 1,730.3	$ 306.8	$ 5,385.5		
Accumulated amortization	(142.8)	(804.7)	(310.0)	(273.4)	(1,530.9)		
Net value	$ 24.0	$ 2,376.9	$ 1,420.3	$ 33.4	$ 3,854.6	$ 616.6	$ 4,471.2
December 31, 2019							
Gross	$ 166.4	$ 3,062.8	$ 1,730.3	$ 312.9	$ 5,272.4		
Accumulated amortization	(134.8)	(527.5)	(223.5)	(260.5)	(1,146.3)		
Net value	$ 31.6	$ 2,535.3	$ 1,506.8	$ 52.4	$ 4,126.1	$ 608.4	$ 4,734.5

[1] Trademarks are net of accumulated impairment losses of $124.4 million as of December 31, 2021 and 2020, and $122.1 million as of December 31, 2019.

Amortization of finite-lived intangible assets is estimated as follows for the next five years: $299.1 million in 2022, $297.3 million in 2023, $294.0 million in 2024, $286.7 million in 2025 and $282.3 million in 2026.

Although the Company believes its estimates of fair value related to reporting units and indefinite-lived trademarks are reasonable, actual financial results could differ from those estimates due to the inherent uncertainty involved in making such estimates. Changes in assumptions concerning future financial results or other underlying assumptions could have a significant impact and future impairment charges may be required.

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NOTE 6 – DEBT

The table below summarizes the carrying value of the Company's outstanding debt, net of capitalized debt issuance costs:

	Due Date	2021	2020	2019
3.45% Senior Notes	2027	**$ 1,490.4**	$ 1,488.6	$ 1,486.8
4.50% Senior Notes	2047	**1,231.6**	1,230.8	1,230.1
2.95% Senior Notes	2029	**792.6**	791.7	790.7
3.80% Senior Notes	2049	**543.0**	542.8	542.5
3.125% Senior Notes	2024	**498.3**	497.7	497.0
2.30% Senior Notes	2030	**496.2**	495.8	—
3.30% Senior Notes	2050	**493.9**	493.7	—
2.20% Senior Notes	2032	**493.6**	—	—
2.90% Senior Notes	2052	**491.3**	—	—
3.45% Senior Notes	2025	**398.7**	398.3	398.0
4.55% Senior Notes	2045	**394.7**	394.5	394.3
3.95% Senior Notes	2026	**356.2**	357.8	359.3
4.00% Senior Notes	2042	**296.7**	296.6	296.4
2.75% Senior Notes	2022	**260.0**	259.6	757.1
3.30% Senior Notes	2025	**249.6**	249.5	249.4
4.40% Senior Notes	2045	**240.0**	239.6	239.2
7.375% Debentures	2027	**119.2**	119.1	119.1
7.45% Debentures	2097	**3.5**	3.5	3.5
0.53% to 8.00% Promissory Notes	Through 2026	**2.0**	2.3	2.9
4.20% Senior Notes	2022	—	405.7	411.3
0.92% Fixed Rate Loan	2021	—	24.4	22.4
Floating Rate Loan	2021	—	—	251.9
2.25% Senior Notes	2020	—	—	428.6
Total [1]		**8,851.5**	8,292.0	8,480.5
Less amounts due within one year		**260.6**	25.1	429.8
Long-term debt		**$ 8,590.9**	$ 8,266.9	$ 8,050.7

(1) Net of capitalized debt issuance costs of $57.6 million, $52.9 million and $50.6 million at December 31, 2021, 2020 and 2019, respectively.

Maturities of long-term debt are as follows for the next five years: $260.8 million in 2022; $0.9 million in 2023; $500.2 million in 2024, $650.1 million in 2025 and $350.1 million in 2026. Interest expense on long-term debt was $320.4 million, $320.5 million and $321.3 million for 2021, 2020 and 2019, respectively.

Among other restrictions, the Company's notes, debentures and revolving credit agreement contain certain covenants relating to liens, ratings changes, merger and sale of assets, consolidated leverage and change of control, as defined in the agreements. In the event of default under any one of these arrangements, acceleration of the maturity of any one or more of these borrowings may result. The Company was in compliance with all covenants for all years presented.

In November 2021, the Company issued $500.0 million of 2.20% Senior Notes due March 2032 and $500.0 million of 2.90% Senior Notes due March 2052 in a public offering. The net proceeds from the issuance of these notes were used to repay outstanding borrowings under the Company's domestic commercial paper program.

In October 2021, the Company exercised its optional redemption rights to redeem the entire outstanding $400.0 million aggregate principal amount of its 4.20% Senior Notes due 2022 and its 4.20% Notes due 2022 initially issued by The Valspar Corporation (collectively, the 4.20% Senior Notes) after exercising its optional redemption rights. The 4.20% Senior Notes were redeemed at a redemption price equal to 100% of the principal amount, plus accrued interest, and resulted in a gain of $1.4 million recorded in Other (income) expense - net. See Note 18.

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In March 2020, the Company issued $500.0 million of 2.30% Senior Notes due May 2030 and $500.0 million of 3.30% Senior Notes due May 2050 in a public offering. The net proceeds from the issuance of these notes were used to repurchase a portion of the 2.75% Senior Notes due 2022 and redeem the 2.25% Senior Notes due May 2020. The repurchase of the 2.75% Senior Notes due 2022 during the first quarter of 2020 resulted in a loss of $21.3 million recorded in Other (income) expense - net. See Note 18.

In August 2019, the Company issued $800.0 million of 2.95% Senior Notes due 2029 and $550.0 million of 3.80% Senior Notes due 2049 in a public offering. The net proceeds from the issuance of these notes were used for general corporate purposes.

In August 2019, the Company repurchased $1.010 billion of its 2.25% Senior Notes due 2020 and $490.0 million of its 2.75% Senior Notes due 2022. These repurchases resulted in a loss of $14.8 million recorded in Other (income) expense - net. See Note 18.

In June 2019, the Company repurchased $60.9 million of its 2.25% Senior Notes due May 2020. This repurchase resulted in an insignificant gain.

Short-Term Borrowings

On June 29, 2021, the Company and two of its wholly-owned subsidiaries, Sherwin-Williams Canada Inc. (SW Canada) and Sherwin-Williams Luxembourg S.à r.l. (SW Luxembourg, together with the Company and SW Canada, the Borrowers), entered into a new five-year $2.000 billion credit agreement (New Credit Agreement). The New Credit Agreement may be used for general corporate purposes, including the financing of working capital requirements. The New Credit agreement replaced the $2.000 billion credit agreement dated July 19, 2018, as amended, which was terminated effective June 29, 2021. The New Credit Agreement will mature on June 29, 2026 and provides that the Company may request to extend the maturity date of the facility for two additional one-year periods. In addition, the New Credit Agreement provides that the Borrowers may increase the aggregate amount of the facility to $2.750 billion, subject to the discretion of each lender to participate in the increase, and the Borrowers may request letters of credit in an amount of up to $250.0 million. At December 31, 2021, 2020 and 2019, there were no short-term borrowings under these credit agreements.

On August 2, 2021, the Company entered into an amended and restated $625.0 million credit agreement (August 2021 Credit Agreement), which amends and restates the five-year credit agreement entered into in September 2017. The August 2021 Credit Agreement was subsequently amended on multiple dates to extend the maturity of commitments available for borrowing or letters of credit under the agreement. On May 9, 2016, the Company entered into a five-year credit agreement (May 2016 Credit Agreement), subsequently amended on multiple dates to extend the maturity of commitments available for borrowing or letters of credit under the agreement. The May 2016 credit agreement gives the Company the right to borrow and obtain letters of credit up to an aggregate availability of $875.0 million. These credit agreements are being used for general corporate purposes. At December 31, 2021, 2020 and 2019, there were no borrowings outstanding under these credit agreements.

The Company's available capacity under its committed credit agreements is reduced for amounts outstanding under its domestic commercial paper program and letters of credit. At December 31, 2021, the Company had unused capacity under its various credit agreements of $2.725 billion. The table below summarizes the Company's short-term borrowings:

	2021	2020	2019
Domestic commercial paper	**$ 739.9**	$ —	$ 191.9
Foreign facilities	**23.6**	0.1	12.8
Total	**$ 763.5**	$ 0.1	$ 204.7
Weighted average interest rate:			
Domestic	**0.3 %**	— %	2.1 %
Foreign	**9.5 %**	0.2 %	4.3 %

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NOTE 7 – PENSION, HEALTH CARE AND OTHER POSTRETIREMENT BENEFITS

The Company provides pension benefits to substantially all full-time employees through primarily noncontributory defined contribution or defined benefit plans and certain health care and life insurance benefits to domestic active employees and eligible retirees. In accordance with the Retirement Benefits Topic of the ASC, the Company recognizes an asset for overfunded defined benefit pension or other postretirement benefit plans and a liability for unfunded or underfunded plans. In addition, actuarial gains and losses and prior service costs of such plans are recorded in AOCI. The amounts recorded in AOCI will continue to be modified as actuarial assumptions and service costs change, and all such amounts will be amortized to expense over a period of years through the net pension cost (credit) and net periodic benefit cost (credit).

Health Care Plans

The Company provides certain domestic health care plans that are contributory and contain cost-sharing features such as deductibles and coinsurance. There were 29,016, 27,782 and 27,030 active employees entitled to receive benefits under these plans at December 31, 2021, 2020 and 2019, respectively. The cost of these benefits for active employees, which includes claims incurred but not reported, amounted to $336.0 million, $298.8 million and $301.6 million for 2021, 2020 and 2019, respectively.

Defined Contribution Pension Plans

The Company's annual contribution for its domestic defined contribution pension plan was $85.3 million, $77.0 million and $72.7 million for 2021, 2020 and 2019, respectively. The contribution percentage ranges from two percent to seven percent of compensation for covered employees based on an age and service formula. Assets in employee accounts of the domestic defined contribution pension plan are invested in various investment funds as directed by the participants. These investment funds did not own a significant number of shares of the Company's common stock for any year presented.

The Company's annual contributions for its foreign defined contribution pension plans, which are based on various percentages of compensation for covered employees up to certain limits, were $17.9 million, $22.5 million and $24.5 million for 2021, 2020 and 2019, respectively. Assets in employee accounts of the foreign defined contribution pension plans are invested in various investment funds. These investment funds did not own a significant number of shares of the Company's common stock for any year presented.

Defined Benefit Pension Plans

In 2018, the Company's domestic defined benefit pension plan was split into two separate overfunded plans: one that will continue to operate, and one that was frozen and subsequently terminated during 2018 (Terminated Plan). Active participants in the Terminated Plan were moved to the Company's domestic defined contribution plan (Qualified Replacement Plan). The Company settled the liabilities of the Terminated Plan through a combination of (i) lump sum payments to eligible participants who elected to receive them and (ii) the purchase of annuity contracts for participants who either did not elect lump sums or were already receiving benefit payments. The lump sum payments were paid in December 2018. During the first quarter of 2019, the Company purchased annuity contracts to settle the remaining liabilities of the Terminated Plan. The annuity contract purchase resulted in a settlement charge of $32.4 million in the first quarter of 2019. The remaining surplus of the Terminated Plan is being used, as prescribed in the applicable regulations, to fund Company contributions to the Qualified Replacement Plan. During 2019, the Company transferred the remaining surplus of $242.2 million to a suspense account held within a trust for the Qualified Replacement Plan. This amount included $131.8 million of Company common stock (900,000 shares). The shares are treated as treasury stock in accordance with ASC 715. See Note 11. The remaining surplus consists of investment funds held at fair value. See Note 16.

At December 31, 2021, the domestic defined benefit pension plan was overfunded, with a projected benefit obligation of $120.8 million, fair value of plan assets of $155.2 million and excess plan assets of $34.4 million. The plan was funded in accordance with all applicable regulations at December 31, 2021.

The Company has thirty-three foreign defined benefit pension plans. At December 31, 2021, twenty-seven of the Company's foreign defined benefit pension plans were unfunded or underfunded, with combined accumulated benefit obligations, projected benefit obligations, fair values of net assets and deficiencies of plan assets of $95.2 million, $108.5 million, $29.5 million and $79.0 million, respectively.

The Company expects to make the following benefit payments for all domestic and foreign defined benefit pension plans: $15.2 million in 2022; $14.8 million in 2023; $16.1 million in 2024; $16.9 million in 2025; $23.1 million in 2026; and $105.4 million in 2027 through 2031. The Company expects to contribute $5.8 million to the foreign plans in 2022.

The estimated net actuarial losses and prior service credits for the defined benefit pension plans that are expected to be amortized from AOCI into the net pension costs in 2022 are $0.3 million and $(0.2) million, respectively.

