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

FORM 10-Q

(Mark One)

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Period Ended September 30, 2021

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from ______ to ______
Commission file number 1-04851

THE SHERWIN-WILLIAMS COMPANY

(Exact name of registrant as specified in its charter)

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

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

Title of each class	Trading Symbol	Name of exchange on which registered
Common Stock, par value of $0.33-1/3 per share	**SHW**	**New York Stock Exchange**

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

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

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Common Stock, $0.33-1/3 Par Value – 262,196,196 shares as of September 30, 2021.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

THE SHERWIN-WILLIAMS COMPANY AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME (UNAUDITED)

(in millions, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	**2021**	2020
Net sales	**$ 5,146.7**	$ 5,122.2	**$ 15,182.5**	$ 13,872.9
Cost of goods sold	**3,007.1**	2,666.9	**8,519.5**	7,319.0
Gross profit	**2,139.6**	2,455.3	**6,663.0**	6,553.9
Percent to net sales	***41.6 %***	*47.9 %*	***43.9 %***	*47.2 %*
Selling, general and administrative expenses	**1,368.9**	1,406.8	**4,132.6**	4,005.7
Percent to net sales	***26.6 %***	*27.5 %*	***27.2 %***	*28.9 %*
Other general (income) expense - net	**(1.1)**	10.5	**111.2**	13.1
Amortization	**76.2**	78.7	**233.2**	234.2
Interest expense	**83.1**	83.3	**249.8**	257.6
Interest and net investment income	**(0.7)**	(1.4)	**(1.9)**	(2.6)
Other expense (income) - net	**1.7**	1.8	**(1.6)**	30.6
Income before income taxes	**611.5**	875.6	**1,939.7**	2,015.3
Income taxes	**109.3**	169.8	**379.3**	391.9
Net income	**$ 502.2**	$ 705.8	**$ 1,560.4**	$ 1,623.4
Net income per common share:				
Basic	**$ 1.92**	$ 2.60	**$ 5.92**	$ 5.97
Diluted	**$ 1.88**	$ 2.55	**$ 5.82**	$ 5.87
Weighted average shares outstanding:				
Basic	**261.6**	271.6	**263.4**	272.1
Diluted	**266.6**	276.3	**268.1**	276.7

See notes to condensed consolidated financial statements.

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

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	**2021**	2020
Net income	**$ 502.2**	$ 705.8	**$ 1,560.4**	$ 1,623.4
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustments [(1)]	**(86.2)**	75.2	**(69.9)**	(109.1)
Pension and other postretirement benefit adjustments:				
Amounts reclassified from AOCI [(2)]	**1.4**	0.6	**4.6**	1.9
Unrealized net gains on cash flow hedges:				
Amounts reclassified from AOCI [(3)]	**(0.7)**	(0.9)	**(3.1)**	(5.6)
Other comprehensive (loss) income	**(85.5)**	74.9	**(68.4)**	(112.8)
Comprehensive income	**$ 416.7**	$ 780.7	**$ 1,492.0**	$ 1,510.6

(1) The three months ended September 30, 2021 includes unrealized gains of $14.5 million, net of taxes of $(4.9) million, related to net investment hedges. The three months ended September 30, 2020 includes unrealized losses of $(26.3) million, net of taxes of $8.7 million, related to net investment hedges. The nine months ended September 30, 2021 includes unrealized gains of $31.6 million, net of taxes of $(10.4) million, related to net investment hedges. The nine months ended September 30, 2020 includes unrealized losses of $(26.4) million, net of taxes $8.7 million, related to net investment hedges. See Note 12 for additional information.

(2) Net of taxes of $(0.6) million and $(0.2) million in the three months ended September 30, 2021 and 2020, respectively. Net of taxes of $(1.7) million and $(0.5) million in the nine months ended September 30, 2021 and 2020, respectively.

(3) Net of taxes of $0.6 million and $0.4 million in the three months ended September 30, 2021 and 2020, respectively. Net of taxes of $1.0 million and $1.8 million in the nine months ended September 30, 2021 and 2020, respectively.

See notes to condensed consolidated financial statements.

THE SHERWIN-WILLIAMS COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in millions)	**September 30, 2021**	December 31, 2020	September 30, 2020
Assets			
Current assets:			
Cash and cash equivalents	**$ 313.3**	$ 226.6	$ 619.9
Accounts receivable, net	**2,598.0**	2,078.1	2,454.5
Inventories	**1,816.0**	1,804.1	1,672.8
Other current assets	**651.1**	482.6	428.4
Total current assets	**5,378.4**	4,591.4	5,175.6
Property, plant and equipment, net	**1,827.2**	1,834.5	1,780.0
Goodwill	**6,996.3**	7,049.1	7,005.6
Intangible assets	**4,068.8**	4,471.2	4,498.7
Operating lease right-of-use assets	**1,774.4**	1,761.1	1,738.6
Other assets	**691.5**	694.3	611.2
Total assets	**$ 20,736.6**	$ 20,401.6	$ 20,809.7
Liabilities and Shareholders' Equity			
Current liabilities:			
Short-term borrowings	**$ 709.4**	$ 0.1	$ 0.2
Accounts payable	**2,675.4**	2,117.8	2,056.2
Compensation and taxes withheld	**692.1**	752.7	654.5
Accrued taxes	**181.3**	183.5	165.2
Current portion of long-term debt	**662.1**	25.1	24.1
Current portion of operating lease liabilities	**398.8**	387.3	379.5
Other accruals	**1,159.4**	1,127.9	1,078.6
Total current liabilities	**6,478.5**	4,594.4	4,358.3
Long-term debt	**7,604.9**	8,266.9	8,266.9
Postretirement benefits other than pensions	**271.8**	275.6	262.3
Deferred income taxes	**801.5**	846.1	956.7
Long-term operating lease liabilities	**1,433.9**	1,434.1	1,421.3
Other long-term liabilities	**1,455.7**	1,373.7	1,336.9
Shareholders' equity:			
Common stock—$0.33-1/3 par value:			
262.2 million, 268.7 million and 272.5 million shares outstanding at September 30, 2021, December 31, 2020 and September 30, 2020, respectively	**90.5**	89.9	120.4
Other capital	**3,688.1**	3,491.4	3,373.3
Retained earnings	**1,961.8**	844.3	8,619.5
Treasury stock, at cost	**(2,263.4)**	(96.5)	(7,113.6)
Accumulated other comprehensive loss	**(786.7)**	(718.3)	(792.3)
Total shareholders' equity	**2,690.3**	3,610.8	4,207.3
Total liabilities and shareholders' equity	**$ 20,736.6**	$ 20,401.6	$ 20,809.7

See notes to condensed consolidated financial statements.

THE SHERWIN-WILLIAMS COMPANY AND SUBSIDIARIES
CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS (UNAUDITED)

(in millions)	Nine Months Ended	
	September 30, 2021	September 30, 2020
OPERATING ACTIVITIES		
Net income	**$ 1,560.4**	$ 1,623.4
Adjustments to reconcile net income to net operating cash:		
Depreciation	**199.8**	200.0
Non-cash lease expense	**295.0**	276.1
Amortization of intangible assets	**233.2**	234.2
Loss on divestiture of business	**111.9**	—
Loss on extinguishment of debt	**—**	21.3
Amortization of credit facility and debt issuance costs	**4.9**	5.5
Stock-based compensation expense	**64.9**	72.9
Provisions for environmental-related matters	**5.5**	20.8
Defined benefit pension plans net cost	**5.7**	5.8
Deferred income taxes	**(24.3)**	2.1
Other	**38.5**	(4.0)
Change in working capital accounts - net	**(166.0)**	312.2
Change in operating lease liabilities	**(297.2)**	(270.6)
Costs incurred for environmental-related matters	**(34.0)**	(24.2)
Other	**52.4**	88.3
Net operating cash	**2,050.7**	2,563.8
INVESTING ACTIVITIES		
Capital expenditures	**(248.1)**	(193.8)
Acquisitions of businesses, net of cash acquired	**(25.3)**	—
Proceeds from divestiture of business	**122.5**	—
Proceeds from sale of assets	**14.8**	38.8
Increase in other investments	**(90.6)**	(21.6)
Net investing cash	**(226.7)**	(176.6)
FINANCING ACTIVITIES		
Net increase (decrease) in short-term borrowings	**707.9**	(204.5)
Proceeds from long-term debt	**—**	999.0
Payments of long-term debt	**(24.6)**	(1,204.7)
Payments for credit facility and debt issuance costs	**(1.7)**	(10.0)
Payments of cash dividends	**(442.9)**	(367.8)
Proceeds from stock options exercised	**121.3**	135.7
Treasury stock purchased	**(2,076.5)**	(1,294.7)
Proceeds from treasury stock issued	**11.7**	57.4
Other	**(32.9)**	(26.6)
Net financing cash	**(1,737.7)**	(1,916.2)
Effect of exchange rate changes on cash	**0.4**	(12.9)
Net increase in cash and cash equivalents	**86.7**	458.1
Cash and cash equivalents at beginning of year	**226.6**	161.8
Cash and cash equivalents at end of period	**$ 313.3**	$ 619.9
Income taxes paid	**$ 423.9**	$ 300.9
Interest paid	**238.5**	243.0

See notes to condensed consolidated financial statements.

