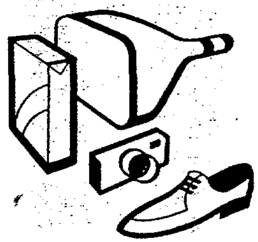
PRATT & LAMBERT

Paints/Chemical Coatings/Adhesives



R. D. STEVENS, JR.
President

B. F. WILKINSON
Chairman of the Board

0007-PTL-000003

FINANCIAL HIGHLIGHTS

December 31, 1970 and 1969

	1970	1969
Net Sales	**$47,078,041**	$47,448,538
Income Before Taxes on Income	**3,396,374**	4,253,690
Income Taxes — U.S. and Canada	**1,590,577**	2,107,667
Net Income	**1,805,797**	2,146,023
Per Common Share*	**1.28**	1.56
Dividend per Common Share*	**1.00**	1.00
Net Worth	**22,371,542**	22,048,408
Common Shareholders' Equity	**17,129,822**	16,803,448
Cash Flow	**2,342,780**	2,689,424
Working Capital	**13,116,519**	13,897,739
Current Ratio	**3.5 to 1**	4.2 to 1
Average Common Shares Outstanding*	**1,182,024**	1,183,196

*Adjusted to give effect to the two-for-one stock split in April 1969.

To P&L Shareholders:

For Pratt & Lambert—as for other sectors of American business—1970 was a period of sales adjustment and intensified cost pressures. It was also a year of change. New directions, emphasis and structure enabled your company to strengthen its position in some areas and minimize economic adversity in others.

Paint and other architectural finishes continued to account for approximately 60% of our volume. Although many of our markets felt the impact of lower housing starts and reduced consumer spending, regional declines were partially offset by gains in the far West and through company-owned retail outlets. Sales and earnings were also affected by an industry-wide work stoppage among Kansas City paint manufacturers, including our Waggener Paint Co. With production interrupted for three-and-one-half months early in the year, regional volume and profitability suffered.

Although industrial business remained about 40% of sales, there were changes in its composition. Demand for chemical coatings reflected curtailed production rates in such markets as office equipment, transportation, metal decorating and defense-related activities. However, specialty applications for coatings and adhesives more than compensated for the decline. Our sales of finishes to the bowling industry improved sharply in both the United States and overseas. Unabated acceptance of adhesives as functional replacements for mechanical methods of attachment continued to expand their importance to Pratt & Lambert. Significantly, your company's diversification into industrial chemical specialties was a forceful influence in lessening the effect of economic conditions on other segments of our line.

While more effective utilization of P&L's human and physical resources is a constant aim, it assumed particular importance in 1970. Organizational concepts formerly prevailing in our paint operations were modified to the extent that strict accountability for results in

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marketing, production, research and finance are now centralized at Buffalo headquarters. Although decision-making is encouraged at all levels, this transfer of functional authority eliminates many cost duplications that previously existed throughout our system of independent plants, divisions and branches. The benefits of a more uniform, controlled and economical approach to our growth objectives in the paint industry should soon become visible. In addition to organizational efficiencies, it's interesting to note that with completion of our new 60,000-square-foot plant in Carol Stream, Ill., approximately one-third of your company's manufacturing capacity will be housed in facilities less than 10 years old.

Concurrent with revisions in structure, several management changes were announced. In April, R. D. Stevens, Jr. was elected President, succeeding W. H. Lutz, who retired after a distinguished career with Pratt & Lambert, beginning in 1927. In September, Mr. Stevens was also designated Chief Executive Officer, a position formerly held by B. F. Wilkinson, Chairman, since 1964. Fittingly, Mr. Wilkinson was the 1970 recipient of the George Baugh Heckel Award, presented annually by the National Paint, Varnish & Lacquer Association for outstanding contribution to the protective coatings industry. C. W. Brown, Vice President, retired on December 31, 1970, after serving your company with distinction for forty-nine years. H. E. Jones was named Senior Vice President with overall responsibility for Production and Research. J. E. Fischer was elevated to Vice President/Marketing and W. G. Ringle to Vice President/Research.