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The following table summarizes the components of the net pension costs and AOCI related to the defined benefit pension plans:

	Domestic Defined Benefit Pension Plan			Foreign Defined Benefit Pension Plans		
	2021	2020	2019	**2021**	2020	2019
Net pension cost:						
Service cost	**$ 4.9**	$ 4.4	$ 3.5	**$ 7.4**	$ 6.8	$ 5.9
Interest cost	**2.7**	3.2	4.8	**5.7**	6.9	9.4
Expected return on plan assets	**(7.1)**	(6.3)	(5.3)	**(9.6)**	(10.0)	(10.3)
Amortization of prior service cost	**1.1**	1.4	1.4	**(0.1)**		
Amortization of actuarial losses				**1.5**	1.0	1.0
Ongoing pension cost	**1.6**	2.7	4.4	**4.9**	4.7	6.0
Settlement costs			32.4	**0.3**	0.2	0.3
Net pension cost	**1.6**	2.7	36.8	**5.2**	4.9	6.3
Other changes in plan assets and projected benefit obligation recognized in AOCI (before taxes):						
Net actuarial (gains) losses arising during the year	**(10.5)**	(4.5)	(22.0)	**(44.9)**	7.0	13.2
Prior service cost (credit) arising during the year	**1.4**	0.2	3.1	**(1.0)**	(0.5)	
Amortization of actuarial losses				**(1.5)**	(1.0)	(1.0)
Amortization of prior service cost	**(1.1)**	(1.4)	(1.4)	**0.1**		
Loss recognized for settlement			(32.4)	**(0.3)**	(0.2)	(0.3)
Gain arising from curtailment						(0.7)
Exchange rate (loss) gain recognized during the year				**(0.6)**	1.7	1.0
Total recognized in AOCI	**(10.2)**	(5.7)	(52.7)	**(48.2)**	7.0	12.2
Total recognized in net pension cost and AOCI	**$ (8.6)**	$ (3.0)	$ (15.9)	**$ (43.0)**	$ 11.9	$ 18.5

Service cost is recorded in Cost of goods sold and Selling, general and administrative expense. All other components of Net pension costs are recorded in Other (income) expense - net.

The Company employs a total return investment approach for the domestic and foreign defined benefit pension plan assets. A mix of equities and fixed income investments are used to maximize the long-term return of assets for a prudent level of risk. In determining the expected long-term rate of return on defined benefit pension plan assets, management considers the historical rates of return, the nature of investments and an expectation of future investment strategies. The target allocations for plan assets are 35% – 65% equity securities, 35% – 55% fixed income securities and 0% – 10% other (including alternative investments and cash).

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The following tables summarize the fair value of the defined benefit pension plan assets at December 31, 2021, 2020 and 2019. The presentation is in accordance with the Retirement Benefits Topic of the ASC.

	Fair value at December 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments at fair value:				
Equity investments [1]	**$ 133.1**	**$ 13.5**	**$ 119.6**	
Fixed income investments [2]	**172.1**		**172.1**	
Other assets [3]	**36.7**		**36.7**	
Total investments in fair value hierarchy	**341.9**	**$ 13.5**	**$ 328.4**	
Investments measured at NAV or its equivalent [4]	**141.7**			
Total investments	**$ 483.6**			

	Fair value at December 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments at fair value:				
Equity investments [1]	$ 134.9	$ 13.9	$ 121.0	
Fixed income investments [2]	182.3	24.3	158.0	
Other assets [3]	39.2		39.2	
Total investments in fair value hierarchy	356.4	$ 38.2	$ 318.2	
Investments measured at NAV or its equivalent [4]	106.1			
Total investments	$ 462.5			

	Fair value at December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments at fair value:				
Equity investments [1]	$ 115.7	$ 7.9	$ 107.8	
Fixed income investments [2]	173.4	29.7	143.7	
Other assets [3]	36.6		36.6	
Total investments in fair value hierarchy	325.7	$ 37.6	$ 288.1	
Investments measured at NAV or its equivalent [4]	88.3			
Total investments	$ 414.0			

(1) This category includes actively managed equity assets that track primarily to the S&P 500.

(2) This category includes government and corporate bonds that track primarily to the Barclays Capital Aggregate Bond Index.

(3) This category includes real estate and pooled investment funds.

(4) This category includes pooled investment funds and private equity funds that are measured at NAV or its equivalent using the practical expedient. Therefore, these investments are not classified in the fair value hierarchy.

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The following table summarizes the obligations, plan assets and assumptions used for the defined benefit pension plans, which are all measured as of December 31:

	Domestic Defined Benefit Pension Plan			Foreign Defined Benefit Pension Plans		
	2021	2020	2019	**2021**	2020	2019
Accumulated benefit obligations at end of year	**$ 117.0**	$ 114.2	$ 97.2	**$ 334.8**	$ 370.2	$ 331.7
Projected benefit obligations:						
Balances at beginning of year	**$ 118.6**	$ 103.0	$ 524.7	**$ 401.1**	$ 360.7	$ 315.8
Service cost	**4.9**	4.4	3.5	**7.4**	6.8	5.9
Interest cost	**2.7**	3.2	4.8	**5.7**	6.9	9.4
Actuarial (gains) losses	**(2.8)**	11.0	4.4	**(26.0)**	25.3	36.2
Contributions and other	**1.4**	0.2	3.1	**(4.6)**	(0.1)	0.7
Settlements			(429.3)	**(1.7)**	(4.3)	(6.6)
Effect of foreign exchange				**(9.8)**	16.0	7.8
Benefits paid	**(4.0)**	(3.2)	(8.2)	**(9.4)**	(10.2)	(8.5)
Balances at end of year	**120.8**	118.6	103.0	**362.7**	401.1	360.7
Plan assets:						
Balances at beginning of year	**144.3**	125.9	777.0	**318.2**	288.1	253.5
Actual returns on plan assets	**14.9**	21.6	31.7	**27.9**	28.9	33.3
Contributions and other				**(1.1)**	5.9	7.7
Settlements			(429.3)	**(1.7)**	(4.3)	(6.6)
Transfer related to plan termination			(245.3)			
Effect of foreign exchange				**(5.5)**	9.8	8.7
Benefits paid	**(4.0)**	(3.2)	(8.2)	**(9.4)**	(10.2)	(8.5)
Balances at end of year	**155.2**	144.3	125.9	**328.4**	318.2	288.1
Excess (deficient) plan assets over projected benefit obligations	**$ 34.4**	$ 25.7	$ 22.9	**$ (34.3)**	$ (82.9)	$ (72.6)
Assets and liabilities recognized in the Consolidated Balance Sheets:						
Deferred pension assets	**$ 34.4**	$ 25.7	$ 22.9	**$ 44.7**	$ 27.4	$ 20.1
Other accruals				**(3.3)**	(2.5)	(2.3)
Other long-term liabilities				**(75.7)**	(107.8)	(90.4)
	$ 34.4	$ 25.7	$ 22.9	**$ (34.3)**	$ (82.9)	$ (72.6)
Amounts recognized in AOCI:						
Net actuarial gains (losses)	**$ 13.0**	$ 2.5	$ (2.0)	**$ 1.9**	$ (45.4)	$ (37.9)
Prior service (costs) credits	**(6.5)**	(6.2)	(7.4)	**1.4**	0.5	
	$ 6.5	$ (3.7)	$ (9.4)	**$ 3.3**	$ (44.9)	$ (37.9)
Weighted-average assumptions used to determine projected benefit obligations:						
Discount rate	**3.12 %**	2.85 %	3.44 %	**2.26 %**	1.63 %	2.17 %
Rate of compensation increase	**3.00 %**	3.00 %	3.00 %	**3.25 %**	2.91 %	3.09 %
Weighted-average assumptions used to determine net pension cost:						
Discount rate	**2.85 %**	3.44 %	3.60 %	**1.63 %**	2.17 %	3.04 %
Expected long-term rate of return on assets	**5.00 %**	5.00 %	5.00 %	**3.17 %**	3.62 %	4.09 %
Rate of compensation increase	**3.00 %**	3.00 %	3.17 %	**2.91 %**	3.09 %	3.65 %

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Other Postretirement Benefits

Employees of the Company hired in the United States prior to January 1, 1993 who are not members of a collective bargaining unit, and certain groups of employees added through acquisitions, are eligible for health care and life insurance benefits upon retirement, subject to the terms of the unfunded plans. There were 3,410, 3,465 and 3,481 retired employees entitled to receive such postretirement benefits at December 31, 2021, 2020 and 2019, respectively.

The following table summarizes the obligation and the assumptions used for other postretirement benefits:

	Other Postretirement Benefits		
	2021	2020	2019
Benefit obligation:			
Balance at beginning of year - unfunded	**$ 291.6**	$ 280.5	$ 274.6
Service cost	**1.4**	1.5	1.5
Interest cost	**4.9**	7.6	11.2
Actuarial (gain) loss	**(4.1)**	19.7	12.8
Plan amendments	**(2.2)**	1.0	
Benefits paid	**(15.2)**	(18.7)	(19.6)
Balance at end of year - unfunded	**$ 276.4**	$ 291.6	$ 280.5
Liabilities recognized in the Consolidated Balance Sheets:			
Other accruals	**$ (17.0)**	$ (16.0)	$ (17.5)
Postretirement benefits other than pensions	**(259.4)**	(275.6)	(263.0)
	$ (276.4)	$ (291.6)	$ (280.5)
Amounts recognized in AOCI:			
Net actuarial losses	**$ (54.0)**	$ (62.8)	$ (45.1)
Prior service credit (cost)	**1.6**	(0.9)	1.1
	$ (52.4)	$ (63.7)	$ (44.0)
Weighted-average assumptions used to determine benefit obligation:			
Discount rate	**2.83 %**	2.49 %	3.22 %
Health care cost trend rate - pre-65	**6.38 %**	6.06 %	6.38 %
Health care cost trend rate - post-65	**5.13 %**	5.13 %	5.25 %
Prescription drug cost increases	**8.25 %**	8.25 %	9.00 %
Employer Group Waiver Plan (EGWP) trend rate	**8.25 %**	8.25 %	9.00 %
Weighted-average assumptions used to determine net periodic benefit cost:			
Discount rate	**2.49 %**	3.22 %	4.21 %
Health care cost trend rate - pre-65	**6.06 %**	6.38 %	6.69 %
Health care cost trend rate - post-65	**5.13 %**	5.25 %	4.94 %
Prescription drug cost increases	**8.25 %**	9.00 %	9.75 %

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The following table summarizes the components of the net periodic benefit cost and AOCI related to postretirement benefits other than pensions:

	Other Postretirement Benefits		
	2021	2020	2019
Net periodic benefit cost:			
Service cost	**$ 1.4**	$ 1.5	$ 1.5
Interest cost	**4.9**	7.6	11.2
Amortization of actuarial losses	**4.7**	2.0	0.5
Amortization of prior service cost (credit)	**0.3**	(1.1)	(5.0)
Net periodic benefit cost	**11.3**	10.0	8.2
Other changes in projected benefit obligation recognized in AOCI (before taxes):			
Net actuarial (gain) loss arising during the year	**(4.1)**	19.7	12.8
Prior service (credit) cost arising during the year	**(2.2)**	0.9	
Amortization of actuarial losses	**(4.7)**	(2.0)	(0.5)
Amortization of prior service credit	**(0.3)**	1.1	5.0
Total recognized in AOCI	**(11.3)**	19.7	17.3
Total recognized in net periodic benefit cost and AOCI	**$ —**	$ 29.7	$ 25.5

The estimated net actuarial losses and prior service credits for other postretirement benefits that are expected to be amortized from AOCI into net periodic benefit cost in 2022 are $4.2 million and $(0.4) million, respectively.

The assumed health care cost trend rate and prescription drug cost increases used to determine the net periodic benefit cost for postretirement health care benefits for 2022 both decrease in each successive year until reaching 4.5% in 2029.

The Company expects to make retiree health care benefit cash payments as follows:

2022	$ 17.1
2023	17.8
2024	18.5
2025	19.2
2026	19.1
2027 through 2031	85.1
Total expected benefit cash payments	$ 176.8

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NOTE 8 – LEASES

The Company leases retail stores, manufacturing and distribution facilities, office space and equipment under operating lease agreements. Operating lease right-of-use (ROU) assets and lease liabilities are recognized based on the present value of lease payments over the lease term. The majority of the ROU asset and lease liability balances relate to the retail operations of The Americas Group.