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

(in millions, except per share data)	Common Stock	Other Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2020	**$ 89.9**	**$ 3,491.4**	**$ 844.3**	**$ (96.5)**	**$ (718.3)**	**$ 3,610.8**
Net income			**409.6**			**409.6**
Other comprehensive loss					**(45.5)**	**(45.5)**
Treasury stock purchased				**(775.4)**		**(775.4)**
Stock-based compensation activity	**0.3**	**51.5**		**(21.5)**		**30.3**
Other adjustments		**0.7**				**0.7**
Cash dividends -- $0.55 per share			**(151.8)**			**(151.8)**
Balance at March 31, 2021	**$ 90.2**	**$ 3,543.6**	**$ 1,102.1**	**$ (893.4)**	**$ (763.8)**	**$ 3,078.7**
Net income			**648.6**			**648.6**
Other comprehensive income					**62.6**	**62.6**
Treasury stock purchased				**(870.1)**		**(870.1)**
Treasury stock issued		**9.3**		**2.4**		**11.7**
Stock-based compensation activity	**0.4**	**54.6**		**(0.8)**		**54.2**
Other adjustments		**0.6**				**0.6**
Cash dividends -- $0.55 per share			**(145.9)**			**(145.9)**
Balance at June 30, 2021	**$ 90.6**	**$ 3,608.1**	**$ 1,604.8**	**$ (1,761.9)**	**$ (701.2)**	**$ 2,840.4**
Net income			**502.2**			**502.2**
Other comprehensive loss					**(85.5)**	**(85.5)**
Treasury stock purchased				**(501.5)**		**(501.5)**
Stock-based compensation activity		**80.2**				**80.2**
Other adjustments	**(0.1)**	**(0.2)**				**(0.3)**
Cash dividends -- $0.55 per share			**(145.2)**			**(145.2)**
Balance at September 30, 2021	**$ 90.5**	**$ 3,688.1**	**$ 1,961.8**	**$ (2,263.4)**	**$ (786.7)**	**$ 2,690.3**

(in millions, except per share data)

	Common Stock	Other Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2019	$ 119.4	$ 3,153.0	$ 7,366.9	$ (5,836.5)	$ (679.5)	$ 4,123.3
Net income			321.7			321.7
Other comprehensive loss					(221.6)	(221.6)
Adjustment to initially adopt ASU 2016-13			(3.0)			(3.0)
Treasury stock purchased				(890.3)		(890.3)
Treasury stock issued		13.5		43.9		57.4
Stock-based compensation activity	0.3	48.7		(24.8)		24.2
Other adjustments		0.3				0.3
Cash dividends -- $0.4467 per share			(122.9)			(122.9)
Balance at March 31, 2020	$ 119.7	$ 3,215.5	$ 7,562.7	$ (6,707.7)	$ (901.1)	$ 3,289.1
Net income			595.9			595.9
Other comprehensive income					33.9	33.9
Stock-based compensation activity	0.3	73.3		(0.3)		73.3
Other adjustments		0.3	0.1			0.4
Cash dividends -- $0.4467 per share			(122.7)			(122.7)
Balance at June 30, 2020	$ 120.0	$ 3,289.1	$ 8,036.0	$ (6,708.0)	$ (867.2)	$ 3,869.9
Net income			705.8			705.8
Other comprehensive loss					74.9	74.9
Treasury stock purchased				(404.4)		(404.4)
Stock-based compensation activity	0.4	84.5		(1.2)		83.7
Other adjustments		(0.3)	(0.1)			(0.4)
Cash dividends -- $0.4467 per share			(122.2)			(122.2)
Balance at September 30, 2020	$ 120.4	$ 3,373.3	$ 8,619.5	$ (7,113.6)	$ (792.3)	$ 4,207.3

See notes to condensed consolidated financial statements.

Periods ended September 30, 2021 and 2020

NOTE 1—BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of The Sherwin-Williams Company and its wholly owned subsidiaries (collectively, the Company) have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP) for interim financial information and the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by US GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

There have been no significant changes in significant accounting policies since December 31, 2020. Accounting estimates were revised as necessary during the first nine months of 2021 based on new information and changes in facts and circumstances. Certain amounts in the 2020 condensed consolidated financial statements have been reclassified to conform to the 2021 presentation.

The Company has historically experienced, and expects to continue to experience, variability in quarterly results. The results of operations for the three and nine months ended September 30, 2021 are not indicative of the results to be expected for the full year as business is seasonal in nature with the majority of Net sales for the Reportable Segments traditionally occurring during the second and third quarters. However, periods of economic downturn can alter the Company's seasonal patterns.

Stock Split

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 prior year share and per share information herein has been retroactively adjusted to reflect the Stock Split.

NOTE 2—RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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.

NOTE 3—ACQUISITIONS AND DIVESTITURES

During the third quarter of 2021, the Company signed an agreement to acquire Specialty Polymers, Inc. (Specialty Polymers), a leading manufacturer and developer of water-based polymers used in architectural and industrial coatings and other applications. The transaction is subject to customary closing conditions and is expected to close in the fourth quarter of 2021. Specialty Polymers will be reported within the Company’s Performance Coatings Group and will add to the Company’s existing internal resin manufacturing capability.

During the third quarter of 2021, the Company also 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 first quarter of 2021, the Company completed the acquisition of a domestic coatings company for approximately $27 million, including amounts held as security for certain representations, warranties and obligations of the sellers. This acquisition expands the Performance Coatings Group’s platform for growth and portfolio of brands and technologies. The preliminary purchase price allocation is expected to be finalized within the allowable measurement period. The results of operations for this acquisition have been included in the consolidated financial statements since the acquisition date. 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 allow the Company to focus its resources on global opportunities which 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.

NOTE 4—INVENTORIES

Included in Inventories were the following:

	September 30, 2021	December 31, 2020	September 30, 2020
Finished goods	**$ 1,276.6**	$ 1,427.6	$ 1,342.4
Work in process and raw materials	**539.4**	376.5	330.4
Inventories	**$ 1,816.0**	$ 1,804.1	$ 1,672.8

The Company primarily uses the last-in, first-out (LIFO) method of valuing inventory. An actual valuation of inventory under the LIFO method can be made only at the end of each year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations are based on management's estimates of expected year-end inventory levels and costs are subject to the final year-end LIFO inventory valuation. In addition, interim inventory levels include management's estimates of annual inventory losses due to shrinkage and other factors. For further information on the Company's inventory valuation, see Note 4 to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

NOTE 5—GOODWILL, INTANGIBLE AND LONG-LIVED ASSETS

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

	September 30, 2021	December 31, 2020	September 30, 2020
Land	**$ 257.6**	$ 283.5	$ 276.2
Buildings	**1,077.6**	1,098.0	1,061.4
Machinery and equipment	**3,016.2**	3,026.8	2,971.5
Construction in progress	**231.6**	140.5	109.6
Property, plant and equipment, gross	**4,583.0**	4,548.8	4,418.7
Less allowances for depreciation	**2,755.8**	2,714.3	2,638.7
Property, plant and equipment, net	**$ 1,827.2**	$ 1,834.5	$ 1,780.0

In accordance with the Goodwill and Other Intangibles Topic of the ASC, goodwill and indefinite-lived intangible assets are tested for impairment annually during the fourth quarter, and interim impairment tests are performed whenever an event occurs or circumstances change that indicate an impairment has more likely than not occurred.

NOTE 6—DEBT

On September 15, 2021, the Company elected to exercise 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). The Company redeemed the 4.20% Senior Notes on October 15, 2021 at a redemption price equal to 100% of the principal amount, plus accrued interest. As of September 30, 2021, the 4.20% Senior Notes were classified as a current liability in the Consolidated Balance Sheet.

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 (Existing Credit Agreement), to extend the maturity of $75.0 million of the commitments available for borrowing or letters of credit under the Existing Credit Agreement from December 20, 2022 to June 20, 2026. The August 2021 Credit Agreement will be used for general corporate purposes. On August 6, 2021, the Company amended its August 2021 Credit Agreement to extend the maturity of $50.0 million of the commitments available for borrowing or letters of credit under the August 2021 Credit Agreement from December 20, 2022 to June 20, 2026.

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.

On May 3, 2021 and February 16, 2021, the Company amended its five-year credit agreement entered into in May 2016 and subsequently amended on multiple dates. The May 3, 2021 and February 16, 2021 amendments extend the maturity of $75.0 million of the commitments available for borrowing from December 20, 2021 to June 20, 2026 and December 21, 2021 to December 20, 2025, respectively.

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 the 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 expense (income) - net.

For further details on the Company’s debt, see Note 6 to the Consolidated Financial Statements in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020.

NOTE 7—PENSION AND OTHER POSTRETIREMENT BENEFITS

The following table summarizes the components of the Company’s net periodic benefit cost for domestic and foreign defined benefit pension plans and other postretirement benefits:

	Domestic Defined Benefit Pension Plan		Foreign Defined Benefit Pension Plans		Other Postretirement Benefits	
	2021	2020	**2021**	2020	**2021**	2020
Three Months Ended September 30:						
Net periodic benefit cost:						
Service cost	**$ 1.3**	$ 1.2	**$ 1.9**	$ 1.7	**$ 0.3**	$ 0.3
Interest cost	**0.6**	0.8	**1.4**	1.9	**1.2**	2.0
Expected return on assets	**(1.7)**	(1.6)	**(2.4)**	(2.6)		
Recognition of:						
Unrecognized prior service cost (credit)	**0.3**	0.3			**0.1**	(0.3)
Unrecognized actuarial loss			**0.4**	0.3	**1.2**	0.5
Net periodic benefit cost	**$ 0.5**	$ 0.7	**$ 1.3**	$ 1.3	**$ 2.8**	$ 2.5
Nine Months Ended September 30:						
Net periodic benefit cost:						
Service cost	**$ 3.8**	$ 3.4	**$ 5.6**	$ 5.2	**$ 1.0**	$ 1.1
Interest cost	**2.0**	2.4	**4.2**	5.6	**3.8**	5.7
Expected return on assets	**(5.3)**	(4.7)	**(7.2)**	(7.8)		
Recognition of:						
Unrecognized prior service cost (credit)	**0.8**	1.0			**0.2**	(0.8)
Unrecognized actuarial loss			**1.1**	0.7	**3.5**	1.5
Ongoing pension cost	**1.3**	2.1	**3.7**	3.7	**8.5**	7.5
Divestiture of business			**0.7**			
Net periodic benefit cost	**$ 1.3**	$ 2.1	**$ 4.4**	$ 3.7	**$ 8.5**	$ 7.5

Service cost is recorded in Cost of goods sold and Selling, general and administrative expenses. All other components are recorded in Other expense (income) - net. For further details on the Company's pension and other postretirement benefits, see Note 7 to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

NOTE 8—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 September 30, 2021 and 2020, the Company had accruals reported on the balance sheet as Other long-term liabilities of $271.1 million and $310.5 million, respectively. Estimated costs of current investigation and remediation activities of $68.6 million and $57.6 million are included in Other accruals at September 30, 2021 and 2020, 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 $105.2 million higher than the minimum accruals at September 30, 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 September 30, 2021. At September 30, 2021, $287.9 million, or 84.8% of the total accrual, related directly to the Major Sites. In the aggregate unaccrued maximum of $105.2 million at September 30, 2021, $82.2 million, or 78.1%, 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 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 September 30, 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.

NOTE 9—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, liquidity or financial condition cannot be made due to the aforementioned uncertainties.

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

Santa Clara County, California Proceeding. The Santa Clara County, California proceeding was initiated in March 2000 in the Superior Court of the State of California, County of Santa Clara. On July 17, 2019, 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. 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 September 30, 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 October 25, 2021, the Superior Court entered a per curiam order requesting that defendants show cause as to why the petition should not be transferred to the Commonwealth Court, the other Pennsylvania intermediate appellate court. All deadlines and discovery in the action will be held in abeyance until after defendants' petition is resolved.