Cost reduction was an ever-present goal and, while considerable progress was made, the fruits of this program should be more fully apparent in the months ahead. Direct and indirect savings in the purchase of raw materials—resins, pigments, elastomers and solvents—will result from centralized buying.

From left to right...

W. G. Ringle, Vice President/Research
H. E. Jones, Senior Vice President
J. E. Fischer, Vice President/Marketing
F. M. Jeffe, Vice President;
President of Pierce & Stevens Chemical Corp.
R. F. Brewster, Vice President/Production
J. J. Castiglia, Vice President/Treasurer

Controlled placement of raw material needs on a company-wide basis not only insures quantity prices, but also lower inventory levels, simplified storage and improved service. Elsewhere, expanded computer usage has permitted consolidation of many branch accounting functions with attendant cost relief. Warehousing and transportation studies disclosed sources of economies in the distribution of our products which will be aggressively pursued in 1971.

While additional comments on the year's operations appear elsewhere in this report, it is appropriate, here, to consider the events of 1970 in terms of the future. Our program to restructure Pratt & Lambert on the basis of accountability centers has been largely accomplished. We view this step as a necessary prelude to our fuller participation in an expanding economy. Secondly, cost control measures—more than ever before—have become an integral phase of our business life. These disciplines, too, will have a sustaining influence. Finally, a contemporized attitude towards our marketing role will add new vitality to product development and the needs of our customers.

We enter 1971 fully prepared to meet its challenges. In anticipation of improved housing starts, easing monetary conditions and indications of renewed consumer spending, we are confident of maintaining a position at the forward edge of our industry.

For the Board of Directors,

B. F. Wilkinson

B. F. Wilkinson
Chairman

R. D. Stevens Jr.

R. D. Stevens, Jr.
President

March 5, 1971

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Operating Highlights 1970

MARKETING

Pratt & Lambert serves two markets of approximately equal importance...

- professional and non-professional painters
- industrial users of coatings and adhesives

While compatible from a manufacturing standpoint, products comprising each area are subject to differing sales considerations. Understanding of, and response to, buyer needs was a continuing mandate in 1970.

PAINT PRODUCTS

A depressed rate of new construction for most of the year, coupled with consumer reluctance to engage in major remodeling projects, were significant factors in the demand for paint. While low-cost, single-unit housing does not represent a major P&L market, a portion of our decline can be attributed to fewer starts and the lack of repainting activities that usually accompany shelter turnover. According to Commerce Department estimates, new construction rose to a 20-year high in December 1970. This strong upward trend is encouraging and the degree to which larger units—apartments, schools, hospitals and commercial buildings—figure in the index will have a distinct influence on our volume.

Organizationally, the Marketing Department underwent substantial change. In keeping with centralization plans, the post of Vice President/ Marketing was created to assume line responsibility for all paint trade sales activities. Our former Eastern and Central Sales Divisions were combined into a single entity with headquarters in Buffalo. Concurrently, a Southern Sales Division, based in Atlanta, Georgia, was formed to add proximity to important year-round painting markets. To insure more effective deployment and supervision of field personnel, a system of districting was introduced in our denser territories.

In the West, where the Pacific Sales Division

enjoyed a record year, a pilot P&L Color Center was erected adjacent to our Orange, California, plant. While our primary stress has been, and will continue to be, towards independent distribution, local conditions necessitated this step.

A new tinting version of P&L Solid Hide Rustic Stain was introduced and enthusiastically received. Offering a wide range of contemporary colors from a single base vehicle of "dripless" consistency, the product is especially attractive and functional on either rough sawn or smooth wood siding.