Most leases include one or more options to renew. The exercise of lease renewal options is at the Company's discretion and is not reasonably certain at lease commencement. The Company does not account for lease and non-lease components of contracts separately for any underlying asset class. Some leases have variable payments, however, because they are not based on an index or rate, they are not included in the ROU assets and liabilities. Variable payments for real estate leases relate primarily to common area maintenance, insurance, taxes and utilities associated with the properties. Variable payments for equipment leases relate primarily to hours, miles, or other quantifiable usage factors which are not determinable at the time the lease agreement is entered into by the Company. The Company has made an accounting policy election by underlying asset class to not apply the recognition requirements of ASC 842 to short-term leases. As a result, certain leases with a term of 12 months or less are not recorded on the balance sheet and expense is recognized on a straight-line basis over the lease term. Most leases do not contain an implicit discount rate. Therefore, the Company's estimated incremental borrowing rate based on information available at the time of lease inception is used to discount lease payments to present value.

Additional lease information is summarized below:

	2021	2020	2019
Operating lease cost	**$ 478.0**	$ 464.5	$ 452.9
Short-term lease cost	**43.8**	41.1	39.7
Variable lease cost	**84.4**	80.7	73.6
Operating cash outflows from operating leases	**$ 461.4**	$ 446.1	$ 430.9
Leased assets obtained in exchange for new operating lease liabilities	**$ 505.2**	$ 469.9	$ 346.4
Weighted average remaining lease term	**5.8 years**	6.0 years	6.0 years
Weighted average discount rate	**3.0 %**	3.4 %	3.9 %

The following table reconciles the undiscounted cash flows for each of the next five years and thereafter to the operating lease liabilities recognized on the balance sheet as of December 31, 2021. The reconciliation excludes short-term leases that are not recorded on the balance sheet.

Year Ending December 31,	
2022	$ 455.2
2023	398.1
2024	337.2
2025	271.7
2026	198.6
Thereafter	374.6
Total lease payments	2,035.4
Amount representing interest	(155.0)
Present value of operating lease liabilities	$ 1,880.4

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NOTE 9 – OTHER LONG-TERM LIABILITIES

The operations of the Company, like those of other companies in its industry, are subject to various domestic and foreign environmental laws and regulations. These laws and regulations not only govern current operations and products, but also impose potential liability on the Company for past operations. Management expects environmental laws and regulations to impose increasingly stringent requirements upon the Company and the industry in the future. Management believes that the Company conducts its operations in compliance with applicable environmental laws and regulations and has implemented various programs designed to protect the environment and promote continued compliance.

The Company is involved with environmental investigation and remediation activities at some of its currently and formerly owned sites (including sites which were previously owned and/or operated by businesses acquired by the Company). In addition, the Company, together with other parties, has been designated a potentially responsible party under federal and state environmental protection laws for the investigation and remediation of environmental contamination and hazardous waste at a number of third-party sites, primarily Superfund sites. In general, these laws provide that potentially responsible parties may be held jointly and severally liable for investigation and remediation costs regardless of fault. The Company may be similarly designated with respect to additional third-party sites in the future.

The Company initially provides for estimated costs of environmental-related activities relating to its past operations and third-party sites for which commitments or clean-up plans have been developed and when such costs can be reasonably estimated based on industry standards and professional judgment. These estimated costs, which are mostly undiscounted, are determined based on currently available facts regarding each site. If the reasonably estimable costs can only be identified as a range and no specific amount within that range can be determined more likely than any other amount within the range, the minimum of the range is provided.

The Company continuously assesses its potential liability for investigation and remediation-related activities and adjusts its environmental-related accruals as information becomes available upon which more accurate costs can be reasonably estimated and as additional accounting guidelines are issued. At December 31, 2021, 2020 and 2019, the Company had accruals reported on the balance sheet as Other long-term liabilities of $277.4 million, $300.5 million and $314.8 million, respectively. Estimated costs of current investigation and remediation activities of $45.9 million, $68.6 million and $57.6 million are included in Other accruals at December 31, 2021, 2020 and 2019, respectively.

Actual costs incurred may vary from the accrued estimates due to the inherent uncertainties involved including, among others, the number and financial condition of parties involved with respect to any given site, the volumetric contribution which may be attributed to the Company relative to that attributed to other parties, the nature and magnitude of the wastes involved, the various technologies that can be used for remediation and the determination of acceptable remediation with respect to a particular site. If the Company’s future loss contingency is ultimately determined to be at the unaccrued maximum of the estimated range of possible outcomes for every site for which costs can be reasonably estimated, the Company’s accrual for environmental-related activities would be $101.4 million higher than the minimum accruals at December 31, 2021. Additionally, costs for environmental-related activities may not be reasonably estimable at early stages of investigation and therefore would not be included in the unaccrued maximum amount.

Four of the Company’s currently and formerly owned manufacturing sites (“Major Sites”) account for the majority of the accrual for environmental-related activities and the unaccrued maximum of the estimated range of possible outcomes at December 31, 2021. At December 31, 2021, $278.5 million, or 86.1% of the total accrual, related directly to the Major Sites. In the aggregate unaccrued maximum of $101.4 million at December 31, 2021, $78.7 million, or 77.6%, related to the Major Sites. The significant cost components of this liability continue to be related to remedy implementation, regulatory agency interaction, project management and other costs. While different for each specific environmental situation, these components generally each account for approximately 85%, 10%, and 5%, respectively, of the accrued amount and those percentages are subject to change over time. While environmental investigations and remedial actions are in different stages at these sites, additional investigations, remedial actions and monitoring will likely be required at each site.

The largest and most complex of the Major Sites is the Gibbsboro, New Jersey site (“Gibbsboro”) which comprises the substantial majority of the environmental-related accrual. Gibbsboro, a former manufacturing plant, and related areas, which ceased operations in 1978, has had various areas included on the National Priorities List since 1999. This location has soil, waterbodies, and groundwater contamination related to the historic operations of the facility. Gibbsboro has been divided by the Environmental Protection Agency (“EPA”) into six operable units (“OUs”) based on location and characteristics, whose investigation and remediation efforts are likely to occur over an extended period of time. Each of the OUs are in various phases of investigation and remediation with the EPA that provide enough information to reasonably estimate cost ranges and record environmental-related accruals. The most significant assumptions underlying the reliability and precision of remediation cost

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estimates for the Gibbsboro site are the type and extent of future remedies to be selected by the EPA and the costs of implementing those remedies.

The remaining three Major Sites comprising the majority of the accrual include (1) a multi-party Superfund site that has received a record of decision from the federal EPA and is currently in the remedial design phase for one operable unit and for which a remedial investigation/feasibility study has been submitted for another operable unit, (2) a closed paint manufacturing facility that is in the operation and maintenance phase of remediation under both federal and state EPA programs, and (3) a formerly-owned site containing warehouse and office space that is in the remedial investigation phase under a state EPA program. Each of these three Major Sites are in phases of investigation and remediation that provide sufficient information to reasonably estimate cost ranges and record environmental-related accruals.

Excluding the Major Sites discussed above, no sites are individually material to the total accrual balance. There are multiple, future events yet to occur, including further remedy selection and design, remedy implementation and execution, and securing applicable governmental agency approvals, all of which have the potential to contribute to the uncertainty surrounding these future events. As these events occur and to the extent that the cost estimates of the environmental remediation change, the existing reserve will be adjusted.

Management cannot presently estimate the ultimate potential loss contingencies related to these sites or other less significant sites until such time as a substantial portion of the investigation at the sites is completed and remedial action plans are developed. Unasserted claims could have a material effect on the Company’s loss contingency as more information becomes available over time. At December 31, 2021, the Company did not have material loss contingency accruals related to unasserted claims. Management does not expect that a material portion of unrecognized loss contingencies will be recoverable through insurance, indemnification agreements or other sources. In the event any future loss contingency significantly exceeds the current amount accrued, the recording of the ultimate liability may result in a material impact on net income for the annual or interim period during which the additional costs are accrued. Moreover, management does not believe that any potential liability ultimately attributed to the Company for its environmental-related matters will have a material adverse effect on the Company’s financial condition, liquidity, or cash flow due to the extended length of time during which environmental investigation and remediation takes place. An estimate of the potential impact on the Company’s operations cannot be made due to the aforementioned uncertainties.

Management expects these contingent environmental-related liabilities to be resolved over an extended period of time. Management is unable to provide a more specific time frame due to the indeterminate amount of time to conduct investigation activities at any site, the indeterminate amount of time to obtain environmental agency approval, as necessary, with respect to investigation and remediation activities, and the indeterminate amount of time necessary to conduct remediation activities.

The Asset Retirement and Environmental Obligations Topic of the ASC requires a liability to be recognized for the fair value of a conditional asset retirement obligation if a settlement date and fair value can be reasonably estimated. The Company recognizes a liability for any conditional asset retirement obligation when sufficient information is available to reasonably estimate a settlement date to determine the fair value of such a liability. The Company has identified certain conditional asset retirement obligations at various current and closed manufacturing, distribution and store facilities. These obligations relate primarily to asbestos abatement, hazardous waste Resource Conservation and Recovery Act (RCRA) closures, well abandonment, transformers and used oil disposals and underground storage tank closures. Using investigative, remediation and disposal methods that are currently available to the Company, the estimated costs of these obligations were accrued and are not significant. The recording of additional liabilities for future conditional asset retirement obligations may result in a material impact on net income for the annual or interim period during which the costs are accrued. Management does not believe that any potential liability ultimately attributed to the Company for its conditional asset retirement obligations will have a material adverse effect on the Company’s financial condition, liquidity, or cash flow due to the extended period of time over which sufficient information may become available regarding the closure or modification of any one or group of the Company’s facilities. An estimate of the potential impact on the Company’s operations cannot be made due to the aforementioned uncertainties.

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NOTE 10 – LITIGATION

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

Lead pigment and lead-based paint litigation. The Company's past operations included the manufacture and sale of lead pigments and lead-based paints. The Company, along with other companies, is and has been a defendant in a number of legal proceedings, including individual personal injury actions, purported class actions, and actions brought by various counties, cities, school districts and other government-related entities, arising from the manufacture and sale of lead pigments and lead-based paints. The plaintiffs' claims have been based upon various legal theories, including negligence, strict liability, breach of warranty, negligent misrepresentations and omissions, fraudulent misrepresentations and omissions, concert of action, civil conspiracy, violations of unfair trade practice and consumer protection laws, enterprise liability, market share liability, public nuisance, unjust enrichment and other theories. The plaintiffs seek various damages and relief, including personal injury and property damage, costs relating to the detection and abatement of lead-based paint from buildings, costs associated with a public education campaign, medical monitoring costs and others. The Company has also been a defendant in legal proceedings arising from the manufacture and sale of non-lead-based paints that seek recovery based upon various legal theories, including the failure to adequately warn of potential exposure to lead during surface preparation when using non-lead-based paint on surfaces previously painted with lead-based paint. The Company believes that the litigation brought to date is without merit or subject to meritorious defenses and is vigorously defending such litigation. The Company expects that additional lead pigment and lead-based paint litigation may be filed against the Company in the future asserting similar or different legal theories and seeking similar or different types of damages and relief. The Company will continue to vigorously defend against any additional lead pigment and lead-based paint litigation that may be filed, including utilizing all avenues of appeal, if necessary.

Notwithstanding the Company's views on the merits, litigation is inherently subject to many uncertainties, and the Company ultimately may not prevail. Adverse court rulings or determinations of liability, among other factors, could affect the lead pigment and lead-based paint litigation against the Company and encourage an increase in the number and nature of future claims and proceedings. In addition, from time to time, various legislation and administrative regulations have been enacted, promulgated or proposed to impose obligations on present and former manufacturers of lead pigments and lead-based paints respecting asserted health concerns associated with such products or to overturn the effect of court decisions in which the Company and other manufacturers have been successful.

Due to the uncertainties involved, management is unable to predict the outcome of the lead pigment and lead-based paint litigation, the number or nature of possible future claims and proceedings or the effect that any legislation and/or administrative regulations may have on the litigation or against the Company. In addition, management cannot reasonably determine the scope or amount of the potential costs and liabilities related to such litigation, or resulting from any such legislation and regulations. Except with respect to the litigation in California discussed below, the Company has not accrued any amounts for such litigation because the Company does not believe it is probable that a loss has occurred, and the Company believes it is not possible to estimate the range of potential losses as there is no substantive information upon which an estimate could be based. In addition, any potential liability that may result from any changes to legislation and regulations cannot reasonably be estimated. Due to the uncertainties associated with the amount of any such liability and/or the nature of any other remedy which may be imposed in such litigation, any potential liability determined to be attributable to the Company arising out of such litigation may have a material adverse effect on the Company's results of operations, liquidity or financial condition. An estimate of the potential impact on the Company's results of operations, cash flow, liquidity or financial condition cannot be made due to the aforementioned uncertainties.