In the Montgomery County action, the trial court denied the defendants' preliminary objections on October 15, 2021.

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

The plaintiff in Thomas v. Lead Industries Association, et al., initiated an action in Wisconsin state court against the Company, other alleged former lead pigment manufacturers and the Lead Industries Association in September 1999. The claims against the 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' responses to the defendants' motions for summary judgment are due on November 22, 2021.

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 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 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.

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 liability insurers' action, which was filed on February 23, 2006 in the Supreme Court of the State of New York, County of New York, has been dismissed.

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 liability insurers' motion for summary judgment, denying the Company's motion, and entering final judgment in favor of the liability 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 liability insurers filed cross-appeals. Briefing on the issues concluded, and oral argument occurred on August 25, 2021. 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.

NOTE 10—SHAREHOLDERS' EQUITY

Dividends paid on common stock during each of the first three quarters of 2021 and 2020 were $0.55 per share and $0.4467 per share, respectively.

During the nine months ended September 30, 2021, 1,418,382 stock options were exercised at a weighted average price per share of $86.55. In addition, 271,371 restricted stock units vested during this period.

In April 2021, the Company received proceeds of $11.7 million in conjunction with the issuance of treasury shares to fund obligations related to a non-qualified benefit plan. In February 2020, the Company received proceeds of $57.4 million in conjunction with the issuance of treasury shares to fund Company contributions to the domestic defined contribution plan.

NOTE 11—ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

The components of accumulated other comprehensive (loss) income (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 December 31, 2020	**$ (671.5)**	**$ (87.2)**	**$ 40.4**	**$ (718.3)**
Amounts recognized in AOCI	**(69.9)**			**(69.9)**
Amounts reclassified from AOCI		**4.6**	**(3.1)**	**1.5**
Balance at September 30, 2021	**$ (741.4)**	**$ (82.6)**	**$ 37.3**	**$ (786.7)**

	Foreign Currency Translation Adjustments	Pension and Other Postretirement Benefits Adjustments	Unrealized Net Gains on Cash Flow Hedges	Total
Balance at December 31, 2019	$ (657.4)	$ (69.2)	$ 47.1	$ (679.5)
Amounts recognized in AOCI	(109.1)			(109.1)
Amounts reclassified from AOCI		1.9	(5.6)	(3.7)
Balance at September 30, 2020	$ (766.5)	$ (67.3)	$ 41.5	$ (792.3)

NOTE 12—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 have a notional value of $500.0 million and $244.0 million, respectively, and mature on 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 will pay floating-rate interest in Euros and receive floating-rate interest in U.S. Dollars.

In February 2020, the Company settled its $400.0 million U.S. Dollar to Euro cross currency swap contract entered into in May 2019 to hedge the Company's net investment in its European operations. 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 13 for additional information on the fair value of these contracts.

	September 30, 2021	December 31, 2020	September 30, 2020
Other accruals	**$ 16.4**	$ 31.0	$ —
Other long-term liabilities	**27.4**	54.8	49.2

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 three and nine months ended September 30, 2021 and 2020.

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	**September 30, 2021**	September 30, 2020
Unrealized gain (loss)	**$ 19.4**	$ (35.0)	**$ 42.0**	$ (35.1)
Tax effect	**(4.9)**	8.7	**(10.4)**	8.7
Unrealized gain (loss), net of taxes	**$ 14.5**	$ (26.3)	**$ 31.6**	$ (26.4)

NOTE 13—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

Except for the acquisition and divestiture-related fair value measurements described in Note 3, the Company did not have any fair value measurements for its non-financial assets and liabilities during the nine months ended September 30, 2021. There were no assets and liabilities measured at fair value on a nonrecurring basis. The following table presents the Company's financial assets and liabilities that are measured at fair value on a recurring basis, categorized using the fair value hierarchy.

	September 30, 2021				December 31, 2020			
	Total	**Level 1**	**Level 2**	**Level 3**	Total	Level 1	Level 2	Level 3
Assets:								
Deferred compensation plan assets	**$ 75.7**	**$ 40.3**	**$ 35.4**		$ 69.2	$ 37.9	$ 31.3	
Qualified Replacement Plan assets	**92.6**	**92.6**			161.5	161.5		
	$ 168.3	**$ 132.9**	**$ 35.4**	$ —	$ 230.7	$ 199.4	$ 31.3	$ —
Liabilities:								
Deferred compensation plan liabilities	**$ 85.3**	**$ 85.3**			$ 92.2	$ 92.2		
Net investment hedge liability	**43.8**		**$ 43.8**		85.8		$ 85.8	
	$ 129.1	**$ 85.3**	**$ 43.8**	$ —	$ 178.0	$ 92.2	$ 85.8	$ —

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 Topics 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 or broker models. The cost basis of the investment funds was $59.3 million and $58.1 million at September 30, 2021 and December 31, 2020, 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 to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2020. The investments are valued using quoted prices multiplied by the number of shares. The cost basis of the investment funds was $84.9 million and $159.6 million at September 30, 2021 and December 31, 2020, respectively.

The Company's liabilities under its deferred compensation plans represent the fair value of the participant shadow accounts, and the value is based on quoted market prices in active markets for identical assets.

The net investment hedge liability is the fair value of the cross currency swaps (see Note 12). The fair value is based on a valuation model that uses observable inputs, including interest rate curves and foreign currency rates.

The table below summarizes the carrying amounts and fair values of the Company's debt. The Company's publicly traded debt and non-publicly traded debt are classified as level 1 and level 2, respectively, in the fair value hierarchy.

	September 30, 2021		December 31, 2020	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Publicly traded debt	**$ 8,265.0**	**$ 9,170.9**	$ 8,265.2	$ 9,707.0
Non-publicly traded debt	**2.0**	**2.0**	26.8	26.5

NOTE 14—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 18 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.

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 at December 31, 2020	$ 2,078.1	$ 52.0	$ 170.7	$ 266.3	$ 8.2
Balance at September 30, 2021	2,598.0	61.4	142.5	268.9	11.2

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 quarter 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 net amount expected to be collected (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
Balance at January 1	**$ 53.5**	$ 36.5
Adjustment upon adoption of ASU 2016-13	—	3.0
Bad debt expense	**25.2**	63.6
Uncollectible accounts written off, net of recoveries	**(16.9)**	(26.0)
Balance at September 30	**$ 61.8**	$ 77.1

NOTE 15—OTHER

Other general (income) expense - net

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	**2021**	2020
Provisions for environmental matters - net	**$ 0.5**	$ 10.1	**$ 5.5**	$ 20.8
Loss on divestiture of business (see Note 3)	—	—	**111.9**	—
(Gain) loss on sale or disposition of assets	**(1.6)**	0.4	**(6.2)**	(7.7)
Other general (income) expense - net	**$ (1.1)**	$ 10.5	**$ 111.2**	$ 13.1

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. Environmental-related accruals are not recorded net of insurance proceeds in accordance with the Offsetting Subtopic of the Balance Sheet Topic of the ASC. See Note 8 for further details on the Company's environmental-related activities.

The (gain) loss on sale or disposition of assets represents net realized (gains) losses 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 expense (income) - net

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	**2021**	2020
Investment and royalty income	**$ —**	$ (3.1)	**$ (18.3)**	$ (5.7)
Loss on extinguishment of debt (see Note 6)	**—**	—	**—**	21.3
Net expense from banking activities	**2.6**	2.6	**7.7**	7.8
Foreign currency transaction related (gains) losses	**(1.2)**	(0.1)	**10.4**	10.3
Miscellaneous pension expense	**1.1**	1.3	**3.1**	3.6
Other income	**(6.9)**	(8.4)	**(19.4)**	(19.5)
Other expense	**6.1**	9.5	**14.9**	12.8
Other expense (income) - net	**$ 1.7**	$ 1.8	**$ (1.6)**	$ 30.6

Foreign currency transaction related (gains) 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 September 30, 2021 and 2020.

Miscellaneous pension expense consists of the non-service components of Net periodic benefit cost. See Note 7.

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 other items within the Other income or Other expense caption that were individually significant.

NOTE 16—INCOME TAXES

The effective tax rate was 17.9% and 19.6% for the third quarter and first nine months of 2021, respectively, compared to 19.4% for the third quarter and first nine months of 2020. The effective tax rate was favorably impacted by tax benefits related to employee share based payments during the first nine months of 2021 and 2020. The other significant components of the Company's effective tax rate were consistent year over year.

At December 31, 2020, the Company had $227.0 million in unrecognized tax benefits, the recognition of which would have an effect of $216.3 million on the effective tax rate. Included in the balance of unrecognized tax benefits at December 31, 2020 was $16.8 million related to tax positions for which it is reasonably possible that the total amounts could significantly change during the next twelve months.

The Company classifies all income tax related interest and penalties as income tax expense. At December 31, 2020, the Company had accrued $30.3 million for the potential payment of income tax interest and penalties.

There were no significant changes to any of the balances of unrecognized tax benefits at December 31, 2020 during the nine months ended September 30, 2021.

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 and submitted additional information for consideration. The Company is evaluating the adjustments and believes that it is adequately reserved for any potential exposure. As of September 30, 2021, the federal statute of limitations had not expired for the 2013 through 2020 tax years.

At September 30, 2021, the Company is subject to non-U.S. income tax examinations for the tax years of 2013 through 2020. In addition, the Company is subject to state and local income tax examinations for the tax years 1998 through 2020.

NOTE 17—NET INCOME PER SHARE

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

(in millions, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	**2021**	2020
Basic				
Net income	**$ 502.2**	$ 705.8	**$ 1,560.4**	$ 1,623.4
Average shares outstanding	**261.6**	271.6	**263.4**	272.1
Basic net income per share	**$ 1.92**	$ 2.60	**$ 5.92**	$ 5.97
Diluted				
Net income	**$ 502.2**	$ 705.8	**$ 1,560.4**	$ 1,623.4
Average shares outstanding assuming dilution:				
Average shares outstanding	**261.6**	271.6	**263.4**	272.1
Stock options and other contingently issuable shares [(1)]	**5.0**	4.7	**4.7**	4.6
Average shares outstanding assuming dilution	**266.6**	276.3	**268.1**	276.7
Diluted net income per share	**$ 1.88**	$ 2.55	**$ 5.82**	$ 5.87

[(1)] There were no stock options and other contingently issuable shares excluded due to their anti-dilutive effect for the three and nine months ended September 30, 2021. There were no stock options and other contingently issuable shares excluded due to their anti-dilutive effect for the three months ended September 30, 2020, and 0.2 million for the nine months ended September 30, 2020.