During 1970, our paint line was thoroughly analyzed from the standpoint of duplicating items and special ready-mixed colors. Despite broad acceptance of the P&L Calibrated Color System, where base vehicles are tinted at point of sale, certain lines are still produced in a wide range of shades. In the interest of line simplification, the slower moving of these

items will gradually be converted to the Color System, thereby easing our customers' inventory requirements, accelerating turnover and reducing the risk of obsolescence.

Demand for products comprising our Vapex and Aqua-Satin lines once again demonstrated growing consumer preference for water-base paints. Their ease of application, rapid-drying and simple cleanup are strong appeals—especially in the do-it-yourself market.

After thorough evaluation of past advertising programs, the decision was reached to adopt a more intensive approach to the paint consumer. A new "dollar-for-dollar" cooperative advertising plan announced to our distributors has successfully increased P&L exposure through local television, radio and newspaper media. Elsewhere, assistance to the architectural profession—a most influential decision-maker in the selection of paint—continued to stress a variety of color and performance specification aids.

INDUSTRIAL PRODUCTS

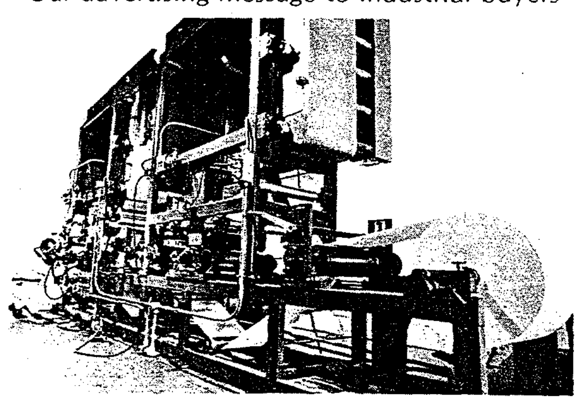
Our acquisition of Pierce & Stevens Chemical Corp., in 1967, had among its objectives the concentration of industrial marketing responsibility under a single corporate identification. P&S has assumed that role and now serves as your company's industrial and specialty products arm.

Packaging and graphic arts represent our largest industrial market. Here, 1970 witnessed intensified activity—particularly in hot melt compositions for use on liner stock in the packaging of moisture-sensitive foods. Sales efforts in support of pressure-applied labeling adhesives were also expanded. To capitalize further on our coatings and adhesive capabilities in this field, the previously-announced collaboration between P&S and Sinclair and Valentine, an international ink producer, became operational as Sinval-Stevens de Mexico, a joint venture to produce and market packaging items in Latin America.

Despite a serious influx of imported footwear, sales of sole-attaching adhesives to the shoe industry gained over 1969. A larger share of the existing market, together with our acquisition of Inmont Corporation's shoe adhesive division in late 1969, were instrumental in exceeding our goals for the year.

Sales to the bowling industry improved materially in 1970. Volume of original and maintenance finishes for pins and lanes now surpasses the levels attained during the expansion period of the early 1960's. Although domestic business improved at an acceptable rate, overseas shipments—especially to Japan—contributed significantly.

Our advertising message to industrial buyers



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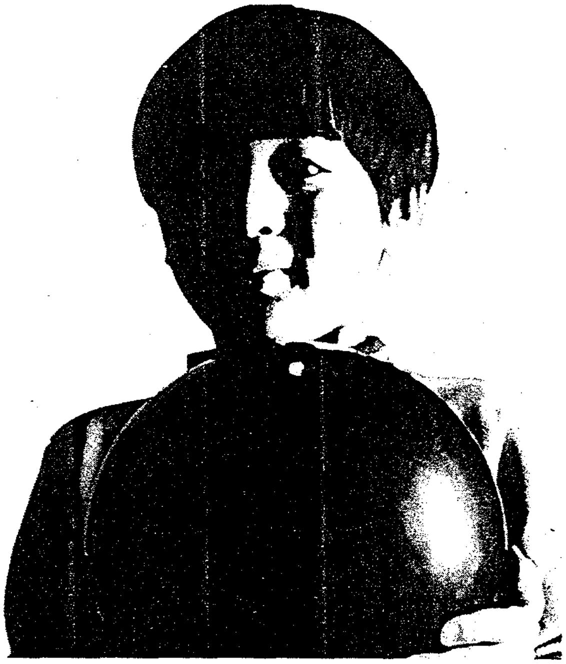
recognizes differing audiences, media and content. A variety of technically-oriented trade journals—ranging in emphasis from paper-