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Public Nuisance Claim Litigation. The Company and other companies are or were defendants in legal proceedings seeking recovery based on public nuisance liability theories, among other theories, brought by the State of Rhode Island; the City of St. Louis, Missouri; various cities and counties in the State of New Jersey; various cities in the State of Ohio and the State of Ohio; the City of Chicago, Illinois; the City of Milwaukee, Wisconsin; the County of Santa Clara, California, and other public entities in the State of California; and Lehigh and Montgomery Counties in Pennsylvania. Except for the Santa Clara County, California proceeding and the pending Pennsylvania proceedings, all of these legal proceedings have been concluded in favor of the Company and other defendants at various stages in the proceedings.

Santa Clara County, California Proceeding. The Santa Clara County, California proceeding was initiated in March 2000 in the Superior Court of the State of California, County of Santa Clara. After nearly twenty years of litigation, the Company and two other defendants (ConAgra Grocery Products Company and NL Industries, Inc.) reached an agreement in principle with the plaintiffs to resolve the litigation on July 17, 2019. The agreement provides that, in full and final satisfaction of any and all claims of the plaintiffs, the defendants collectively shall pay a total of $305.0 million, with the defendants each paying approximately $101.7 million as follows: (i) an initial payment of $25.0 million within sixty days after the entry of a dismissal order and judgment; (ii) subsequent annual payments of $12.0 million one year after the initial payment and for a period of four years thereafter; and (iii) a final payment of approximately $16.7 million on the sixth anniversary of the initial payment. Should NL Industries fail to make any of its payments required under the agreement, the Company has agreed to backstop and pay on behalf of NL Industries a maximum amount of $15.0 million. On July 24, 2019, the trial court approved the agreement, discharged the receiver, and granted a judgment of dismissal with prejudice in favor of the defendants. At December 31, 2021 and 2020, the Company had accruals for this agreement reported on the balance sheet of $52.7 million and $64.7 million, respectively, with $12.0 million included in Current liabilities and the remaining $40.7 million and $52.7 million, respectively, included in Other long-term liabilities.

Pennsylvania Proceedings. Two proceedings in Pennsylvania were initiated in October 2018. The Pennsylvania counties of Montgomery and Lehigh filed complaints against the Company and several other former lead-based paint and lead pigment manufacturers in the Courts of Common Pleas of Montgomery County, Pennsylvania and Lehigh County, Pennsylvania, respectively. In both actions, the counties request declaratory relief establishing the existence of a public nuisance and the defendants' contribution to it, the abatement of an ongoing public nuisance arising from the presence of lead-based paint in housing throughout the applicable county, an injunction against future illicit conduct, and the costs of litigation and attorneys' fees. After the defendants removed the actions to federal court and the actions were remanded to state court, the defendants filed preliminary objections on December 21, 2020, seeking to dismiss the complaints with prejudice. The briefing associated with the preliminary objections concluded on February 23, 2021.

In the Lehigh County action, the trial court denied the defendants' preliminary objections on August 6, 2021. Defendants filed a motion to amend the order to allow an interlocutory appeal or, in the alternative, for reconsideration. The trial court denied the defendants' motion on September 13, 2021. On September 27, 2021, the Company answered the complaint, asserted new matter and affirmative defenses, alleged counterclaims against Lehigh County, and filed a third-party complaint against certain County officials, other owners of pre-1980 housing, and lead abatement contractors who have been cited for violating state or local laws. On October 13, 2021, the defendants filed with the Superior Court, one of Pennsylvania's intermediate appellate courts, a petition for permission to appeal the trial court's order denying the defendants' preliminary objections. On November 17, 2021, the Superior Court transferred the appeal to the Commonwealth Court, another one of Pennsylvania's intermediate appellate courts. Lehigh County filed its answer to defendants' petition for permission to appeal on January 7, 2022. All deadlines and discovery in the Lehigh County action will be held in abeyance pending the appellate court proceedings.

In the Montgomery County action, the trial court denied the defendants' preliminary objections on October 15, 2021. The defendants filed a motion to amend the order overruling their preliminary objections to allow an interlocutory appeal, which the trial court granted on November 9, 2021. On December 3, 2021, the defendants filed a petition for permission to appeal with the Commonwealth Court. On January 18, 2022, Montgomery County filed its answer to defendants' petition for permission to appeal. All deadlines and discovery in the Montgomery County action will be held in abeyance pending the appellate court proceedings.

Litigation seeking damages from alleged personal injury. The Company and other companies are defendants in a number of legal proceedings seeking monetary damages and other relief from alleged personal injuries. These proceedings include claims by children allegedly injured from ingestion of lead pigment or lead-containing paint and claims for damages allegedly incurred by the children's parents or guardians. These proceedings generally seek compensatory and punitive damages, and seek other relief including medical monitoring costs. These proceedings include purported claims by individuals, groups of individuals and class actions.

The plaintiff in Thomas v. Lead Industries Association, et al., initiated an action in Wisconsin state court against the Company, other alleged former lead pigment manufacturers and the Lead Industries Association in September 1999. The claims against

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the defendants included strict liability, negligence, negligent misrepresentation and omissions, fraudulent misrepresentation and omissions, concert of action, civil conspiracy and enterprise liability. Implicit within these claims is the theory of "risk contribution" liability (Wisconsin's theory is similar to market share liability, except that liability can be joint and several) due to the plaintiff's inability to identify the manufacturer of any product that allegedly injured the plaintiff. The case ultimately proceeded to trial and, on November 5, 2007, the jury returned a defense verdict, finding that the plaintiff had ingested white lead carbonate, but was not brain damaged or injured as a result. The plaintiff appealed, and on December 16, 2010, the Wisconsin Court of Appeals affirmed the final judgment in favor of the defendants.

Wisconsin is the only jurisdiction to date to apply a theory of liability with respect to alleged personal injury (i.e., risk contribution/market share liability) that does not require the plaintiff to identify the manufacturer of the product that allegedly injured the plaintiff in the lead pigment and lead-based paint litigation. Although the risk contribution liability theory was applied during the Thomas trial, the constitutionality of this theory as applied to the lead pigment cases has not been judicially determined by the Wisconsin state courts. However, in an unrelated action filed in the United States District Court for the Eastern District of Wisconsin, Gibson v. American Cyanamid, et al., on November 15, 2010, the district court held that Wisconsin's risk contribution theory as applied in that case violated the defendants' right to substantive due process and is unconstitutionally retroactive. The district court's decision in Gibson v. American Cyanamid, et al., was appealed by the plaintiff to the United States Court of Appeals for the Seventh Circuit. On July 24, 2014, the Seventh Circuit reversed the judgment and remanded the case back to the district court for further proceedings. On January 16, 2015, the defendants filed a petition for certiorari in the United States Supreme Court seeking review of the Seventh Circuit's decision, and on May 18, 2015, the United States Supreme Court denied the defendants' petition. The case is currently pending in the district court.

The United States District Court for the Eastern District of Wisconsin consolidated three cases (Ravon Owens v. American Cyanamid, et al., Cesar Sifuentes v. American Cyanamid, et al., and Glenn Burton, Jr. v. American Cyanamid, et al.) for purposes of trial. A trial was held in May 2019 and resulted in a jury verdict for the three plaintiffs in the amount of $2.0 million each for a total of $6.0 million against the Company and two other defendants (Armstrong Containers Inc. and E.I. du Pont de Nemours). After post-trial motions resulted in the damages award to plaintiff Glenn Burton, Jr. being reduced to $800,000, the Company filed a notice of appeal with the United States Court of Appeals for the Seventh Circuit. On April 15, 2021, the Seventh Circuit reversed the judgments and held that the Company was entitled to judgment as a matter of law on all claims filed by the three plaintiffs. The plaintiffs filed a petition with the Seventh Circuit on April 27, 2021, seeking a rehearing en banc and, in the alternative, a request for certification of questions to the Wisconsin Supreme Court. The plaintiffs' petition was denied by the Seventh Circuit on May 12, 2021.

In Maniya Allen, et al. v. American Cyanamid, et al., also pending in the United States District Court for the Eastern District of Wisconsin, cases involving six of the 146 plaintiffs were selected for discovery. In Dijonae Trammell, et al. v. American Cyanamid, et al., also pending in the United States District Court for the Eastern District of Wisconsin, discovery for one of the three plaintiffs was consolidated with the six Allen cases referenced above. The parties selected four of the cases to proceed to expert discovery and to prepare for trial. The district court previously issued an order scheduling trial in the four cases to commence on June 15, 2020, but the trial date was continued due to the COVID-19 pandemic, and no new trial date has been scheduled.

On May 20, 2021, the Company and the three other defendants filed motions for summary judgment to dismiss the claims of all plaintiffs currently pending in the district court as a result of the Seventh Circuit's decision in favor of the Company in the Owens, Sifuentes and Burton cases. The plaintiffs filed their briefs in opposition to the defendants' motions for summary judgment on November 22, 2021. The defendants filed replies in support of their motions for summary judgment on December 22, 2021. The parties are awaiting the district court's decision.

On August 24, 2021, the plaintiff in Arrieona Beal v. Armstrong Containers, Inc., et al. filed an amended complaint in Milwaukee County Circuit Court, naming the Company and other alleged former lead pigment manufacturers as defendants pursuant to the risk contribution liability theory. The defendants answered the plaintiff's complaint on December 17, 2021. The Company intends to vigorously defend this litigation.

Other lead-based paint and lead pigment litigation. In Mary Lewis v. Lead Industries Association, et al. pending in the Circuit Court of Cook County, Illinois, parents seek to recover the cost of their children's blood lead testing against the Company and three other defendants that made (or whose alleged corporate predecessors made) white lead pigments. The circuit court had certified a statewide class and a Chicago subclass of parents or legal guardians of children who lived in high-risk zip codes identified by the Illinois Department of Health and who were screened for lead toxicity between August 1995 and February 2008. Excluded from the class were those parents or guardians who have incurred no expense, liability or obligation to pay for the cost of their children's blood lead testing. In 2017, the defendants moved for summary judgment on the grounds that the three named plaintiffs have not paid and have no obligation or liability to pay for their children's blood lead testing because Medicaid paid for the children of two plaintiffs and private insurance paid for the third plaintiff without any evidence

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of a co-pay or deductible. The circuit court granted the motion, but on September 7, 2018, the appellate court reversed with respect to the two plaintiffs for whom Medicaid paid for their children's testing. Defendants appealed to the Supreme Court of Illinois, and on May 21, 2020, the Supreme Court reversed the appellate court's judgment, affirmed the circuit court's summary judgment dismissing the claims of the two plaintiffs for whom Medicaid paid for their children's testing, and remanded the case for further proceedings consistent with the Supreme Court's decision. On August 19, 2020, the defendants filed their renewed motion for class decertification and entry of final judgment with the circuit court. The parties filed their respective briefs on the motion, and oral argument occurred on February 4, 2021.

On March 8, 2021, the Illinois Department of Healthcare and Family Services filed a petition to intervene and a proposed amended complaint, which would eliminate the class and all prior claims by individual plaintiffs and would propose a subrogation claim by the State agency to recover its expenditures for blood lead testing. Defendants opposed the petition to intervene, and briefing on the petition concluded. A hearing on the petition to intervene occurred on August 10, 2021.

On October 8, 2021, the circuit court entered an order granting the defendants' motion for decertification of the class, denying the petition to intervene by the Illinois Department of Healthcare and Family Services, and noting that an entry of final judgment in the defendants' favor was now appropriate. On October 19, 2021, the circuit court entered final judgment in favor of the defendants. On November 5, 2021, the Illinois Department of Healthcare and Family Services filed a Notice of Appeal with the Appellate Court of Illinois, First District.

Insurance coverage litigation. The Company and its liability insurers, including certain underwriters at Lloyd's of London, initiated legal proceedings against each other to determine, among other things, whether the costs and liabilities associated with the abatement of lead pigment are covered under certain insurance policies issued to the Company. The insurers' action, which was filed on February 23, 2006 in the Supreme Court of the State of New York, County of New York, has been dismissed.

The Company's action, filed on March 3, 2006 in the Common Pleas Court, Cuyahoga County, Ohio, previously was stayed and inactive. On January 9, 2019, the Company filed an unopposed motion to lift the stay with the trial court, which was granted, allowing the case to proceed. On June 28, 2019, the Company and its liability insurers each filed separate motions for summary judgment seeking various forms of relief. The trial court entered an order on December 4, 2020, granting the insurers' motion for summary judgment, denying the Company's motion, and entering final judgment in favor of the insurers. The trial court sided with the Company on all of the issues presented, except one. On December 21, 2020, the Company filed a notice of appeal to the Court of Appeals of Cuyahoga County, Ohio, Eighth Appellate District, and the insurers filed cross-appeals. Briefing on the issues concluded, and oral argument occurred on August 25, 2021. The insurers then filed on January 13, 2022, a motion for leave to file a supplemental brief to address the Eighth Appellate District's recent decision in Cincinnati Ins. Co. v. Discount Drug Mart, Inc. The Company filed a response to the insurers' motion on January 19, 2022. The parties are awaiting the appellate court's decision.