NOTE 18—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 determined that it has three reportable operating segments: The Americas Group, Consumer Brands Group and Performance Coatings Group (individually, a Reportable Segment and collectively, the Reportable Segments).

	Three Months Ended September 30, 2021				
	The Americas Group	Consumer Brands Group	Performance Coatings Group	Administrative	Consolidated Totals
Net external sales	**$ 2,967.0**	**$ 646.7**	**$ 1,532.5**	**$ 0.5**	**$ 5,146.7**
Intersegment transfers	**—**	**1,155.3**	**40.5**	**(1,195.8)**	**—**
Total net sales and intersegment transfers	**$ 2,967.0**	**$ 1,802.0**	**$ 1,573.0**	**$ (1,195.3)**	**$ 5,146.7**
Segment profit	**$ 631.5**	**$ 75.8**	**$ 110.4**		**$ 817.7**
Interest expense				**$ (83.1)**	**(83.1)**
Administrative expenses and other				**(123.1)**	**(123.1)**
Income before income taxes	**$ 631.5**	**$ 75.8**	**$ 110.4**	**$ (206.2)**	**$ 611.5**

	Three Months Ended September 30, 2020				
	The Americas Group	Consumer Brands Group	Performance Coatings Group	Administrative	Consolidated Totals
Net external sales	$ 2,978.3	$ 838.1	$ 1,305.3	$ 0.5	$ 5,122.2
Intersegment transfers	—	1,024.3	28.7	(1,053.0)	—
Total net sales and intersegment transfers	$ 2,978.3	$ 1,862.4	$ 1,334.0	$ (1,052.5)	$ 5,122.2
Segment profit	$ 747.4	$ 198.3	$ 155.3		$ 1,101.0
Interest expense				$ (83.3)	(83.3)
Administrative expenses and other				(142.1)	(142.1)
Income before income taxes	$ 747.4	$ 198.3	$ 155.3	$ (225.4)	$ 875.6

	Nine Months Ended September 30, 2021				
	The Americas Group	Consumer Brands Group	Performance Coatings Group	Administrative	Consolidated Totals
Net external sales	**$ 8,563.5**	**$ 2,156.3**	**$ 4,461.3**	**$ 1.4**	**$ 15,182.5**
Intersegment transfers	**—**	**3,238.9**	**110.4**	**(3,349.3)**	**—**
Total net sales and intersegment transfers	**$ 8,563.5**	**$ 5,395.2**	**$ 4,571.7**	**$ (3,347.9)**	**$ 15,182.5**
Segment profit	**$ 1,838.8**	**$ 342.3**	**$ 399.0**		**$ 2,580.1**
Interest expense				**$ (249.8)**	**(249.8)**
Administrative expenses and other				**(390.6)**	**(390.6)**
Income before income taxes	**$ 1,838.8**	**$ 342.3**	**$ 399.0**	**$ (640.4)**	**$ 1,939.7**

	Nine Months Ended September 30, 2020				
	The Americas Group	Consumer Brands Group	Performance Coatings Group	Administrative	Consolidated Totals
Net external sales	$ 7,807.5	$ 2,440.6	$ 3,622.7	$ 2.1	$ 13,872.9
Intersegment transfers	—	2,770.0	105.0	(2,875.0)	—
Total net sales and intersegment transfers	$ 7,807.5	$ 5,210.6	$ 3,727.7	$ (2,872.9)	$ 13,872.9
Segment profit	$ 1,735.4	$ 519.2	$ 366.4		$ 2,621.0
Interest expense				$ (257.6)	(257.6)
Administrative expenses and other				(348.1)	(348.1)
Income before income taxes	$ 1,735.4	$ 519.2	$ 366.4	$ (605.7)	$ 2,015.3

In the reportable segment financial information, Segment profit was total net sales and intersegment transfers less operating costs and expenses. Domestic intersegment transfers were accounted for at the approximate fully absorbed manufactured cost, based on normal capacity volumes, plus customary distribution costs. International intersegment transfers were accounted for at values comparable to normal unaffiliated customer sales. 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 nine months ended September 30, 2021. See Notes 3 and 15 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 $1.019 billion and $967.6 million for the three months ended September 30, 2021 and 2020, respectively. Net external sales of all consolidated foreign subsidiaries were $3.158 billion and $2.572 billion for the nine months ended September 30, 2021 and 2020, respectively. Long-lived assets of these subsidiaries totaled $2.772 billion and $3.077 billion at September 30, 2021 and 2020, respectively. Domestic operations accounted for the remaining net external sales and long-lived assets. No single geographic area outside the United States was significant relative to consolidated net external sales, income before taxes or consolidated long-lived assets. Export sales and sales to any individual customer were each less than 10% of consolidated sales in 2021 and 2020.

For further details on the Company's Reportable Segments, see Note 21 to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

NOTE 19—NON-TRADED INVESTMENTS

The Company has invested 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. The carrying value of the investments is 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 September 30, 2021, December 31, 2020 and September 30, 2020.

	September 30, 2021	December 31, 2020	September 30, 2020
Other assets	**$ 313.1**	$ 198.2	$ 199.8
Other accruals	**46.0**	89.0	56.6
Other long-term liabilities	**268.9**	127.3	98.6

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(dollars in millions, except as noted and per share data)

BACKGROUND

The Sherwin-Williams Company, founded in 1866, and its consolidated wholly owned subsidiaries (collectively, the Company) are engaged in the development, manufacture, distribution and sale of paint, coatings and related products to professional, industrial, commercial and retail customers primarily in North and South America with additional operations in the Caribbean region and throughout Europe, Asia and Australia.

The Company is structured into three reportable segments—The Americas Group, Consumer Brands Group and Performance Coatings Group (collectively, the "Reportable Segments")—and an Administrative segment in the same way it is internally organized for assessing performance and making decisions regarding allocation of resources. See Note 18 of Item 1 for additional information on the Company's Reportable Segments.

SUMMARY

- Consolidated net sales increased 0.5% in the quarter to $5.147 billion
    - Net sales from stores in U.S. and Canada open more than twelve calendar months decreased 2.8% in the quarter
    - Raw material availability issues negatively impacted quarter sales by an estimated high single digit percentage
- Diluted net income per share decreased 26.3% to $1.88 per share in the quarter
- Generated net operating cash of $2.051 billion in the first nine months of the year, or 13.5% of sales

OUTLOOK

While the Company has delivered a solid performance during the first nine months of 2021, many uncertainties remain, including the extent and duration of raw material inflation and supply chain constraints, as well as changes in demand for our products due to the impacts of the COVID-19 pandemic. Despite the uncertainties, our businesses continue to be well-positioned, and we have confidence in our long-term outlook.

The COVID-19 pandemic continues to evolve and disrupt normal activities in many segments of the global economy. We continue to work with government and health authorities to operate our business, including our company-operated stores, manufacturing plants and other facilities. We also continue to follow recommended actions of government authorities and health officials in order to protect the health and well-being of our employees, customers and their families worldwide.

As the circumstances around the COVID-19 pandemic remain fluid, we continue to actively monitor the pandemic's impact to the Company worldwide, including our financial position, liquidity, results of operations and cash flows, while managing our response to the pandemic through collaboration with employees, customers, suppliers, government authorities, health officials and other business partners. Please see Part II, Item 1A. Risk Factors in this Quarterly Report on Form 10-Q for further information regarding the current and potential impact of the COVID-19 pandemic on the Company.

In February 2021, Winter Storm Uri had a broad impact on the industry's raw material supply chain. While the storm had limited direct impact to the Company's production facilities, the disruption to the supply chain created an economic environment with tight supply fundamentals and higher raw material inflation that is ongoing. In August 2021, Hurricane Ida further disrupted the industry's raw material supply chain.

The Company continues to work diligently to collaborate across its businesses and with its customers and suppliers to meet robust demand and minimize any impact on production or sales levels as a result of the global supply chain disruptions while providing differentiated solutions and excellent service to our customers. As a result, the Company expects to ship all production for the remainder of 2021 and as raw material availability improves will build inventory in 2022.

Overall, we remain disciplined in our capital allocation approach, focused on driving value for our customers and returns to our shareholders. We will also continue to pursue business acquisitions and transactions that fit our strategy, and we expect to use any excess cash to make open market purchases of our common stock. We have a strong liquidity position, with $313.3 million in cash and $2.805 billion of unused capacity under our credit facilities at September 30, 2021. We are in compliance with bank covenants and expect to remain in compliance.

RESULTS OF OPERATIONS

The Company has historically experienced, and expects to continue to experience, variability in quarterly results. The results of operations for the three and nine months ended September 30, 2021 are not indicative of the results to be expected for the full year as business is seasonal in nature with the majority of Net sales for the Reportable Segments traditionally occurring during the second and third quarters. However, periods of economic downturn can alter the Company's seasonal patterns.

The following discussion and analysis addresses comparisons of material changes in the consolidated financial statements for the three and nine months ended September 30, 2021 and 2020.

Net Sales

(dollars in millions)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021	2020	$ Change	% Change	**2021**	2020	$ Change	% Change
The Americas Group	**$ 2,967.0**	$ 2,978.3	$ (11.3)	(0.4)%	**$ 8,563.5**	$ 7,807.5	$ 756.0	9.7 %
Consumer Brands Group	**646.7**	838.1	(191.4)	(22.8)%	**2,156.3**	2,440.6	(284.3)	(11.6)%
Performance Coatings Group	**1,532.5**	1,305.3	227.2	17.4 %	**4,461.3**	3,622.7	838.6	23.1 %
Administrative	**0.5**	0.5	—	— %	**1.4**	2.1	(0.7)	(33.3)%
Total	**$ 5,146.7**	$ 5,122.2	$ 24.5	0.5 %	**$ 15,182.5**	$ 13,872.9	$ 1,309.6	9.4 %

Three Months Ended September 30, 2021

Consolidated net sales increased in the third quarter of 2021 primarily due to selling price increases in all segments and slightly higher product sales volume in the Performance Coatings Group, partially offset by lower sales volume in The Americas Group and the Consumer Brands Group. Currency translation rate changes increased net sales by 0.7% in the third quarter. Net sales of all consolidated foreign subsidiaries increased 5.3% to $1.019 billion in the third quarter compared to $967.6 million in the same period last year. The increase in net sales for all consolidated foreign subsidiaries in the third quarter was due primarily to higher sales volumes in most end markets and selling price increases in the Performance Coatings Group and favorable currency translation, partially offset by lower sales in the Consumer Brands Group. Net sales of all operations other than consolidated foreign subsidiaries decreased 0.6% to $4.128 billion in the third quarter compared to $4.155 billion in the same period last year.