converting to electronics—represented a major portion of our 1970 budget. Participation in trade conventions, sponsorship of seminars and dissemination of authoritative product data were also important elements in our communications with the industrial market.

PRODUCTION

Economic conditions in 1970 placed special priority on the operating efficiency of our twelve plants in the United States and Canada. Production schedules were adjusted to changes in demand and new procedures were introduced to combat the effects of higher costs.

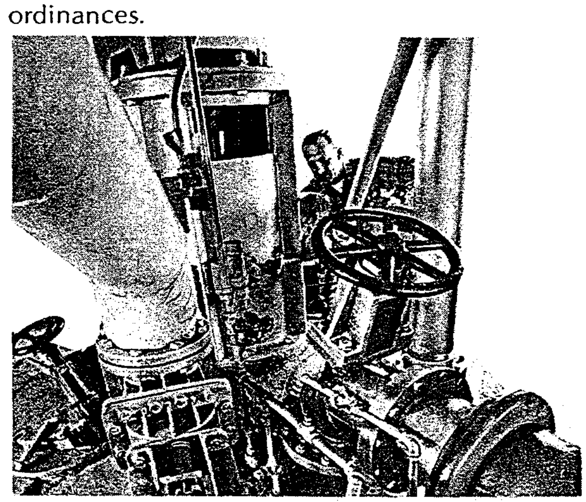
As indicated previously, a large segment of our manufacturing capacity will, by mid-1971, have been built within the last decade. Its most recent phase involves construction of a 60,000-square-foot plant in Carol Stream, Illinois. Initially, manufacturing will accommodate the complete Pierce & Stevens' line of industrial coatings and adhesives; it will, however, be readily adaptable to paint and intermediate chemical production.

Tariff considerations play an important part in the allocation of production responsibilities among our plants. Optimizing freight costs with manufacturing capacity, capability and market location pose complex problems, but considerable progress has been made. In recognition of this essential service, transportation was elevated to departmental status in 1970.

Following settlement of the Waggener Paint Co. stoppage in April, four other union contracts were negotiated without interrupting production. Terms were generally consistent with national averages and, as of January 1, 1971, agreements covering approximately all unionized personnel range in duration from 24 to 39 months.

Studies preceding our decision to centralize raw material purchasing were jointly conducted by the Production Department and Technical Departments. It was determined that company-wide standardization on materials and sources will directly entail substantial economies through larger purchases and, indirectly, through simplification and overall reduction of inventory levels. The feasibility of various bulk shipment techniques is also being explored as a means to lower in-plant handling costs.

We have long been alert to the conditions of environment—especially as related to our industry. During the past year, we have made progress in translating this concern into tangible results. Social and legal compliance with control measures received careful attention. Rigid selection of ingredients used in our products; how they are compounded and the circumstances surrounding their end uses, represent a three-fold commitment to our communities and customers. While for the most part, our manufacturing processes are free of contaminating discharges, all plants are under strict mandate to suspend or correct any activities that may conflict with local ordinances.