An ultimate loss in the insurance coverage litigation would mean that insurance proceeds could be unavailable under the policies at issue to mitigate any ultimate abatement related costs and liabilities. The Company has not recorded any assets related to these insurance policies or otherwise assumed that proceeds from these insurance policies would be received in estimating any contingent liability accrual. Therefore, an ultimate loss in the insurance coverage litigation without a determination of liability against the Company in the lead pigment or lead-based paint litigation will have no impact on the Company's results of operation, liquidity or financial condition. As previously stated, however, except with respect to the litigation in California discussed above, the Company has not accrued any amounts for the lead pigment or lead-based paint litigation and any significant liability ultimately determined to be attributable to the Company relating to such litigation may result in a material impact on the Company's results of operations, liquidity or financial condition for the annual or interim period during which such liability is accrued.

Other litigation. On December 18, 2019, the New Jersey Department of Environmental Protection, the Commissioner of the New Jersey Department of Environmental Protection, and the Administrator of the New Jersey Spill Compensation Fund filed a lawsuit against the Company in the Superior Court of New Jersey Law Division in Camden County, New Jersey. The plaintiffs seek to recover natural resource damages, punitive damages, and litigation fees and costs, as well as other costs, damages, declaratory relief, and penalties pursuant to New Jersey state statutes and common law theories in connection with the alleged discharge of hazardous substances and pollutants at the Company's Gibbsboro, New Jersey site, a former manufacturing plant and related facilities. On February 21, 2020, the Company filed a motion to dismiss. Briefing concluded, and a hearing on the motion to dismiss occurred. The trial court entered an order on August 26, 2021, granting and denying the Company's motion in part. On September 15, 2021, the Company filed a petition for leave to appeal the trial court's ruling regarding the refusal to dismiss plaintiffs' statutory penalty claims. On October 21, 2021, the Appellate Division of the Superior Court of New Jersey denied the petition. The Company also answered the plaintiffs' complaint on September 21, 2021.

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NOTE 11 – CAPITAL STOCK

During the first quarter of 2021, the Company's Board of Directors approved and declared a three-for-one stock split to shareholders of record at the close of business on March 23, 2021 (the Stock Split). The Stock Split was effected on March 31, 2021. All share and per share information herein has been retroactively adjusted to reflect the Stock Split.

At December 31, 2021, there were 900,000,000 shares of common stock and 90,000,000 shares of serial preferred stock authorized for issuance. Of the authorized serial preferred stock, 9,000,000 shares are designated as cumulative redeemable serial preferred and 3,000,000 shares are designated as convertible serial preferred stock.

Under the 2006 Equity and Performance Incentive Plan (2006 Employee Plan), 71,100,000 shares may be issued or transferred. An aggregate of 19,135,222, 21,007,911 and 24,776,304 shares of common stock at December 31, 2021, 2020 and 2019, respectively, were reserved for the exercise and future grants of option rights and future grants of restricted stock and restricted stock units. See Note 13 for additional information related to stock-based compensation.

Shares outstanding shown in the following table included 1,426,883, 1,469,712 and 1,469,349 shares of common stock held in a revocable trust at December 31, 2021, 2020 and 2019, respectively. The revocable trust is used to accumulate assets for the purpose of funding the ultimate obligation of certain non-qualified benefit plans. Transactions between the Company and the trust are accounted for in accordance with the Deferred Compensation – Rabbi Trusts Subtopic of the Compensation Topic of the ASC, which requires the assets held by the trust be consolidated with the Company's accounts.

	Shares in Treasury	Shares Outstanding
Balance at January 1, 2019	75,765,108	279,350,286
Shares issued for exercise of option rights		2,705,634
Shares tendered as payment for option rights exercised	11,514	(11,514)
Shares issued for vesting of restricted stock units		480,396
Shares tendered in connection with vesting of restricted stock units	165,285	(165,285)
Treasury stock purchased	5,025,000	(5,025,000)
Shares transferred from defined benefit pension plan [1]	900,000	(900,000)
Balance at December 31, 2019	81,866,907	276,434,517
Shares issued for exercise of option rights		2,873,646
Shares tendered as payment for option rights exercised	10,140	(10,140)
Shares issued for vesting of restricted stock units		386,685
Shares tendered in connection with vesting of restricted stock units	133,077	(133,077)
Treasury stock purchased	11,700,000	(11,700,000)
Treasury stock retired	(91,746,432)	
Shares sold [1]	(825,000)	825,000
Balance at December 31, 2020	**1,138,692**	**268,676,631**
Shares issued for exercise of option rights		**2,365,168**
Shares tendered as payment for option rights exercised	**4,324**	**(4,324)**
Shares issued for vesting of restricted stock units		**276,948**
Shares tendered in connection with vesting of restricted stock units	**95,618**	**(95,618)**
Treasury stock purchased	**10,075,000**	**(10,075,000)**
Balance at December 31, 2021	**11,313,634**	**261,143,805**

[1] During the year ended December 31, 2019, 900,000 shares were transferred from the Company's terminated domestic defined benefit pension plan surplus assets in connection with the plan's termination as described in Note 7. In accordance with ASC 715, the transferred shares are treated as treasury stock. During the year ended December 31, 2020, the Company received proceeds of $182.4 million in conjunction with the issuance of 825,000 treasury shares to fund Company contributions to the domestic defined contribution plan.

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NOTE 12 – ESOP

As of December 31, 2021, 42,721 employees contributed to the Company's ESOP, a voluntary defined contribution plan available to all eligible salaried employees. Participants are allowed to contribute, on a pretax or after-tax basis, up to the lesser of fifty percent of their annual compensation or the maximum dollar amount allowed under the Internal Revenue Code. The Company matches one hundred percent of all contributions up to six percent of eligible employee contributions. Such participant contributions may be invested in a variety of investment funds or a Company common stock fund and may be exchanged between investments as directed by the participant. Participants are permitted to diversify both future and prior Company matching contributions previously allocated to the Company common stock fund into a variety of investment funds.

The Company made contributions to the ESOP on behalf of participating employees, representing amounts authorized by employees to be withheld from their earnings, of $224.3 million, $196.5 million and $180.5 million in 2021, 2020 and 2019, respectively. The Company's matching contributions to the ESOP charged to operations were $133.7 million, $120.0 million and $111.9 million for 2021, 2020 and 2019, respectively.

At December 31, 2021, there were 20,639,085 shares of the Company's common stock being held by the ESOP, representing 7.9% of the total number of voting shares outstanding. Shares of Company common stock credited to each member's account under the ESOP are voted by the trustee under instructions from each individual plan member. Shares for which no instructions are received are voted by the trustee in the same proportion as those for which instructions are received.

NOTE 13 – STOCK-BASED COMPENSATION

The 2006 Employee Plan authorizes the Board of Directors, or a committee of the Board of Directors, to issue or transfer up to an aggregate of 71,100,000 shares of common stock, plus any shares relating to awards that expire, are forfeited or canceled. The Company issues new shares upon exercise of option rights and vesting of restricted stock units (RSUs). The 2006 Employee Plan permits the granting of option rights, appreciation rights, restricted stock, RSUs, performance shares and performance units to eligible employees. At December 31, 2021, no appreciation rights, performance shares or performance units had been granted under the 2006 Employee Plan. Shares available for future grants under the 2006 Employee Plan were 9,923,164 at December 31, 2021.

The 2006 Stock Plan for Nonemployee Directors (Nonemployee Director Plan) authorizes the Board of Directors, or a committee of the Board of Directors, to issue or transfer up to an aggregate of 600,000 shares of common stock, plus any shares relating to awards that expire, are forfeited or canceled. The Nonemployee Director Plan permits the granting of option rights, appreciation rights, restricted stock and RSUs to members of the Board of Directors who are not employees of the Company. At December 31, 2021, no option rights or appreciation rights had been granted under the Nonemployee Director Plan. Shares available for future grants under the Nonemployee Director Plan were 229,123 at December 31, 2021.

The cost of the Company's stock-based compensation is recorded in accordance with the Stock Compensation Topic of the ASC. At December 31, 2021, the Company had total unrecognized stock-based compensation expense of $149.8 million that is expected to be recognized over a weighted-average period of 1.06 years. Stock-based compensation expense during 2021, 2020 and 2019 was $97.7 million, $95.9 million and $101.7 million, respectively. The related tax benefit was $24.1 million, $23.6 million and $25.1 million during 2021, 2020 and 2019, respectively. Excess tax benefits from share-based payments are recognized as an income tax benefit in the statement of consolidated income when options are exercised and RSUs vest. For the years ended December 31, 2021, 2020 and 2019, the Company's excess tax benefit from options exercised and RSUs vested reduced the income tax provision by $108.7 million, $94.7 million, and $65.2 million respectively.

Option Rights

The fair value of the Company's option rights was estimated at the date of grant using a Black-Scholes-Merton option-pricing model with the following weighted-average assumptions for all options granted:

	2021	2020	2019
Risk-free interest rate	**1.11 %**	.39 %	1.64 %
Expected life of option rights	**5.05 years**	5.05 years	5.05 years
Expected dividend yield of stock	**.75 %**	.88 %	.87 %
Expected volatility of stock	**26.8 %**	26.7 %	23.2 %

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The risk-free interest rate is based upon the U.S. Treasury yield curve at the time of grant. The expected life of option rights was calculated using a scenario analysis model. Historical data was used to aggregate the holding period from actual exercises, post-vesting cancellations and hypothetical assumed exercises on all outstanding option rights. The expected dividend yield of stock is the Company's best estimate of the expected future dividend yield. Expected volatility of stock was calculated using historical and implied volatilities.

Grants of option rights for non-qualified and incentive stock options have been awarded to certain officers and key employees under the 2006 Employee Plan. The option rights generally become exercisable to the extent of one-third of the optioned shares for each full year following the date of grant and generally expire ten years after the date of grant. Unrecognized compensation expense with respect to option rights granted to eligible employees amounted to $79.5 million at December 31, 2021. The unrecognized compensation expense is being amortized on a straight-line basis over the three-year vesting period, net of estimated forfeitures based on historical activity, and is expected to be recognized over a weighted-average period of 1.09 years.

The weighted-average per share grant date fair value of options granted during 2021, 2020 and 2019 was $68.63, $46.56 and $38.80, respectively. The total intrinsic value of option rights exercised during 2021, 2020, and 2019 was $485.8 million, $407.9 million and $285.8 million, respectively. The total fair value of options vested during 2021, 2020 and 2019 was $53.2 million, $51.0 million and $43.2 million, respectively. There were no outstanding option rights for nonemployee directors at December 31, 2021, 2020 and 2019.

A summary of the Company's non-qualified and incentive stock option right activity is shown in the following table:

	2021			2020			2019		
	Optioned Shares	**Weighted-Average Exercise Price Per Share**	**Aggregate Intrinsic Value (in millions)**	Optioned Shares	Weighted-Average Exercise Price Per Share	Aggregate Intrinsic Value (in millions)	Optioned Shares	Weighted-Average Exercise Price Per Share	Aggregate Intrinsic Value (in millions)
Outstanding at beginning of year	**10,503,378**	**$ 120.34**		12,119,187	$ 96.82		13,455,747	$ 79.51	
Granted	**972,575**	**292.15**		1,373,793	213.39		1,496,658	183.11	
Exercised	**(2,362,173)**	**82.50**		(2,872,836)	63.63		(2,706,498)	57.12	
Forfeited	**(124,967)**	**195.90**		(113,715)	170.80		(120,936)	126.71	
Expired	**(5,878)**	**141.27**		(3,051)	139.55		(5,784)	115.23	
Outstanding at end of year	**8,982,935**	**$ 147.83**	**$ 1,835.5**	10,503,378	$ 120.34	$ 1,309.1	12,119,187	$ 96.82	$ 1,184.0
Exercisable at end of year	**6,713,727**	**$ 116.32**	**$ 1,583.4**	7,681,440	$ 95.07	$ 1,151.5	8,920,968	$ 75.50	$ 1,061.7

The weighted-average remaining term for options outstanding at the end of 2021, 2020 and 2019 was 6.09, 6.12 and 6.02 years, respectively. The weighted-average remaining term for options exercisable at the end of 2021, 2020 and 2019 was 5.12, 5.06 and 4.95 years, respectively.

RSUs

Grants of RSUs, which generally require three years of continuous employment from the date of grant before vesting and receiving the stock without restriction, have been awarded to certain officers and key employees under the 2006 Employee Plan. The February 2021, 2020 and 2019 grants consisted of performance-based awards that vest at the end of a three-year period based on the Company's achievement of specified financial and operating performance goals relating to earnings per share and return on net assets employed.