Net sales in The Americas Group decreased in the third quarter due primarily to lower sales volume of paint products as a result of raw material availability challenges, partially offset by selling price increases in all end markets. Net sales from stores open for more than twelve calendar months in the U.S. and Canada decreased 2.8% in the third quarter compared to last year’s comparable period. Sales of non-paint products increased 3.8% compared to last year's third quarter. A discussion of changes in volume versus pricing for sales of products other than paint is not pertinent due to the wide assortment of general merchandise sold.

Net sales of the Consumer Brands Group decreased in the third quarter due primarily to lower sales volumes to all of the group’s retail customers as a result of raw material availability issues and the Wattyl divestiture, partially offset by selling price increases. Currency translation rate changes increased the Consumer Brands Group's net sales by 0.7% in the third quarter.

Net sales in the Performance Coatings Group stated in U.S. dollars increased in the third quarter primarily due to higher sales in all end markets and selling price increases. Currency translation rate changes increased the Performance Coatings Group's net sales by 2.0% in the third quarter.

Nine Months Ended September 30, 2021

Consolidated net sales increased in the nine months of 2021 due primarily to higher product sales volume in The Americas Group and the Performance Coatings Group as well as selling price increases in all Reportable Segments, partially offset by lower product sales volume in the Consumer Brands Group. Currency translation rate changes increased net sales by 1.1% in the first nine months of 2021. Net sales of all consolidated foreign subsidiaries increased 22.8% to $3.158 billion in the first nine months compared to $2.572 billion in the same period last year. The increase in net sales for all consolidated foreign subsidiaries in the first nine months was due primarily to higher sales volume in most end markets and selling price increases in the Performance Coatings Group, higher sales in The Americas Group and favorable currency translation. Net sales of all operations other than consolidated foreign subsidiaries increased 6.4% to $12.025 billion in the first nine months compared to $11.301 billion in the same period last year.

Net sales in The Americas Group increased in the first nine months due primarily to higher product sales volume in all end markets excluding DIY, and selling price increases. Net sales from stores open for more than twelve calendar months in the U.S. and Canada increased 7.6% in the first nine months compared to last year's comparable period. Sales of non-paint products increased 13.9% over last year's first nine months. A discussion of changes in volume versus pricing for sales of products other than paint is not pertinent due to the wide assortment of general merchandise sold.

Net sales of the Consumer Brands Group decreased in the first nine months due primarily to lower volume sales to most of the group's retail customers as DIY demand returned to more normal levels, and the Wattyl divestiture, partially offset by selling price increases. Currency translation rate changes increased the Consumer Brands Group's net sales by 1.5% in the first nine months of 2021.

Net sales in the Performance Coatings Group stated in U.S. dollars increased in the first nine months primarily due to higher sales volumes in most end markets and selling price increases. Currency translation rate changes increased the Performance Coatings Group's net sales by 3.2% in the first nine months of 2021.

Income Before Income Taxes

The following table presents the components of income before income taxes as a percentage of net sales:

(dollars in millions)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021		2020		**2021**		2020	
		% of Net Sales		% of Net Sales		% of Net Sales		% of Net Sales
Net sales	**$ 5,146.7**	**100.0 %**	$ 5,122.2	100.0 %	**$ 15,182.5**	**100.0 %**	$ 13,872.9	100.0 %
Cost of goods sold	**3,007.1**	**58.4 %**	2,666.9	52.1 %	**8,519.5**	**56.1 %**	7,319.0	52.8 %
Gross profit	**2,139.6**	**41.6 %**	2,455.3	47.9 %	**6,663.0**	**43.9 %**	6,553.9	47.2 %
SG&A	**1,368.9**	**26.6 %**	1,406.8	27.5 %	**4,132.6**	**27.2 %**	4,005.7	28.9 %
Other general (income) expense - net	**(1.1)**	**— %**	10.5	0.2 %	**111.2**	**0.7 %**	13.1	0.1 %
Amortization	**76.2**	**1.5 %**	78.7	1.5 %	**233.2**	**1.5 %**	234.2	1.7 %
Interest expense	**83.1**	**1.6 %**	83.3	1.6 %	**249.8**	**1.7 %**	257.6	1.8 %
Interest and net investment income	**(0.7)**	**— %**	(1.4)	— %	**(1.9)**	**— %**	(2.6)	— %
Other expense (income) - net	**1.7**	**— %**	1.8	— %	**(1.6)**	**— %**	30.6	0.2 %
Income before income taxes	**$ 611.5**	**11.9 %**	$ 875.6	17.1 %	**$ 1,939.7**	**12.8 %**	$ 2,015.3	14.5 %

Three Months Ended September 30, 2021

Cost of goods sold increased $340.2 million, or 12.8%, in the third quarter of 2021 compared to the same period in 2020 primarily due to higher raw material costs (including titanium dioxide and petrochemical feedstock sources) and unfavorable currency translation rate changes, partially offset by lower sales volumes as a result of raw material availability issues. Currency translation rate changes increased Cost of goods sold by 1.0% in the third quarter of 2021.

Consolidated gross profit decreased $315.7 million in the third quarter of 2021 compared to the same period in 2020. Consolidated gross profit as a percent of consolidated net sales decreased in the third quarter to 41.6%, compared to 47.9% during the same period in 2020. Consolidated gross profit dollars decreased primarily due to lower sales volumes in The Americas Group and Consumer Brands Group and higher raw material costs in each Reportable Segment, partially offset by higher sales in the Performance Coatings Group. The gross margin rate decreased primarily as a result of higher raw material costs in each Reportable Segment.

The Americas Group's gross profit in the third quarter was lower than the same period last year by $124.2 million due primarily to lower sales volume and higher raw material costs, partially offset by selling price increases. The Americas Group's gross profit as a percent of net sales decreased in the third quarter compared to the same period in 2020 primarily due to higher raw material costs. The Consumer Brands Group's gross profit decreased by $152.4 million in the third quarter compared to the same period last year due primarily to lower sales volume, higher raw material costs and supply chain inefficiencies. The Consumer Brands Group's gross profit as a percent of net sales decreased in the third quarter compared to the same period last year for these same reasons. The Performance Coatings Group's gross profit decreased $31.3 million, when stated in U.S. dollars, in the third quarter compared to the same period last year, primarily due to higher raw material costs, partially offset by higher sales and favorable currency translation rate changes. The Performance Coatings Group's gross profit as a percent of net sales decreased in the third quarter compared to the same period last year primarily due to higher raw material costs.

Consolidated selling, general and administrative expenses (SG&A) decreased $37.9 million in the third quarter versus the same period last year due primarily to good cost control, partially offset by increased spending from new store openings. As a percent of net sales, consolidated SG&A decreased 90 basis points in the third quarter compared to the same period last year primarily due to good cost control.

The Americas Group's SG&A decreased $1.7 million in the third quarter compared to the same period last year due primarily to good cost control, partially offset by investments in strategic growth initiatives including new store openings. The Consumer Brands Group's SG&A decreased $28.0 million in the third quarter compared to the same period last year due to good sales and marketing cost control in line with a return to more normal DIY sales levels. The Performance Coatings Group's SG&A increased $15.8 million in the third quarter compared to the same period last year to support higher sales levels and unfavorable currency translation rate changes. The Administrative segment's SG&A decreased $24.0 million in the third quarter compared to the same period last year due primarily to lower incentive compensation.

In the third quarter of 2021, Other general (income) expense - net improved $11.6 million compared to the same period in 2020 primarily due to a decrease in provisions for environmental matters in the Administrative segment. See Note 15 of Item 1 for additional information.

In the third quarter of 2021, amortization of acquired intangibles was $50.9 million and $19.4 million for the Performance Coatings and Consumer Brands Groups, respectively. In the third quarter of 2020, amortization of acquired intangibles was $50.5 million and $21.7 million for the Performance Coatings and Consumer Brands Groups, respectively.

Nine Months Ended September 30, 2021

Cost of goods sold increased $1.201 billion, or 16.4%, in the first nine months of 2021 compared to the same period in 2020 primarily due to higher raw material costs (including titanium dioxide and petrochemical feedstock sources), higher sales volumes and unfavorable currency translation rate changes. Currency translation rate changes increased Cost of goods sold by 1.6% in the first nine months of 2021.

Consolidated gross profit increased $109.1 million in the first nine months of 2021 compared to the same period in 2020. Consolidated gross profit as a percent of consolidated net sales decreased in the first nine months of 2021 to 43.9%, compared to 47.2% during the same period in 2020. Consolidated gross profit dollars increased primarily due to higher sales in The Americas Group and the Performance Coatings Group, partially offset by the impact of lower sales in the Consumer Brands Group and higher raw material costs in each Reportable Segment. The gross margin rate decreased primarily as a result of higher raw material costs in each Reportable Segment.

The Americas Group's gross profit in the first nine months of 2021 was higher than the same period last year by $246.4 million due primarily to higher sales volume and selling price increases, partially offset by higher raw material costs. The Americas Group's gross profit as a percent of net sales decreased in the first nine months of 2021 compared to the same period in 2020 primarily due to higher raw material costs. The Consumer Brands Group's gross profit decreased by $235.2 million in the first nine months compared to the same period last year due primarily to lower sales volume, higher raw material costs and supply chain inefficiencies. The Consumer Brands Group's gross profit as a percent of net sales decreased in the first nine months compared to the same period last year for these same reasons. The Performance Coatings Group's gross profit increased $102.0 million, when stated in U.S. dollars, in the first nine months compared to the same period last year primarily due to higher sales volumes and selling price increases, partially offset by higher raw material costs. The Performance Coatings Group's gross profit as a percent of net sales decreased in the first nine months compared to the same period last year due to higher raw material costs.

Consolidated SG&A increased $126.9 million in the first nine months of 2021 versus the same period last year due primarily to increased spending from new store openings, unfavorable currency translation rate changes and to support higher sales levels, partially offset by good cost control. As a percent of net sales, consolidated SG&A decreased 170 basis points in the first nine months compared to the same period last year primarily due to good cost control and higher sales.