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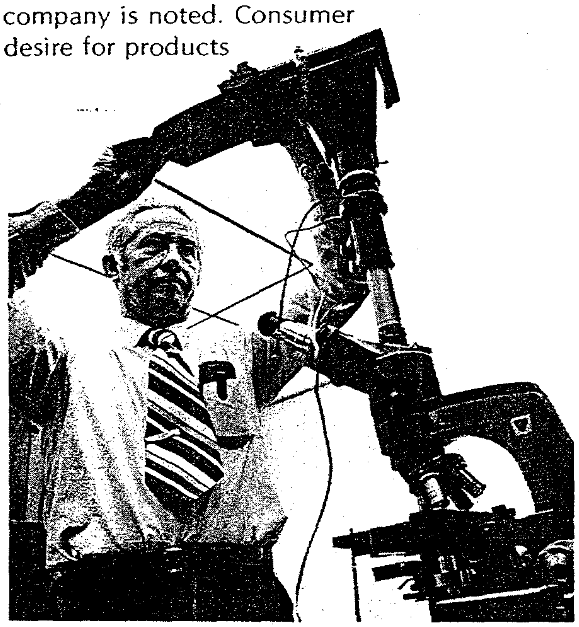
RESEARCH

As a chemical formulator, Pratt & Lambert relies heavily on the innovative capacity of its technical departments. Nearly $1.5 million was earmarked for this purpose and the figure continues to grow.

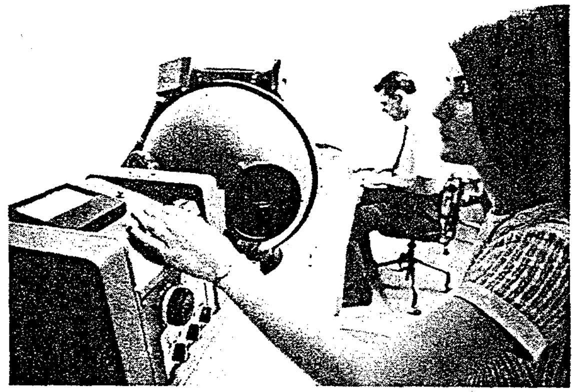
In the category of architectural finishes, many research hours were devoted to enhancing the product quality for which your company is noted. Consumer desire for products



offering high-hiding, versatility, durability and decorator appeals was our principal guideline. A new, full-bodied, water-based ceiling paint represented an important supplement to our line. Its one-coat capability to cover badly discolored surfaces has found particular acceptance in the restoration of blighted dwellings.

Industrial applications for coatings and adhesives, due to constantly improving production techniques, provided a fertile outlet for research activity. Successful evaluations were conducted on a unique interior can coating. This product physically alters the interfacial tension between film and metal, thereby eliminating the need for various pre-finishing steps. Our line of Vitralon Suede-Textured coatings continued to be an extremely popular decorative system for metal requiring a non-glare finish or where fabricating imperfections must be obscured.

Longer range objectives center on the replacement of solvent with water as the expendable vehicle in coatings and adhesives.



Aqueous systems are generally non-restrictive from the standpoint of air pollution and are free of the hazards associated with volatile solvents. One aspect of this effort was recent commercialization of an emulsion-type laminating adhesive for paper/particle board combinations. Providing an effective moisture barrier and "hold-out" for subsequent finishing, the composite's major end-use is in the fabrication of modular and mobile housing. The same adhesive system, adapted to vinyl/metallic and non-metallic laminations, offers even greater potential and is now in development.

Environmental considerations also influenced research activities in several ways. For some products, it became necessary to reformulate around raw materials whose manufacture was discontinued due to local ordinances. In anticipation of legislation expanding the restrictions on uses of lead-bearing paints, the few affected formulas were altered.

Our color computer capability was substantially upgraded in 1970. Now an integral part of our laboratory routines, the system not only serves color-matching requirements, but provides comparative data, enabling the chemist to choose the most favorable balance between formula costs and product functionality. It possesses the additional capability of performing these services with speed, precision and economy for branch locations. This expansion is now in its preliminary stages.