Unrecognized compensation expense with respect to grants of RSUs to eligible employees amounted to $68.6 million at December 31, 2021 and is being amortized on a straight-line basis over the vesting period and is expected to be recognized over a weighted-average period of 0.91 years.

Grants of RSUs have been awarded to nonemployee directors under the Nonemployee Director Plan. These grants generally vest and stock is received without restriction to the extent of one-third of the RSUs for each year following the date of grant. Unrecognized compensation expense with respect to grants of RSUs to nonemployee directors amounted to $1.7 million at December 31, 2021 and is being amortized on a straight-line basis over the three-year vesting period and is expected to be recognized over a weighted-average period of 0.94 years.

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A summary of the Company's RSU activity for the years ended December 31 is shown in the following table:

	2021	2020	2019
Outstanding at beginning of year	**625,383**	744,516	871,206
Granted	**196,526**	287,919	393,825
Vested	**(276,948)**	(386,685)	(506,190)
Forfeited	**(34,281)**	(20,367)	(14,325)
Outstanding at end of year	**510,680**	625,383	744,516

The weighted-average per share fair value of RSUs granted during 2021, 2020 and 2019 was $238.89, $193.79 and $144.18, respectively.

NOTE 14 – ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of AOCI, including the reclassification adjustments for items that were reclassified from AOCI to net income, are shown below.

	Foreign Currency Translation Adjustments	Pension and Other Postretirement Benefits Adjustments	Unrealized Net Gains on Cash Flow Hedges	Total
Balance at January 1, 2019	$ (607.6)	$ (67.1)	$ 44.8	$ (629.9)
Reclassifications from AOCI to Retained earnings for adoption of ASU 2018-02		(19.3)	11.0	(8.3)
Amounts recognized in AOCI	(49.8)	(5.1)		(54.9)
Amounts reclassified from AOCI		22.3	(8.7)	13.6
Balance at December 31, 2019	(657.4)	(69.2)	47.1	(679.5)
Amounts recognized in AOCI	(14.1)	(19.4)		(33.5)
Amounts reclassified from AOCI		1.4	(6.7)	(5.3)
Balance at December 31, 2020	**(671.5)**	**(87.2)**	**40.4**	**(718.3)**
Amounts recognized in AOCI	**(30.6)**	**48.7**		**18.1**
Amounts reclassified from AOCI		**6.3**	**(4.5)**	**1.8**
Balance at December 31, 2021	**$ (702.1)**	**$ (32.2)**	**$ 35.9**	**$ (698.4)**

NOTE 15 – DERIVATIVES AND HEDGING

In February 2020, the Company entered into two U.S. Dollar to Euro cross currency swap contracts to hedge the Company's net investment in its European operations. The contracts, which were designated as net investment hedges, have a notional value of $500.0 million and $244.0 million, respectively, with maturity dates of June 1, 2024 and November 15, 2021, respectively. During the term of the $500.0 million contract, the Company will pay fixed-rate interest in Euros and receive fixed-rate interest in U.S. Dollars, thereby effectively converting a portion of the Company's U.S. Dollar denominated fixed-rate debt to Euro denominated fixed-rate debt. During the term of the $244.0 million contract, the Company paid floating-rate interest in Euros and received floating-rate interest in U.S. Dollars. Prior to the maturity of the $244.0 million floating-rate contract in November 2021, the Company entered into a new $244.0 million U.S. Dollar to Euro cross currency swap contract with a maturity date of June 1, 2027 to effectively amend and extend the original contract. During the term of this $244.0 million fixed-rate contract, which is designated as a net investment hedge, the Company will pay fixed-rate interest in Euros and receive fixed-rate interest in U.S. Dollars, thereby effectively converting a portion of the Company's U.S. Dollar denominated fixed-rate debt to Euro denominated fixed-rate debt.

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On May 9, 2019, the Company entered into a U.S. Dollar to Euro cross currency swap contract with a total notional amount of $400.0 million to hedge the Company's net investment in its European operations. This contract was designated as a net investment hedge and had a maturity date of January 15, 2022. During the term of the contract, the Company paid fixed-rate interest in Euros and received fixed-rate interest in U.S. Dollars, thereby effectively converting a portion of the Company's U.S. Dollar denominated fixed-rate debt to Euro denominated fixed-rate debt. In February 2020, the Company settled its $400.0 million U.S. Dollar to Euro cross currency swap contract. At the time of the settlement, an unrealized gain of $11.8 million, net of tax, was recognized in AOCI.

The following table summarizes the balance sheet location of the cross currency swaps. See Note 16 for additional information on the fair value of these contracts.

	December 31, 2021	December 31, 2020	December 31, 2019
Other assets	**$ —**	$ —	$ 1.5
Other accruals	**—**	31.0	—
Other long-term liabilities	**36.5**	54.8	—

The changes in fair value of the cross currency swap contracts are recognized in the foreign currency translation adjustments component of AOCI. The following table summarizes the unrealized gains (losses) for the years ended December 31:

	2021	2020	2019
Unrealized gain (loss)	**$ 49.3**	$ (71.7)	$ 1.5
Tax effect	**(12.2)**	17.7	(0.4)
Unrealized gain (loss), net of taxes	**$ 37.1**	$ (54.0)	$ 1.1

NOTE 16 – FAIR VALUE MEASUREMENTS

The Fair Value Measurements and Disclosures Topic of the ASC applies to the Company's financial and non-financial assets and liabilities. The guidance applies when other standards require or permit the fair value measurement of assets and liabilities. Under the guidance, assets and liabilities measured at fair value are categorized as follows:

Level 1: Quoted prices in active markets for identical assets
Level 2: Significant other observable inputs
Level 3: Significant unobservable inputs

There were no assets and liabilities measured at fair value on a recurring basis classified as Level 3 at December 31, 2021, 2020 and 2019. Except for the acquisition and divestiture-related fair value measurements described in Note 3, there were no assets and liabilities measured at fair value on a nonrecurring basis. The following table summarizes the Company's assets and liabilities measured at fair value on a recurring basis, categorized using the fair value hierarchy.

	December 31, 2021			December 31, 2020			December 31, 2019		
	Total	**Level 1**	**Level 2**	Total	Level 1	Level 2	Total	Level 1	Level 2
Assets:									
Deferred compensation plan assets	**$ 80.4**	**$ 43.1**	**$ 37.3**	$ 69.2	$ 37.9	$ 31.3	$ 61.1	$ 29.9	$ 31.2
Qualified Replacement Plan assets	**98.8**	**98.8**		161.5	161.5		46.6	46.6	
Net investment hedge asset	**—**			—			1.5		1.5
	$ 179.2	**$ 141.9**	**$ 37.3**	$ 230.7	$ 199.4	$ 31.3	$ 109.2	$ 76.5	$ 32.7
Liabilities:									
Net investment hedge liability	**$ 36.5**		**$ 36.5**	$ 85.8		$ 85.8	$ —		

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The deferred compensation plan assets consist of the investment funds maintained for the future payments under the Company's executive deferred compensation plans, which are structured as rabbi trusts. The investments are marketable securities accounted for under the Debt and Equity Securities Topic of the ASC. The level 1 investments are valued using quoted market prices multiplied by the number of shares. The level 2 investments are valued based on vendor quotes. The cost basis of the investment funds was $63.0 million, $58.1 million, and $54.8 million at December 31, 2021, 2020 and 2019, respectively.

The Qualified Replacement Plan assets consist of investment funds maintained for future contributions to the Company's domestic defined contribution plan. See Note 7. The investments are marketable securities accounted for under the Debt and Equity Securities Topic of the ASC. The investments are valued using quoted market prices multiplied by the number of shares. The cost basis of the investment funds was $86.9 million, $159.6 million and $46.7 million at December 31, 2021, 2020 and 2019, respectively.

The net investment hedge liability is the fair value of the cross currency swaps (see Note 15). The fair value is based on a valuation model that uses observable inputs, including interest rate curves and foreign currency rate.

The carrying amounts reported for Cash and cash equivalents and Short-term borrowings approximate fair value.

The fair value of the Company's publicly traded debt is based on quoted market prices. The fair value of the Company's non-publicly traded debt is estimated using discounted cash flow analyses, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. The Company's publicly traded debt and non-traded debt are classified as level 1 and level 2, respectively, in the fair value hierarchy. The following table summarizes the carrying amounts and fair values of the Company's publicly traded debt and non-traded debt.

	December 31,					
	2021		2020		2019	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Publicly traded debt	**$ 8,849.6**	**$ 9,777.4**	$ 8,265.2	$ 9,707.0	$ 8,203.2	$ 8,735.8
Non-traded debt	**1.9**	**1.9**	26.8	26.5	277.3	270.7

NOTE 17 – REVENUE

The Company manufactures and sells paint, stains, supplies, equipment and floor covering through company-operated stores, branded and private label products through retailers, and a broad range of industrial coatings directly to global manufacturing customers through company-operated branches. A large portion of the Company's revenue is recognized at a point in time and made to customers who are not engaged in a long-term supply agreement or any form of contract with the Company. These sales are paid for at the time of sale in cash, credit card or on account with the vast majority of customers having terms between 30 and 60 days, not to exceed one year. Many customers who purchase on account take advantage of early payment discounts offered by paying within 30 days of being invoiced. The Company estimates variable consideration for these sales on the basis of both historical information and current trends to estimate the expected amount of discounts to which customers are likely to be entitled.

The remaining revenue is governed by long-term supply agreements and related purchase orders ("contracts") that specify shipping terms and aspects of the transaction price including rebates, discounts and other sales incentives, such as advertising support. Contracts are at standalone pricing. The performance obligation in these contracts is determined by each of the individual purchase orders and the respective stated quantities, with revenue being recognized at a point in time when obligations under the terms of the agreement are satisfied. This generally occurs with the transfer of control of our products to the customer. Sales, value add, and other taxes we collect concurrent with revenue-producing activities are excluded from revenue.

Refer to Note 21 for the Company's disaggregation of net sales by reportable segment. As the reportable segments are aligned by similar economic factors, trends and customers, this disaggregation best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Approximately 80% of the Company's net external sales are in the Company's North America region (which is comprised of the United States, Canada and the Caribbean region), slightly less than 10% in the EMEAI region (Europe, Middle East, Africa and India), with the remaining global regions accounting for the residual balance. No individual country outside of the United States is individually significant.

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The Company has made payments or credits for rebates or incentives at the beginning of a long-term contract where future revenue is expected and before satisfaction of performance obligations. Under these circumstances, the Company recognizes a contract asset and amortizes these prepayments over the expected benefit life of the long-term contract typically on a straight-line basis.

The majority of variable consideration in the Company's contracts include a form of volume rebate, discounts, and other incentives, where the customer receives a retrospective percentage rebate based on the amount of their purchases. In these situations, the rebates are accrued as a fixed percentage of sales and recorded as a reduction of net sales until paid to the customer per the terms of the contract. Forms of variable consideration such as tiered rebates, whereby a customer receives a retrospective price decrease dependent on the volume of their purchases, are calculated using a forecasted percentage to determine the most likely amount to accrue. Management creates a baseline calculation using historical sales and then utilizing forecast information, estimates the anticipated sales volume each quarter to calculate the expected reduction to sales. The remainder of the transaction price is fixed as agreed upon with the customer, limiting estimation of revenues including constraints.

The Company's Accounts receivable and current and long-term contract assets and liabilities are summarized in the following table.

	Accounts Receivable, Less Allowance	Contract Assets (Current)	Contract Assets (Long-Term)	Contract Liabilities (Current)	Contract Liabilities (Long-Term)
Balance sheet caption:	*Accounts receivable*	*Other current assets*	*Other assets*	*Other accruals*	*Other liabilities*
Balance at December 31, 2020	$ 2,078.1	$ 52.0	$ 170.7	$ 266.3	$ 8.2
Balance at December 31, 2021	**2,352.4**	**60.9**	**131.2**	**259.8**	**9.2**

The difference between the opening and closing balances of the Company's contract assets and contract liabilities primarily results from the timing difference between the Company's performance and the customer's payment.

Provisions for estimated returns are established and the expected costs continue to be recognized as contra-revenue per ASC 606 when the products are sold. The Company only offers an assurance type warranty on products sold, and there is no material service to the customer beyond fixing defects that existed at the time of sale and no warranties are sold separately.

Warranty liabilities are excluded from the table above. Amounts recognized during the year from deferred revenue were not material. The Company records a right of return liability within each of its operations to accrue for expected customer returns. Historical actual returns are used to estimate future returns as a percentage of current sales. Obligations for returns and refunds were not material individually or in the aggregate.