The Americas Group's SG&A increased $153.6 million in the first nine months of 2021 due primarily to increased spending from new store openings and costs to support higher sales levels. The Consumer Brands Group's SG&A decreased $56.1 million in the first nine months compared to the same period last year due to good sales and marketing cost control in line with a return to more normal DIY sales levels. The Performance Coatings Group's SG&A increased $63.5 million in the first nine months compared to the same period last year to support higher sales levels and unfavorable currency translation rate changes, partially offset by good cost control. The Administrative segment's SG&A decreased $34.1 million in the first nine months compared to the same period last year due primarily to lower compensation, including incentive and stock-based compensation.

In the first nine months of 2021, Other general (income) expense - net declined $98.1 million compared to the same period in 2020 primarily due to the recognition of a $111.9 million loss on the Wattyl divestiture, partially offset by a decrease in provisions for environmental matters in the Administrative segment. See Note 15 of Item 1 for additional information.

In the first nine months of 2021, amortization of acquired intangibles was $152.9 million and $61.0 million for the Performance Coatings and Consumer Brands Groups, respectively. In the first nine months of 2020, amortization of acquired intangibles was $150.6 million and $64.5 million for the Performance Coatings and Consumer Brands Groups, respectively.

Other expense (income) - net improved $32.2 million in the first nine months of 2021 compared to the same period in 2020 primarily due to the $21.3 million loss on extinguishment of debt recognized in the first nine months of 2020. See Note 15 of Item 1 for additional information.

The following table presents income before income taxes by segment and as a percentage of net sales by segment:

(dollars in millions)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	% Change	**2021**	2020	% Change
Income Before Income Taxes:						
The Americas Group	**$ 631.5**	$ 747.4	(15.5)%	**$ 1,838.8**	$ 1,735.4	6.0 %
Consumer Brands Group	**75.8**	198.3	(61.8)%	**342.3**	519.2	(34.1)%
Performance Coatings Group	**110.4**	155.3	(28.9)%	**399.0**	366.4	8.9 %
Administrative	**(206.2)**	(225.4)	8.5 %	**(640.4)**	(605.7)	(5.7)%
Total	**$ 611.5**	$ 875.6	(30.2)%	**$ 1,939.7**	$ 2,015.3	(3.8)%
Income Before Income Taxes as a % of Net Sales:						
The Americas Group	**21.3 %**	25.1 %		**21.5 %**	22.2 %	
Consumer Brands Group	**11.7 %**	23.7 %		**15.9 %**	21.3 %	
Performance Coatings Group	**7.2 %**	11.9 %		**8.9 %**	10.1 %	
Administrative	**nm**	nm		**nm**	nm	
Total	**11.9 %**	17.1 %		**12.8 %**	14.5 %	

nm - not meaningful

Income Tax Expense

The effective tax rate was 17.9% for the third quarter of 2021 compared to 19.4% for the third quarter of 2020, and 19.6% for the first nine months of 2021 compared to 19.4% for the first nine months of 2020. The effective tax rate was favorably impacted by tax benefits related to employee share based payments during 2021 and 2020. The other significant components of the Company's tax rate were consistent year over year. See Note 16 of Item 1 for additional information.

Net Income Per Share

Diluted net income per share in the third quarter of 2021 decreased to $1.88 per share compared to $2.55 per share in the third quarter of 2020. Diluted net income per share for the third quarter of 2021 and 2020 included a $0.21 per share charge for acquisition-related amortization expense. Currency translation rate changes increased diluted net income per share by $0.01 in the third quarter.

Diluted net income per share in the first nine months of 2021 decreased to $5.82 per share compared to $5.87 per share in the first nine months of 2020. Diluted net income per share for the first nine months of 2021 included a $0.34 per share loss from the Wattyl divestiture (see Note 3 of Item 1) and included a $0.64 per share charge for acquisition-related amortization expense. The first nine months of 2020 included a $0.62 per share charge for acquisition-related amortization expense. Currency translation rate changes decreased diluted net income per share by $0.04 in the first nine months.

FINANCIAL CONDITION, LIQUIDITY AND CASH FLOW

Overview

The Company's financial condition, liquidity and cash flow remained strong during the first nine months of 2021. The Company generated $2.051 billion in net operating cash despite ongoing and industry-wide raw material availability issues which negatively impacted total sales and gross margins, and the normal seasonal increase in working capital requirements. During the first nine months of 2021, the Company's EBITDA decreased 3.1% to $2.623 billion. See the Non-GAAP Financial Measures section below for the definition and calculation of EBITDA.

Cash and cash equivalents increased $86.7 million during the first nine months of 2021. Cash flow from operations, proceeds from the Wattyl divestiture and increased short-term borrowings funded normal seasonal working capital increases and allowed the Company to return $2.519 billion to shareholders in the form of share buybacks and cash dividends during the first nine months.

At September 30, 2021, the Company had cash and cash equivalents of $313.3 million and total debt outstanding of $8.976 billion. Total debt, net of cash and cash equivalents, was $8.663 billion. The Company continues to maintain sufficient short-term borrowing capacity at reasonable rates, and the Company has sufficient cash on hand and total available borrowing capacity to fund its current operating needs.

Net Working Capital

Net working capital, defined as total current assets less total current liabilities, decreased $1.917 billion to a deficit of $1.100 billion at September 30, 2021 compared to a surplus of $817.3 million at September 30, 2020. The net working capital decrease is due to an increase in current liabilities, partially offset by an increase in current assets.

Comparing current asset balances at September 30, 2021 to September 30, 2020, cash and cash equivalents decreased $306.6 million, accounts receivable increased $143.5 million due to higher sales, inventories increased $143.2 million due to higher raw material costs partially offset by lower inventory quantities, and other current assets increased $222.7 million primarily related to prepaid expenses and refundable income taxes.

Current liability balances increased $2.120 billion at September 30, 2021 compared to September 30, 2020 primarily due to a $709.2 million increase in short-term borrowings and a $638.0 million increase in the current portion of long-term debt. Excluding short-term borrowings and the current portion of long-term debt, current liabilities increased $773.0 million primarily due to the timing of payments related to accounts payable and accruals, including compensation. At September 30, 2021, the Company's current ratio was 0.83 compared to 1.00 and 1.19 at December 31, 2020 and September 30, 2020, respectively.

Property, Plant and Equipment

Net property, plant and equipment decreased $7.3 million in the first nine months of 2021 and increased $47.2 million in the twelve months since September 30, 2020. The decrease in the first nine months was primarily due to depreciation expense of $199.8 million and the sale or disposition of fixed assets of $50.0 million, partially offset by capital expenditures of $248.1 million. Since September 30, 2020, the increase was primarily due to capital expenditures of $358.1 million and favorable changes in foreign currency translation of $14.3 million, partially offset by depreciation expense of $267.8 million and sale or disposition of fixed assets of $62.5 million. Capital expenditures primarily represented expenditures associated with improvements and normal equipment replacement and additional capacity in manufacturing and distribution facilities in the Consumer Brands Group, normal equipment replacement in The Americas and Performance Coatings Groups, and information systems hardware in the Administrative segment.

Goodwill and Intangible Assets

Goodwill and intangible assets decreased $455.2 million from December 31, 2020 and decreased $439.2 million from September 30, 2020. The net decrease during the first nine months of 2021 was primarily due to dispositions of $168.0 million (primarily related to the Wattyl divestiture), amortization of $233.2 million and foreign currency translation of $69.9 million. The net decrease over the twelve month period from September 30, 2020 was primarily due to amortization of $312.4 million and dispositions of $168.0 million, partially offset by foreign currency translation of $27.5 million.

The fair value of the Company's acquired intangible assets may be impacted by the Company's ongoing integration efforts. See Note 6 in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 for more information concerning the Company's goodwill and intangible assets, including impairment testing of these assets.

Other Assets

Other assets at September 30, 2021 decreased $2.8 million in the first nine months of 2021 and increased $80.3 million from a year ago. The decrease in the first nine months was primarily due to the sale of investments to fund the Company's domestic defined contribution plan and a decrease in deferred tax assets, partially offset by other investments. The increase from September 30, 2020 was primarily due to an increase in other investments, partially offset by a decrease in deposits. See Notes 13 and 19 in Item 1 for additional information on the Company's investments.

Debt (including Short-term borrowings)

	September 30, 2021	December 31, 2020	September 30, 2020
Long-term debt	**$ 8,267.0**	$ 8,292.0	$ 8,291.0
Short-term borrowings	**709.4**	0.1	0.2
Total debt outstanding	**$ 8,976.4**	$ 8,292.1	$ 8,291.2

The Company's long-term debt primarily consists of senior notes as disclosed in Note 6 of the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

At September 30, 2021, the Company's short-term borrowings were comprised of $694.9 million outstanding under its commercial paper program and $14.5 million outstanding under various foreign programs. The weighted average interest rate for the borrowings outstanding under the commercial paper program was 0.17% at September 30, 2021. The Company had unused capacity under its various credit agreements of $2.805 billion at September 30, 2021. See Note 6 in Item 1 for additional information.

On September 15, 2021, the Company elected to exercise 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). The Company redeemed the 4.20% Senior Notes on October 15, 2021 at a redemption price equal to 100% of the principal amount, plus accrued interest.

On August 2, 2021, the Company entered into an amended and restated $625.0 million credit agreement, which amends and restates the five-year credit agreement entered into in September 2017. This agreement, which was subsequently amended, will be used for general corporate purposes. See Note 6.

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 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.

Defined Benefit Pension and Other Postretirement Benefit Plans

Long-term liabilities for defined benefit pension and other postretirement benefit plans did not change significantly from December 31, 2020 and September 30, 2020. See Note 7 in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 for more information concerning the Company's benefit plan obligations.

Deferred Income Taxes

Deferred income taxes at September 30, 2021 decreased $44.6 million in the first nine months of 2021, and decreased $155.2 million from a year ago, primarily due to amortization of acquisition-related intangible assets and the disposition of certain intangible assets in the Wattyl divestiture.

Other Long-Term Liabilities

Environmental-Related Liabilities

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

Depreciation of capital expenditures and other expenses related to ongoing environmental compliance measures were included in the normal operating expenses of conducting business. The Company's capital expenditures, depreciation and other expenses related to ongoing environmental compliance measures were not material to the Company's financial condition, liquidity, cash flow or results of operations during the first nine months of 2021. Management does not expect that such capital expenditures, depreciation and other expenses will be material to the Company's financial condition, liquidity, cash flow or results of operations in 2021. See Note 8 in Item 1 for further information on environmental-related long-term liabilities.