Although separate research facilities are maintained for Pratt & Lambert and its industrial products division, Pierce & Stevens, organizational steps, including appointment of a Corporate Research Director, currently insure collaboration on a variety of projects. Progress in this joint effort is already apparent with

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the aqueous vehicle program, where P&L experience in water-base paints augments P&S technology in industrial solvent systems. As an outgrowth of this desirable combination of talents, patent positions are being sought on several developments.

FINANCE

Effective and alert financial planning assured your company of a strong fiscal position throughout 1970. As indicated in statements accompanying this report, working capital continued at a level fully commensurate with our needs.

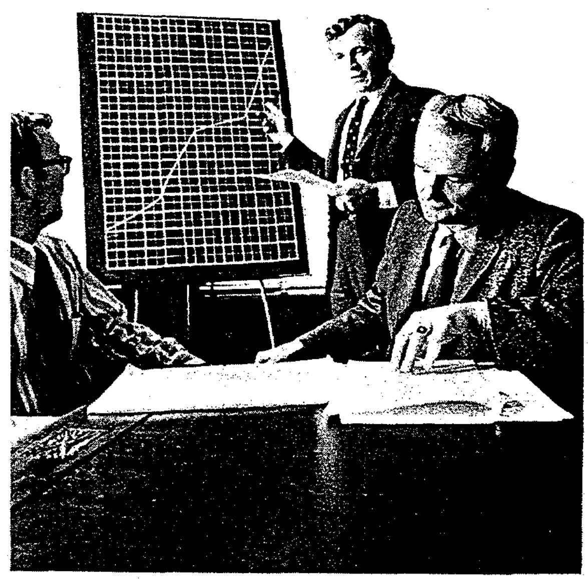
Although long-term debt has not yet been required for expansion purposes, interim borrowings increased somewhat, due to funding of the Carol Stream construction. When completed later in the year, we shall consider several alternatives to an orderly financing of its $2.3 million cost. The earlier decision to postpone debt incurrence has proven timely in light of the downward trend of interest rates. We anticipate that startup costs will be borne in the second and third quarters; however, substantial charges against earnings are not presently expected.

Capital spending, exclusive of new construction, totaled $551,270, down sharply from 1969. Budget requests were carefully scrutinized and only those offering the highest return or maintenance urgency were undertaken. By so limiting expenditures, the Carol Stream project was funded without undue pressure on our short-term borrowing capacity. While there are no major items presently on our 1971 budget, we are studying the possibility of expanding warehouse space to aid and economize in the distribution of our products. Should this take the form of a capital expenditure, its funding may be combined with that of Carol Stream.

In 1970, P&L concluded its sixty-sixth year of consecutive dividends...a distinction shared by fewer than fifteen firms listed on the American Stock Exchange. Despite the decline in earnings, common shareholders' equity rose to $17,129,822 or $14.50 per share, the highest level on record. Geographical distribution of our common stockholders broadened and, in total number, their ranks increased to an all-time high.

Centralized computer services were expanded to several branch locations. Currently, five sales division offices are linked with Buffalo and another, the last, will be absorbed later in 1971, as will all of our principal manufacturing locations. Although the economic goals of our electronic data processing system have required several years to achieve, the approach has insured an orderly transition, avoiding the serious disruptions that often accompany such a project. Internal savings and more timely availability of information are now being realized.

Among its many implications, the centralization program entailed redefinition of subsidiary structures. Previously operated as a separate entity, the Waggener Paint Co. has become a manufacturing division of the parent company, with its marketing responsibilities under supervision of the Central Sales Division. Similarly, Dibble Color Co. in Detroit is now a producing division for the Eastern Sales group. Company-owned distributing outlets—Salt Lake Glass & Paint Co., Hatfield Paint Co., Cleveland Paint & Color Co., and Atlanta Paint Co.—also abandoned corporate status and have adopted Pratt & Lambert identification. While the day-to-day operation of these companies is largely unaffected, expanded P&L recognition, coupled with improved cash management and administrative simplification, necessitated the change.