Allowance for Credit Losses

The Company's primary allowance for credit losses is the allowance for doubtful accounts. The allowance for doubtful accounts reduces the Accounts receivable balance to the estimated net realizable value. The Company reviews the collectibility of the Accounts receivable balance each reporting period and estimates the allowance based on historical bad debt experience, aging of accounts receivable, current creditworthiness of customers, current economic factors, as well as reasonable and supportable forward-looking information. Accounts receivable balances are written-off against the allowance if a final determination of uncollectibility is made. All provisions for allowances for doubtful accounts are included in Selling, general and administrative expenses.

The following table summarizes the movement in the Company's allowance for doubtful accounts:

	2021	2020	2019
Beginning balance	**$ 53.5**	$ 36.5	$ 45.9
Adjustment upon adoption of ASU 2016-13[1]		3.0	
Bad debt expense	**33.8**	56.8	53.1
Uncollectible accounts written off, net of recoveries	**(38.4)**	(42.8)	(62.5)
Ending balance	**$ 48.9**	$ 53.5	$ 36.5

[1] The Company adopted ASU 2016-13 effective January 1, 2020, using the modified retrospective transition method, electing to not restate prior periods. Refer to Note 1 for additional detail.

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NOTE 18 – OTHER EXPENSE (INCOME)

Other General Expense - Net

Included in Other general expense - net were the following:

	2021	2020	2019
Provisions for environmental matters - net	$ (4.0)	$ 37.1	$ 23.0
Loss on divestiture (see Note 3)	111.9	—	—
(Gain) loss on sale or disposition of assets	(6.1)	(9.4)	16.1
Total	$ 101.8	$ 27.7	$ 39.1

Provisions for environmental matters–net represent initial provisions for site-specific estimated costs of environmental investigation or remediation and increases or decreases to environmental-related accruals as information becomes available upon which more accurate costs can be reasonably estimated and as additional accounting guidelines are issued. See Note 9 for further details on the Company's environmental-related activities.

The (gain) loss on sale or disposition of assets represents the net realized (gain) loss associated with the sale or disposal of property, plant and equipment and intangible assets previously used in the conduct of the primary business of the Company.

Other (Income) Expense - Net

Included in Other (income) expense - net were the following:

	2021	2020	2019
Investment and royalty income	$ (30.4)	$ (16.4)	$ (12.0)
(Gain) loss on extinguishment of debt (see Note 6)	(1.4)	21.3	14.8
Net expense from banking activities	10.3	10.4	10.7
Foreign currency transaction related losses	12.0	7.2	19.7
Domestic pension plan settlement expense	—	—	32.4
Miscellaneous pension expense	4.4	4.9	8.0
Indirect tax credits	—	—	(38.7)
California litigation expense (see Note 10)	—	—	(34.7)
Other income	(29.0)	(44.7)	(32.8)
Other expense	14.6	22.6	14.6
Total	$ (19.5)	$ 5.3	$ (18.0)

Foreign currency transaction related losses include the impact from foreign currency transactions and net realized (gains) losses from foreign currency option and forward contracts. There were no material foreign currency option and forward contracts outstanding at December 31, 2021, 2020 and 2019.

Miscellaneous pension expense consists of the non-service components of net pension costs. See Note 7 for information on the Domestic pension plan settlement expense and Miscellaneous pension expense.

Indirect tax credits includes a gain of $33.5 million recognized by Sherwin-Williams do Brasil Industria e Comercio Ltda. (Sherwin-Williams Brazil) in the fourth quarter of 2019 related to the recovery of certain social contribution (PIS/COFINS) taxes paid over gross sales including ICMS receipts, a type of state level value-added tax in Brazil. In 2014, Sherwin-Williams Brazil filed a lawsuit against the Brazilian tax authorities to challenge the inclusion of ICMS on the PIS/COFINS tax base. During 2019, Sherwin-Williams Brazil received a favorable final, non-appealable decision against the Brazilian tax authorities. Upon clarification regarding monetization of the credits, the Company recognized the benefit.

Other income and Other expense included items of revenue, gains, expenses and losses that were unrelated to the primary business purpose of the Company. There were no items within Other income or Other expense that were individually significant in December 31, 2021, 2020 and 2019.

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NOTE 19 – INCOME TAXES

In response to the COVID-19 outbreak, global legislation concerning income taxes was passed throughout 2020. The Company assessed the applicability of the stimulus elements within the global legislation, and it did not have a material impact on the Company's consolidated financial statements in 2020 or 2021. The primary benefit to the Company was the delay of payment of U.S. federal and state income taxes as well as U.S. federal payroll withholding taxes until subsequent periods.

During 2019, the Company recorded an increase to the tax provision of $74.3 million related to the reversal of all net tax benefits recognized in previous tax years from federal renewable energy tax credit funds with DC Solar Solutions, Inc. and certain of its affiliates. The facts relating to the Company's investments in the funds continue to be developed. There were no adjustments recognized in the Company's tax provision for this matter in 2020 or 2021.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes using the enacted tax rates and laws that are currently in effect.

Significant components of the Company's deferred tax assets and liabilities as of December 31, 2021, 2020 and 2019 were as follows:

	2021	2020	2019
Deferred tax assets:			
Environmental and other similar items	**$ 73.2**	$ 82.9	$ 83.5
Employee related and benefit items	**170.3**	166.6	129.3
Operating lease liabilities	**463.1**	448.9	430.6
Other items	**192.0**	232.8	204.0
Total deferred tax assets	**898.6**	931.2	847.4
Deferred tax liabilities:			
Intangible assets and Property, plant, and equipment	**1,053.7**	1,156.4	1,232.6
LIFO inventories	**68.6**	87.6	80.5
Operating lease right-of-use assets	**448.4**	434.0	417.8
Other items	**33.3**	31.7	28.1
Total deferred tax liabilities	**1,604.0**	1,709.7	1,759.0
Net deferred tax liabilities	**$ 705.4**	$ 778.5	$ 911.6

As of December 31, 2021, the Company's net deferred income tax liability relates primarily to deferred tax liabilities recorded for intangible assets acquired through the Valspar acquisition.

Netted against the Company's other deferred tax assets were valuation allowances of $97.2 million, $104.6 million and $84.6 million at December 31, 2021, 2020 and 2019, respectively. The decrease in the valuation allowance in 2021 is primarily due to the utilization of certain foreign tax credits during the year. The Company has $17.6 million of domestic net operating loss carryforwards acquired through acquisitions that have expiration dates through the tax year 2037, foreign tax credits of $15.3 million that expire in calendar years 2028 through 2031 and foreign net operating losses of $327.5 million. The foreign net operating losses are related to various jurisdictions that provide for both indefinite carryforward periods and others with carryforward periods that range from the tax years 2021 to 2041.

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Significant components of the provisions for income taxes were as follows:

	2021	2020	2019
Current:			
Federal	**$ 331.2**	$ 457.7	$ 440.1
Foreign	**86.5**	92.0	71.1
State and local	**46.8**	84.4	60.4
Total current	**464.5**	634.1	571.6
Deferred:			
Federal	**(36.5)**	(102.7)	(83.7)
Foreign	**(40.4)**	(19.0)	(32.3)
State and local	**(3.4)**	(23.6)	(15.1)
Total deferred	**(80.3)**	(145.3)	(131.1)
Total provisions for income taxes	**$ 384.2**	$ 488.8	$ 440.5

Under provisions of the Tax Cuts and Jobs Act (Tax Act), the Company received an income tax benefit of $12.2 million, $12.0 million and $10.4 million in 2021, 2020 and 2019, respectively, related to foreign derived intangible income and incurred income tax expense of $2.7 million, $7.0 million and $7.9 million in 2021, 2020 and 2019, respectively, related to Global Intangible Low Taxed Income (GILTI). The Company has made an accounting policy election to record GILTI as a period cost.

Significant components of income before income taxes as used for income tax purposes, were as follows:

	2021	2020	2019
Domestic	**$ 2,106.8**	$ 2,317.9	$ 1,899.6
Foreign	**141.8**	201.3	82.2
	$ 2,248.6	$ 2,519.2	$ 1,981.8

A reconciliation of the statutory federal income tax rate to the effective tax rate follows:

	2021	2020	2019
Statutory federal income tax rate	**21.0 %**	21.0 %	21.0 %
Effect of:			
State and local income taxes	**2.2**	2.5	2.3
Investment vehicles	**(0.8)**	(0.8)	(1.3)
Employee share-based payments	**(4.8)**	(3.8)	(3.3)
Research and development credits	**(0.6)**	(0.5)	(1.1)
Amended returns and refunds	**0.2**	0.3	0.1
Tax credit reversal	**—**	—	3.7
Other - net	**(0.1)**	0.7	0.8
Reported effective tax rate	**17.1 %**	19.4 %	22.2 %

The decrease in the effective tax rate for 2021 compared to 2020 was primarily due to an increase in tax benefits related to employee share-based payments and the net favorable impact of various other tax benefits received by the Company in 2021 compared to 2020.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. The IRS is currently auditing the Company's 2013, 2014, 2015 and 2016 income tax returns. As a result of these audits, certain adjustments have been assessed. The Company has filed a protest, submitted additional information for consideration, and is currently in the appeals process with the IRS. The Company continues to evaluate the adjustments and believes that it is adequately reserved for any potential exposure. As of December 31, 2021, the U.S. federal statute of limitations has not expired for the 2013 through 2020 tax years.

As of December 31, 2021, the Company is subject to non-U.S. income tax examinations for the tax years of 2014 through 2020. In addition, the Company is subject to state and local income tax examinations for the tax years 1998 through 2021.

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A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2021	2020	2019
Balance at beginning of year	$ 227.0	$ 203.0	$ 89.5
Additions based on tax positions related to the current year	14.0	13.8	14.9
Additions for tax positions of prior years	23.1	16.4	107.9
Reductions for tax positions of prior years	(22.1)	(3.3)	(3.6)
Settlements	(5.6)	(2.0)	—
Lapses of statutes of limitations	(7.9)	(0.9)	(5.7)
Balance at end of year	$ 228.5	$ 227.0	$ 203.0

The increase in unrecognized tax benefits was primarily related to the reversal of benefits recognized in previous tax years from federal research and development credits, partially offset by a number of positions taken on prior year income tax returns filed in the U.S. and various foreign jurisdictions that were no longer deemed to be at risk. At December 31, 2021, 2020 and 2019, the total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was $218.9 million, $216.3 million and $195.3 million, respectively.

Included in the balance of unrecognized tax benefits at December 31, 2021 is $13.7 million related to tax positions for which it is reasonably possible that the total amounts could significantly change during the next twelve months. This amount represents a decrease in unrecognized tax benefits comprised primarily of items related to federal audits of partnership investments and expiring statutes in federal, foreign and state jurisdictions.

The Company classifies all income tax related interest and penalties as income tax expense. During the year ended December 31, 2021, there was a decrease in income tax interest and penalties of $2.7 million. During the years ended December 31, 2020 and 2019, there was an increase in income tax interest and penalties of $4.0 million and $1.6 million, respectively. The Company accrued $26.4 million, $30.3 million and $26.2 million at December 31, 2021, 2020 and 2019, respectively, for the potential payment of interest and penalties.

NOTE 20 – NET INCOME PER SHARE

Basic and diluted net income per share are calculated using the treasury stock method.

(in millions, except per share data)	2021	2020	2019
Basic			
Net income	$ 1,864.4	$ 2,030.4	$ 1,541.3
Average shares outstanding	262.5	271.3	275.4
Basic net income per share	$ 7.10	$ 7.48	$ 5.60
Diluted			
Net income	$ 1,864.4	$ 2,030.4	$ 1,541.3
Average shares outstanding assuming dilution:			
Average shares outstanding	262.5	271.3	275.4
Stock options and other contingently issuable shares [1]	4.6	4.5	4.8
Non-vested restricted stock grants	—	—	0.1
Average shares outstanding assuming dilution	267.1	275.8	280.3
Diluted net income per share	$ 6.98	$ 7.36	$ 5.50

[1] Stock options and other contingently issuable shares excludes 0.9 million, 1.0 million and 1.3 million shares at December 31, 2021, 2020 and 2019, respectively, due to their anti-dilutive effect.

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NOTE 21 – REPORTABLE SEGMENT INFORMATION

The Company reports its segment information in the same way that management internally organizes its business for assessing performance and making decisions regarding allocation of resources in accordance with the Segment Reporting Topic of the ASC. The Company has three reportable operating segments: The Americas Group, Consumer Brands Group and Performance Coatings Group (individually, a Reportable Segment and collectively, the Reportable Segments). Factors considered in determining the three Reportable Segments of the Company include the nature of business activities, the management structure directly accountable to the Company's chief operating decision maker (CODM) for operating and administrative activities, availability of discrete financial information and information presented to the Board of Directors. The Company reports all other business activities and immaterial operating segments that are not reportable in the Administrative segment.