Contractual Obligations, Commercial Commitments and Warranties

Except for the Specialty Polymers and Sika acquisition agreements disclosed in Note 3 of Item 1, and the debt transactions discussed above and in Note 6 of Item 1, there have been no other significant changes to the Company's contractual obligations and commercial commitments in the first nine months of 2021 as summarized in Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

Litigation

See Note 9 in Item 1 for information concerning litigation.

Shareholders' Equity

	September 30, 2021	December 31, 2020	September 30, 2020
Total shareholders' equity	**$ 2,690.3**	$ 3,610.8	$ 4,207.3

Shareholders' equity decreased $920.5 million during the first nine months of 2021 as a result of $2.167 billion of Treasury stock activity primarily attributable to treasury stock repurchases and cash dividends paid on common stock of $442.9 million, partially offset by net income of $1.560 billion and an increase in Other capital of $196.7 million primarily associated with stock-based compensation expense and stock option exercises.

Shareholders' equity decreased $1.517 billion since September 30, 2020 as a result of $3.242 billion of Treasury stock activity primarily attributable to treasury stock repurchases and cash dividends paid on common stock of $563.1 million, partially offset by net income of $1.967 billion and an increase in Other capital of $314.8 million primarily associated with stock-based compensation expense and stock option exercises.

During the first nine months of 2021, the Company purchased 8.075 million shares of its common stock for treasury purposes through open market purchases. The Company acquires its common stock for general corporate purposes, and depending on its cash position and market conditions, it may acquire additional shares in the future. The Company had remaining authorization at September 30, 2021 to purchase 50.575 million shares of its common stock.

In February 2021, the Company's Board of Directors increased the quarterly cash dividend from $.4467 per share to $.55 per share. This quarterly dividend was approved in all subsequent quarters and will result in an annual dividend for 2021 of $2.20 per share or a 29.9% payout of 2020 diluted net income per share.

Cash Flow

Net operating cash for the nine months ended September 30, 2021 was a cash source of $2.051 billion compared to a cash source of $2.564 billion for the same period in 2020. The decrease in net operating cash was primarily due to an increase in cash requirements for working capital and a decrease in net income.

Net investing cash usage increased $50.1 million in the first nine months of 2021 to a usage of $226.7 million from a usage of $176.6 million in 2020 primarily due to an increase in capital expenditures and other investments, partially offset by the proceeds received from the Wattyl divestiture in the current year.

Net financing cash usage decreased $178.5 million in the first nine months of 2021 to a usage of $1.738 billion from a usage of $1.916 billion for the same period in 2020 primarily due to decreased payments of long-term debt, partially offset by increased treasury stock purchases and cash dividends paid.

In the twelve month period from October 1, 2020 through September 30, 2021, the Company generated net operating cash of $2.896 billion, used $372.5 million in investing activities and used $2.842 billion in financing activities.

Market Risk

The Company is exposed to market risk associated with interest rate, foreign currency and commodity fluctuations. The Company occasionally utilizes derivative instruments as part of its overall financial risk management policy, but does not use derivative instruments for speculative or trading purposes. The Company believes it may be exposed to continuing market risk from foreign currency exchange rate and commodity price fluctuations. However, the Company does not expect that foreign currency exchange rate and commodity price fluctuations or hedging contract losses will have a material adverse effect on the Company's financial condition, results of operations or cash flows.

See Note 12 in Item 1 for disclosures related to the $744.0 million of outstanding U.S. Dollar to Euro cross currency swap contracts designed to hedge the Company's net investment in its European subsidiaries.

Financial Covenant

Certain borrowings contain a consolidated leverage covenant. The covenant states that the Company's leverage ratio is not to exceed 3.75 to 1.00. The leverage ratio is defined as the ratio of total indebtedness (the sum of Short-term borrowings, Current portion of long-term debt and Long-term debt) at the reporting date to consolidated "Earnings Before Interest, Taxes, Depreciation, and Amortization" (EBITDA), as defined in the credit agreement, for the 12-month period ended on the same date. Refer to the "Non-GAAP Financial Measures" section below for a reconciliation of EBITDA to Net income. At September 30, 2021, the Company was in compliance with the covenant and expects to remain in compliance. The Company's notes, debentures and revolving credit agreements contain various default and cross-default provisions. In the event of default under any one of these arrangements, acceleration of the maturity of any one or more of these borrowings may result. See Note 6 in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 for more information concerning the Company's debt and related covenant.

Non-GAAP Financial Measures

Management utilizes certain financial measures that are not in accordance with U.S. generally accepted accounting principles (US GAAP) to analyze and manage the performance of the business. The required disclosures for these non-GAAP measures are shown below. The Company provides such non-GAAP information in reporting its financial results to give investors additional data to evaluate the Company's operations. Management does not, nor does it suggest investors should, consider such non-GAAP measures in isolation from, or in substitution for, financial information prepared in accordance with US GAAP.

EBITDA and Adjusted EBITDA

EBITDA is a non-GAAP financial measure defined as net income before income taxes and interest, depreciation and amortization. Adjusted EBITDA is a non-GAAP financial measure that excludes the loss on the divestiture of Wattyl. Management considers EBITDA and Adjusted EBITDA useful in understanding the operating performance of the Company. The reader is cautioned that the Company's EBITDA and Adjusted EBITDA should not be compared to other entities unknowingly. Further, EBITDA and Adjusted EBITDA should not be considered alternatives to Net income or Net operating cash as an indicator of operating performance or as a measure of liquidity. The reader should refer to the determination of Net income and Net operating cash in accordance with US GAAP disclosed in the Statements of Consolidated Income and Condensed Statements of Consolidated Cash Flows in Item 1.

The following table summarizes EBITDA and Adjusted EBITDA as calculated by management for the periods indicated below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	**2021**	2020
Net income	**$ 502.2**	$ 705.8	**$ 1,560.4**	$ 1,623.4
Interest expense	**83.1**	83.3	**249.8**	257.6
Income taxes	**109.3**	169.8	**379.3**	391.9
Depreciation	**63.4**	67.4	**199.8**	200.0
Amortization	**76.2**	78.7	**233.2**	234.2
EBITDA	**$ 834.2**	$ 1,105.0	**$ 2,622.5**	$ 2,707.1
Loss on divestiture	**—**	—	**111.9**	$ —
Adjusted EBITDA	**$ 834.2**	$ 1,105.0	**$ 2,734.4**	$ 2,707.1

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (US GAAP) requires management to make estimates and assumptions that affect amounts reported in the accompanying consolidated unaudited interim financial statements. These determinations were made based upon management's best estimates, judgments and assumptions that were believed to be reasonable under the circumstances, giving due consideration to materiality. We do not believe there is a great likelihood that materially different amounts would be reported under different conditions or using different assumptions related to the accounting policies described below. However, application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates.

A comprehensive discussion of the Company's critical accounting policies, management estimates and significant accounting policies followed in the preparation of the financial statements is included in Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 1 in the Company's Annual Report on Form 10-K for the year ended December 31, 2020. There have been no significant changes in critical accounting policies, management estimates or accounting policies followed since the year ended December 31, 2020.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

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

- general business conditions, strengths of retail and manufacturing economies and growth in the coatings industry;
- changes in general domestic and international economic conditions such as inflation rates, interest rates, tax rates, unemployment rates, higher labor and healthcare costs, recessions, and changing government policies, laws and regulations;
- changes in raw material and energy supplies and pricing;
- changes in our relationships with customers and suppliers;
- our ability to successfully integrate past and future acquisitions into our existing operations, as well as the performance of the businesses acquired;
- competitive factors, including pricing pressures and product innovation and quality;
- our ability to attain cost savings from productivity initiatives;
- risks and uncertainties associated with our expansion into and our operations in Asia, Europe, South America and other foreign markets, including general economic conditions, inflation rates, recessions, foreign currency exchange rates, foreign investment and repatriation restrictions, legal and regulatory constraints, civil unrest and other external economic and political factors;
- the achievement of growth in foreign markets, such as Asia, Europe and South America;
- increasingly stringent domestic and foreign governmental regulations, including those affecting health, safety and the environment;
- inherent uncertainties involved in assessing our potential liability for environmental-related activities;
- other changes in governmental policies, laws and regulations, including changes in tariff policies, as well as changes in accounting policies and standards and taxation requirements (such as new tax laws and new or revised tax law interpretations);
- the nature, cost, quantity and outcome of pending and future litigation and other claims, including the lead pigment and lead-based paint litigation, and the effect of any legislation and administrative regulations relating thereto;
- adverse weather conditions or impacts of climate change, natural disasters and public health crises, including the COVID-19 pandemic; and
- the duration, severity and scope of the COVID-19 pandemic and the actions implemented by international, federal, state and local public health and governmental authorities to contain and combat the outbreak and spread of COVID-19, which may exacerbate one or more of the aforementioned and/or other risks, uncertainties and factors more fully described in the Company's reports filed with the Securities and Exchange Commission.

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

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk associated with interest rate, foreign currency and commodity fluctuations. The Company occasionally utilizes derivative instruments as part of its overall financial risk management policy, but does not use derivative instruments for speculative or trading purposes. The Company enters into option and forward currency exchange contracts and commodity swaps to hedge against value changes in foreign currency and commodities. The Company believes it may experience continuing losses from foreign currency translation and commodity price fluctuations. However, the Company does not expect currency translation, transaction, commodity price fluctuations or hedging contract losses to have a material adverse effect on the Company's financial condition, results of operations or cash flows. There were no material changes in the Company's exposure to market risk since the disclosure included in Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

Item 4. CONTROLS AND PROCEDURES

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

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

The Securities and Exchange Commission regulations require disclosure of certain environmental matters when a governmental authority is a party to the proceedings and such proceedings involve potential monetary sanctions that the Company reasonably believes will exceed a specified threshold. Pursuant to these regulations, the Company uses a threshold of $1 million for purposes of determining whether disclosure of any such proceedings is required.

For information regarding certain environmental-related matters and other legal proceedings, see the information included under the captions titled “Other Long-Term Liabilities” and “Litigation” of “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Notes 8 and 9 of the “Notes to Condensed Consolidated Financial Statements.” The information contained in Note 9 to the Condensed Consolidated Financial Statements is incorporated herein by reference.

Item 1A. Risk Factors.