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Statement of Consolidated Income and Retained Earnings

For the years ended December 31, 1970 and 1969

	1970	1969
Net Sales	**$47,078,041**	$47,448,538
Costs and Expenses:		
Cost of sales (excluding depreciation)	**28,822,876**	29,059,866
Selling, administrative, and general expenses (excluding depreciation)	**14,448,394**	13,610,764
Depreciation	**536,983**	543,401
Total	**43,808,253**	43,214,031
Income from Operations	**3,269,788**	4,234,507
Other Income Net of Other Expense	**126,586**	19,183
Income Before United States and Canadian Income Taxes	**3,396,374**	4,253,690
United States and Canadian Income Taxes	**1,590,577**	2,107,667
Net Income	**1,805,797**	2,146,023
Retained Earnings, January 1	**15,698,784**	15,031,674
Total	**17,504,581**	17,177,697
Deduct:		
Cash dividends:		
Common stock—per share: 1970 and 1969-$1.00	**1,181,971**	1,183,417
Series A preferred stock—$2.25 per share	**294,961**	295,496
Total	**1,476,932**	1,478,913
Retained Earnings, December 31	**$16,027,649**	$15,698,784
Earnings per common share and common equivalent share	**$1.28**	$1.56
Earnings per common share—assuming full dilution	**$1.25**	$1.48

See accompanying Notes to Financial Statements.

Consolidated Balance She

December 31, 1970 and 1969

Assets

Current Assets:

Cash

Certificates of deposit—plus accrued interest

Marketable securities—at cos approximates market

Receivables (less allowances: 1970—$295,747; 1969—$28

Inventories—at lower of cost, first-out basis, or market:

Finished products

Materials and supplies

Total inventories

Prepaid expenses

Total current assets

Property, Plant, and Equipment

Land

Buildings

Machinery and equipment

Construction in progress

Total

Less accumulated depreciatio

Property, plant and equipment—net

Other Assets and Deferred Char

Total

See accompanying Notes to Financial S

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	1970	1969
	$ 1,199,318	$ 1,496,491
	212,829	183,241
which	114,031	108,176
,157)	6,302,799	6,113,569
on a first-in,		
	6,560,740	6,663,167
	3,663,855	3,375,578
	10,224,595	10,038,745
	370,402	330,768
	18,423,974	18,270,990
-at cost:		
	1,272,509	1,260,907
	6,753,517	6,652,466
	6,145,834	5,856,016
	1,408,313	122,683
	15,580,173	13,892,072
	6,962,499	6,485,048
	8,617,674	7,407,024
es	637,349	743,645
	$27,678,997	$26,421,659

tements.

Liabilities

	1970
Current Liabilities:	
Notes payable to bank	$ 1,600,000
Accounts payable	2,118,544
United States and Canadian income taxes	159,927
Accrued taxes, compensation, and expenses	1,428,984
Total current liabilities	5,307,455
Shareholders' Equity:	
Capital Stock:	
Preferred stock; authorized 600,000 shares at $10 par value; Series A $2.25 cumulative convertible preferred shares (authorized 200,000 shares; issued, 1970—131,043 shares; 1969—131,124 shares; entitled to $40 per share or $5,241,720 in liquidation)	1,310,430
Common stock; authorized 5,000,000 shares at $5 par value; issued, 1970—1,246,121 shares; 1969—1,245,959 shares	6,230,605
Capital Surplus	76,682
Retained Earnings	16,027,649
Total	23,645,366
Less treasury common stock at cost—1970, 64,312 shares; 1969, 63,812 shares	1,273,824
Shareholders' equity	22,371,542
Total	$27,678,997

1969
$ 400,000
2,125,728
450,580
1,396,943
4,373,251
1,311,240
6,229,795
76,682
15,698,784
23,316,501
1,268,093
22,048,408
$26,421,659

Statement of Consolidated Capital Surplus

For the years ended December 31, 1970 and 1969

	1970	1969
Balance, January 1	$ 76,682	$ 50,419
Add excess of proceeds over par value of stock issued in connection with exercise of stock options		26,263
Balance, December 31	$ 76,682	$ 76,682

See accompanying Notes to Financial Statements.