The Company's CODM has been identified as the Chief Executive Officer because he has final authority over performance assessment and resource allocation decisions. Because of the diverse operations of the Company, the CODM regularly receives discrete financial information about each Reportable Segment as well as a significant amount of additional financial information about certain divisions, business units or subsidiaries of the Company. The CODM uses all such financial information for performance assessment and resource allocation decisions. The CODM evaluates the performance of and allocates resources to the Reportable Segments based on segment profit or loss and cash generated from operations. The accounting policies of the Reportable Segments are the same as those described in Note 1 of this report.

The Americas Group consisted of 4,859 company-operated specialty paint stores in the United States, Canada, Latin America and the Caribbean region at December 31, 2021. Each store in this segment is engaged in servicing the needs of architectural and industrial paint contractors and do-it-yourself homeowners. These stores market and sell Sherwin-Williams® and other controlled brand architectural paint and coatings, protective and marine products, OEM product finishes and related products. The majority of these products are produced by manufacturing facilities in the Consumer Brands Group. In addition, each store sells select purchased associated products. The Americas Group sells a variety of architectural paints, coatings and related products through dedicated dealers, home centers, distributors, hardware stores and other retailers throughout Latin America. The Americas Group meets regional customer demands through developing, licensing, manufacturing, distributing and selling a variety of architectural paints, coatings and related products in North and South America. The loss of any single customer would not have a material adverse effect on the business of this segment. At December 31, 2021, The Americas Group consisted of operations from subsidiaries in 10 foreign countries. During 2021, this segment opened 85 net new stores, consisting of 92 new stores opened (76 in the United States, 3 in Canada, 10 in Mexico and 3 in South America) and 7 stores closed (6 in the United States and 1 in South America). In 2020 and 2019, this segment opened 16 and 62 net new stores, respectively. The CODM uses discrete financial information about The Americas Group, supplemented with information by geographic region, product type and customer type, to assess performance of and allocate resources to The Americas Group as a whole. In accordance with ASC 280-10-50-9, The Americas Group as a whole is considered the operating segment, and because it meets the criteria in ASC 280-10-50-10, it is also considered a Reportable Segment.

The Consumer Brands Group supplies a broad portfolio of branded and private-label architectural paint, stains, varnishes, industrial products, wood finishes products, wood preservatives, applicators, corrosion inhibitors, aerosols, caulks and adhesives to retailers and distributors throughout North America, as well as in China and Europe. The Consumer Brands Group also supports the Company's other businesses around the world with new product research and development, manufacturing, distribution and logistics. Approximately 62% of the total sales of the Consumer Brands Group in 2021 were intersegment transfers of products primarily sold through The Americas Group. At December 31, 2021, the Consumer Brands Group consisted of operations in the United States and subsidiaries in 5 foreign countries. Sales and marketing of certain controlled brand and private-label products is performed by a direct sales staff. The products distributed through third-party customers are intended for resale to the ultimate end-user of the product. The Consumer Brands Group had sales to certain customers that, individually, may be a significant portion of the sales and related profitability of the segment. This segment incurred most of the Company's capital expenditures related to operational efficiencies, capacity, health and safety at sites currently in operation. The CODM uses discrete financial information about the Consumer Brands Group, supplemented with information by product type and customer type, to assess performance of and allocate resources to the Consumer Brands Group as a whole. In accordance with ASC 280-10-50-9, the Consumer Brands Group as a whole is considered the operating segment, and because it meets the criteria in ASC 280-10-50-10, it is also considered a Reportable Segment.

The Performance Coatings Group develops and sells industrial coatings for wood finishing and general industrial (metal and plastic) applications, automotive refinish, protective and marine coatings, coil coatings, packaging coatings and performance-based resins and colorants worldwide. This segment licenses certain technology and trade names worldwide. Sherwin-Williams® and other controlled brand products are distributed through The Americas Group and this segment's 282 company-operated branches and by a direct sales staff and outside sales representatives to retailers, dealers, jobbers, licensees and other third-party distributors. The Performance Coatings Group had sales to certain customers that, individually, may be a significant portion of the sales of the segment. However, the loss of any single customer would not have a material adverse effect on the

overall profitability of the segment. During 2021, this segment opened 1 new branch and closed 1 branch for no net change in the number of branches operated. At December 31, 2021, the Performance Coatings Group consisted of operations in the United States and subsidiaries in 44 foreign countries. The CODM uses discrete financial information about the Performance Coatings Group, supplemented with information about geographic divisions, business units and subsidiaries, to assess performance of and allocate resources to the Performance Coatings Group as a whole. In accordance with ASC 280-10-50-9, the Performance Coatings Group as a whole is considered the operating segment, and because it meets the criteria in ASC 280-10-50-10, it is also considered a Reportable Segment.

The Administrative segment includes the administrative expenses of the Company's corporate headquarters site and the operations of a real estate management unit that is responsible for the ownership, management and leasing of non-retail properties held primarily for use by the Company, including the Company's headquarters site, and disposal of idle facilities. Also included in the Administrative segment was interest expense, interest and investment income, certain expenses related to closed facilities and environmental-related matters, and other expenses that were not directly associated with the Reportable Segments. In addition, the Administrative segment includes the $111.9 million pre-tax loss on the Wattyl divestiture recognized during the year ended December 31, 2021. See Notes 3 and 18 for additional information on the Wattyl divestiture. Sales of this segment represented external leasing revenue of excess headquarters space or leasing of facilities no longer used by the Company in its primary businesses. The Administrative segment did not include any significant foreign operations. Gains and losses from the sale of property were not a significant operating factor in determining the performance of the Administrative segment.

Net external sales of all consolidated foreign subsidiaries were $4.223 billion, $3.581 billion and $3.679 billion for 2021, 2020 and 2019, respectively.

Long-lived assets consisted of Property, plant and equipment, Goodwill, Intangible assets, Operating lease right-of-use assets, Deferred pension assets and Other assets. The aggregate total of long-lived assets for the Company was $15.613 billion, $15.810 billion and, $15.865 billion at December 31, 2021, 2020 and 2019, respectively. Long-lived assets of consolidated foreign subsidiaries totaled $2.785 billion, $3.167 billion and $3.211 billion at December 31, 2021, 2020 and 2019, respectively.

Total Assets of the Company were $20.667 billion, $20.402 billion and $20.496 billion at December 31, 2021, 2020 and 2019, respectively. Total assets of consolidated foreign subsidiaries were $4.653 billion, $4.834 billion and $4.829 billion, which represented 22.5%, 23.7% and 23.6% of the Company's total assets at December 31, 2021, 2020 and 2019, respectively.

No single geographic area outside the United States was significant relative to consolidated net external sales or consolidated long-lived assets. Export sales and sales to any individual customer were each less than 10 percent of consolidated sales to unaffiliated customers during all years presented.

In the reportable segment financial information that follows, Segment profit was total net sales and intersegment transfers less operating costs and expenses. Identifiable assets were those directly identified with each reportable segment. The Administrative segment assets consisted primarily of cash and cash equivalents, investments, deferred pension assets and headquarters property, plant and equipment. The margin for each reportable segment was based upon total net sales and intersegment transfers. Domestic intersegment transfers were primarily accounted for at the approximate fully absorbed manufactured cost, based on normal capacity volumes, plus customary distribution costs for paint products. Non-paint domestic and all international intersegment transfers were accounted for at values comparable to normal unaffiliated customer sales. All intersegment transfers are eliminated within the Administrative segment.

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	2021				
	The Americas Group	**Consumer Brands Group**	**Performance Coatings Group**	**Administrative**	**Consolidated Totals**
Net external sales	**$ 11,217.0**	**$ 2,721.6**	**$ 6,003.8**	**$ 2.2**	**$ 19,944.6**
Intersegment transfers	**—**	**4,411.8**	**149.7**	**(4,561.5)**	**—**
Total net sales and intersegment transfers	**$ 11,217.0**	**$ 7,133.4**	**$ 6,153.5**	**$ (4,559.3)**	**$ 19,944.6**
Segment profit	**$ 2,239.1**	**$ 358.4**	**$ 486.2**		**$ 3,083.7**
Interest expense				**$ (334.7)**	**(334.7)**
Administrative expenses and other				**(500.4)**	**(500.4)**
Income before income taxes	**$ 2,239.1**	**$ 358.4**	**$ 486.2**	**$ (835.1)**	**$ 2,248.6**
% to net external sales	**20.0 %**	**13.2 %**	**8.1 %**		**11.3 %**
Identifiable assets	**$ 5,627.9**	**$ 5,161.1**	**$ 8,388.6**	**$ 1,489.1**	**$ 20,666.7**
Capital expenditures	**79.2**	**123.9**	**90.8**	**78.1**	**372.0**
Depreciation	**73.4**	**86.7**	**66.2**	**36.8**	**263.1**
Amortization	**3.7**	**83.7**	**218.9**	**3.2**	**309.5**

	2020				
	The Americas Group	Consumer Brands Group	Performance Coatings Group	Administrative	Consolidated Totals
Net external sales	$ 10,383.2	$ 3,053.4	$ 4,922.4	$ 2.7	$ 18,361.7
Intersegment transfers	—	3,688.4	137.1	(3,825.5)	—
Total net sales and intersegment transfers	$ 10,383.2	$ 6,741.8	$ 5,059.5	$ (3,822.8)	$ 18,361.7
Segment profit	$ 2,294.1	$ 579.6	$ 500.1		$ 3,373.8
Interest expense				$ (340.4)	(340.4)
Administrative expenses and other				(514.2)	(514.2)
Income before income taxes	$ 2,294.1	$ 579.6	$ 500.1	$ (854.6)	$ 2,519.2
% to net external sales	22.1 %	19.0 %	10.2 %		13.7 %
Identifiable assets	$ 5,386.6	$ 5,387.4	$ 8,071.1	$ 1,556.5	$ 20,401.6
Capital expenditures	63.9	89.8	43.0	107.1	303.8
Depreciation	73.0	87.6	69.1	38.3	268.0
Amortization	4.5	90.0	213.9	5.0	313.4

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	2019				
	The Americas Group	Consumer Brands Group	Performance Coatings Group	Administrative	Consolidated Totals
Net external sales	$ 10,171.9	$ 2,676.8	$ 5,049.2	$ 2.9	$ 17,900.8
Intersegment transfers	—	3,607.0	116.2	(3,723.2)	—
Total net sales and intersegment transfers	$ 10,171.9	$ 6,283.8	$ 5,165.4	$ (3,720.3)	$ 17,900.8
Segment profit	$ 2,056.5	$ 373.2	$ 379.1		$ 2,808.8
Interest expense				$ (349.3)	(349.3)
Administrative expenses and other				(477.7)	(477.7)
Income before income taxes	$ 2,056.5	$ 373.2	$ 379.1	$ (827.0)	$ 1,981.8
% to net external sales	20.2 %	13.9 %	7.5 %		11.1 %
Identifiable assets	$ 5,399.1	$ 5,600.8	$ 8,175.6	$ 1,320.7	$ 20,496.2
Capital expenditures	73.3	133.4	84.2	38.0	328.9
Depreciation	72.2	81.1	70.9	37.9	262.1
Amortization	4.8	90.3	212.9	4.8	312.8

NOTE 22 – SUMMARY OF QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following tables summarize the unaudited quarterly results of operations for the years ended December 31, 2021 and 2020.

	2021				
	1st Quarter	**2nd Quarter**	**3rd Quarter**	**4th Quarter**	**Full Year [(1)]**
Net sales	**$ 4,656.0**	**$ 5,379.8**	**$ 5,146.7**	**$ 4,762.1**	**$ 19,944.6**
Gross profit	**2,112.0**	**2,411.4**	**2,139.6**	**1,879.7**	**8,542.7**
Net income	**409.6**	**648.6**	**502.2**	**304.0**	**1,864.4**
Net income per share:					
Basic	**$ 1.54**	**$ 2.47**	**$ 1.92**	**$ 1.17**	**$ 7.10**
Diluted	**$ 1.51**	**$ 2.42**	**$ 1.88**	**$ 1.15**	**$ 6.98**

	2020				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Full Year [(1)]
Net sales	$ 4,146.7	$ 4,604.0	$ 5,122.2	$ 4,488.8	$ 18,361.7
Gross profit	1,889.7	2,208.9	2,455.3	2,128.7	8,682.6
Net income	321.7	595.9	705.8	407.0	2,030.4
Net income per share:					
Basic	$ 1.18	$ 2.20	$ 2.60	$ 1.51	$ 7.48
Diluted	$ 1.15	$ 2.16	$ 2.55	$ 1.49	$ 7.36

[(1)] The sum of the quarterly earnings per share data may not equal the full year amount as the computations of the weighted average shares outstanding for each quarter and the full year are calculated independently.