We face a number of risks that could materially and adversely affect our business, results of operations, cash flow, liquidity or financial condition. A discussion of our risk factors can be found in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020. Investors should not interpret the disclosure of any risk factor to imply that the risk has not already materialized. The information below updates the risks relating to the COVID-19 pandemic. The impact of COVID-19 may also exacerbate other risks discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, any of which could have a material effect on us. This situation continues to change rapidly and additional impacts may arise that we are not aware of currently. During the third quarter ended September 30, 2021, there were no material changes to our other previously disclosed risk factors.

The COVID-19 pandemic has adversely impacted our business, results of operations, cash flow and financial condition, and the extent to which the COVID-19 pandemic will adversely impact our business, results of operations, cash flow, liquidity and financial condition in the future remains uncertain.

Beginning in early 2020, extraordinary and wide-ranging actions have been taken by international, federal, state, and local public health and governmental authorities to contain and combat the outbreak and spread of a novel strain of coronavirus (COVID-19). Some of these actions have been lifted and reinstated in various jurisdictions, but continue to include quarantines, physical distancing, face coverings, restrictions on public gatherings and other health and safety protocols, stay-at-home orders, travel restrictions, mandatory business closures, vaccine and testing requirements and other mandates that have substantially restricted individuals’ daily activities and curtailed or ceased many businesses’ normal operations.

In response to the pandemic and these actions, we began implementing changes in our business in March 2020 designed to protect the health and well-being of our employees and customers and to support appropriate health and safety protocols. These changes have included: temporarily reducing store hours and closing our sales floors in our company-operated paint stores to the general public; requiring our customers to order product online or via phone and to access their products via curbside pickup or delivery; implementing remote, alternate and flexible work arrangements where possible; enhancing cleaning and sanitation procedures; implementing domestic and international travel restrictions and return to work and visitor screening protocols; postponing or canceling hosting or attending large events; and enhancing certain employee benefits, such as telehealth, paid sick leave, family leave and voluntary leave of absence policies and programs.

In May 2020, we began the process of reinstituting regular store hours and re-opening the sales floors in our stores with appropriate health and safety protocols, which resulted in all of our stores in the U.S. and Canada being fully reopened. We also began the process of returning some of our employees who work in office environments to the office, although many employees continued to work remotely. In May 2021, we commenced a phased-in return of additional employees to many of our offices that resulted in nearly all of our global headquarters and many of our other office employees returning to the office during the third quarter of 2021. We continue to evaluate and adapt the changes we have made in our business since the onset of the pandemic and work with government and other authorities and organizations to maintain our operations and support the health and well-being of our employees, customers and their families.

The necessary and appropriate measures we have taken have resulted in additional costs, including for COVID-related leave and healthcare costs in support of our employees and their families and for enhanced health and safety protocols designed to protect our employees, customers and their families, and have adversely impacted our business and financial performance. We also have faced, and will continue to face, operational risks in connection with remote work arrangements, including but not limited to cybersecurity risks and increased vulnerability to damage or interruption resulting from, among other causes, cyber attacks, security breaches, phishing, malware, viruses, ransomware, power outages or system failures. As our response to the pandemic continues and evolves, we expect to incur additional costs and are likely to experience further adverse impacts to our business, each of which may be significant.

The COVID-19 outbreak has surfaced in all regions around the world and has severely impacted the global economy, disrupted consumer spending and global supply chains, and created significant volatility and disruption of financial markets, all of which are expected to continue, and all of which have adversely affected, and are expected to continue to adversely affect, our business. We have experienced occasional, temporary disruptions and closures of some of our facilities due to COVID-19. We also continue to see shifts in consumer behaviors and preferences, as well as impacts in the demand for some of our products. Beginning in the first quarter of 2020, we experienced an unprecedented surge in do-it-yourself (DIY) demand due to some of our customers spending more time at home and focusing on home improvement projects. As a result, our architectural business was quick to recover from the onset of the pandemic, while many of our industrial businesses recovered at a slower pace as a result of commercial and other industrial projects experiencing delays since the onset of the pandemic. While demand levels for our architectural and industrial businesses have begun to return to more normalized levels, our ability to predict and meet any future changes in the demand for our products due to the impacts of the pandemic remains uncertain. Although we have not experienced significant raw material shortages, delays or increased costs to date due to the impacts of the pandemic, COVID-19 may result in increased costs and unexpected shortages or delays in the delivery of some raw materials, each of which could be significant. Since the first quarter of 2020, we have reduced spending in certain areas of our business, and we may need to take additional actions to reduce spending in the future.

While we are closely monitoring the impact of the pandemic on all aspects of our business, the extent of the impact on our results of operations, cash flow, liquidity, and financial performance, as well as our ability to execute near-term and long-term business strategies and initiatives, will depend on numerous evolving factors and future developments, which are highly uncertain and which we cannot predict or control, and some of which we are not currently aware, including, but not limited to: (a) the duration, severity and scope of the pandemic, including additional variants and waves of COVID-19 cases in certain areas; (b) rapidly-changing governmental and public health directives to contain and combat the outbreak, including relating to COVID-19 vaccine and testing requirements and the duration, degree and effectiveness of directives, as well as the easing, removal and potential reinstitution of directives; (c) the further development, availability, effectiveness and distribution of treatments and vaccines for COVID-19; (d) the extent and duration of the pandemic's adverse and/or volatile effects on economic and social activity, consumer confidence, discretionary spending and preferences, labor and healthcare costs, labor markets and unemployment rates, any of which may reduce demand for some of our products and impair the ability of those with whom we do business to satisfy their obligations to us; (e) our ability to sell, provide and meet the demand for our services and products, including as a result of potential reinstitution of temporarily-reduced store hours and sales floor closures in our stores and continued travel restrictions, mandatory business closures, and stay-at-home or similar orders or directives; (f) any temporary reduction in our workforce, closures of our offices and facilities and our ability to adequately staff and maintain our operations, including as a result of employees or their family members testing positive for COVID-19; (g) the ability of our customers and suppliers to continue their operations, which could affect our ability to sell, provide and meet the demand for our services and products and result in terminations of contracts, losses of revenue and adverse effects to our supply chain; and (h) any impairment in value of our tangible or intangible assets which could be recorded as a result of weaker economic conditions. If the pandemic continues to create disruptions or turmoil in the credit or financial markets, or further impacts our credit ratings, it could adversely affect our ability to access capital on favorable terms and continue to meet our liquidity needs.

Given the inherent uncertainty surrounding COVID-19, we expect the pandemic will continue to create challenging operating environments and have an adverse impact on our business in the near term. If these conditions persist or worsen for a prolonged period, the COVID-19 pandemic, including any of the above factors and others that are currently unknown, may have a material adverse effect on our business, results of operations, cash flow, liquidity, or financial condition.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

A summary of the Company's third quarter activity is as follows:

Period	Total Number of Shares Purchased		Average Price Paid Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan	Maximum Number of Shares That May Yet Be Purchased Under the Plan
July 1 - July 31					
Share repurchase program [1]					52,250,000
Employee transactions [2]					N/A
August 1 - August 31					
Share repurchase program [1]	275,000	$	303.41	275,000	51,975,000
Employee transactions [2]	255	$	303.76		N/A
September 1 - September 30					
Share repurchase program [1]	1,400,000	$	298.58	1,400,000	50,575,000
Employee transactions [2]	—	$	—		N/A
Quarter Total					
Share repurchase program [1]	1,675,000	$	299.37	1,675,000	50,575,000
Employee transactions [2]	255	$	303.76		N/A

(1) Shares were purchased through the Company's publicly announced share repurchase program. There is no expiration date specified for the program.

(2) Shares were delivered to satisfy the exercise price and/or tax withholding obligations by employees who exercised stock options or had restricted stock units vest.

Item 5. Other Information.

During the nine months ended September 30, 2021, the Audit Committee of the Board of Directors of the Company approved permitted non-audit services to be performed by Ernst & Young LLP, the Company's independent registered public accounting firm. These non-audit services were approved within categories related to global tax advisory and tax compliance services.

Item 6. Exhibits.

4.1	Amended and Restated Credit Agreement, dated as of August 2, 2021, by and among The Sherwin-Williams Company, Goldman Sachs Bank USA, as administrative agent, Goldman Sachs Mortgage Company, as issuing bank, and the lenders party thereto, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated August 2, 2021, and incorporated herein by reference.
4.2	Amendment No. 1 to the Amended and Restated Credit Agreement, dated as of August 6, 2021, by and among The Sherwin-Williams Company, Goldman Sachs Bank USA, as administrative agent, Goldman Sachs Mortgage Company, as issuing bank, and the lenders party thereto, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated August 6, 2021, and incorporated herein by reference.
31(a)	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer (filed herewith).
31(b)	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer (filed herewith).
32(a)	Section 1350 Certification of Chief Executive Officer (furnished herewith).
32(b)	Section 1350 Certification of Chief Financial Officer (furnished herewith).
101.INS	Inline XBRL Instance Document - the instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	The cover page from this Quarterly Report on Form 10-Q for the quarter ended September 30, 2021, formatted in Inline XBRL and contained in Exhibit 101.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

		THE SHERWIN-WILLIAMS COMPANY
October 26, 2021	By:	/s/ Jane M. Cronin
		Jane M. Cronin Senior Vice President - Corporate Controller
October 26, 2021	By:	/s/ Allen J. Mistysyn
		Allen J. Mistysyn Senior Vice President - Finance and Chief Financial Officer

EXHIBIT 31(a)

CERTIFICATION

I, John G. Morikis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Sherwin-Williams Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 26, 2021

/s/ John G. Morikis

John G. Morikis

Chairman, President and Chief Executive Officer

EXHIBIT 31(b)

CERTIFICATION

I, Allen J. Mistysyn, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Sherwin-Williams Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 26, 2021

/s/ Allen J. Mistysyn
Allen J. Mistysyn
Senior Vice President - Finance and
Chief Financial Officer

EXHIBIT 32(a)

SECTION 1350 CERTIFICATION

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of The Sherwin-Williams Company (the "Company") for the period ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John G. Morikis, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 26, 2021

/s/ John G. Morikis
John G. Morikis
Chairman, President and Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to The Sherwin-Williams Company and will be retained by The Sherwin-Williams Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32(b)

SECTION 1350 CERTIFICATION

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of The Sherwin-Williams Company (the "Company") for the period ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Allen J. Mistysyn, Senior Vice President - Finance and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 26, 2021

/s/ Allen J. Mistysyn
Allen J. Mistysyn
Senior Vice President - Finance and
Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to The Sherwin-Williams Company and will be retained by The Sherwin-Williams Company and furnished to the Securities and Exchange Commission or its staff upon request.