Source and Application of Consolidated Working Capital

For the years ended December 31, 1970 and 1969

	1970	1969
Working Capital, January 1	$13,897,739	$13,635,325
Add:		
From operations:		
Net income for the year	1,805,797	2,146,023
Provision for depreciation	536,983	543,401
Proceeds from exercise of stock options	—0—	39,268
Other transactions	106,296	46,719
Total additions	2,449,076	2,775,411
Total	16,346,815	$16,410,736
Deduct:		
Additions to property, plant, and equipment, net of retirements	1,747,633	984,579
Cash dividends	1,476,932	1,478,913
Purchase of treasury stock	5,731	49,505
Total deductions	3,230,296	2,512,997
Working Capital, December 31	$13,116,519	$13,897,739

See accompanying Notes to Financial Statements.

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Notes to Financial Statements

A. PRINCIPLES OF CONSOLIDATION—All subsidiary companies are wholly owned and are included in the consolidated financial statements. Appropriate rates of exchange have been used to convert Canadian dollar amounts into United States currency.

B. NOTES PAYABLE—BANK—During 1970, the Company borrowed $1,600,000 in short-term funds for working capital purposes and construction of a new manufacturing unit at Carol Stream, Illinois. To date approximately $1,400,000 of this amount has been expended for the new facility. It is the Company's intention to replace these notes with long-term financing upon completion of the project in 1971.

C. RETIREMENT INCOME PLANS—The Company and its subsidiaries have various plans to provide retirement benefits for its United States and Canadian employees. Charges to operations for costs incurred for these plans amounted to $239,920 for the year ended December 31, 1970, which includes where applicable, amortization of prior service costs over a period of ten years. The Company's policy is to fund currently the normal costs of the plans. The unfunded prior service liability is approximately $300,000 at December 31, 1970, a major portion of which is expected to be paid over a period of approximately three years.

During 1970, the Company discontinued the hourly pension plans at two locations replacing them with union-sponsored plans. Future contributions will be based upon a fixed rate per hour.

D. CAPITAL STOCK—During 1970, 81 Series A preferred shares were converted into 162 common shares. The Company may redeem the Series A preferred stock commencing in 1973 at $45 a share. At December 31, 1970, 262,086 common shares were reserved for conversion privileges of the Series A preferred shares.

E. STOCK OPTION PLAN—As of December 31, 1970, 27,420 common shares and 188 Series A preferred shares (convertible into 376 common shares) were reserved for issuance to officers and key employees under the Company's qualified stock option plan and other option commitments assumed in connection with the Pierce & Stevens merger. Under the plan, options for the purchase of common shares may be granted at a price not less than 100% of the fair market value at the date of grant. The options become exercisable in cumulative annual installments of 25% each year and must be exercised within five years. During 1970, options were granted for 800 shares at $13.06 a share, options for 8,572 common shares and 3,248 preferred shares expired and no options were exercised. At December 31, 1970, options for 32,960 shares were available for future grants under the plan.

F. EARNINGS PER SHARE—Earnings per common share and common equivalent share are based on the weighted average number of shares of common stock and common stock equivalents outstanding in each year. Earnings per common share, assuming full dilution, give effect to the reduction in earnings per share which would result from conversion of the Company's Series A preferred shares. In computing the per share effect of assumed conversion, dividends on convertible securities have been added to earnings applicable to common shares, and the related issuable common shares were added to the average common shares outstanding.

The stock options outstanding under the Company's stock option plans have been considered common stock equivalents. Assuming these options had been exercised as of January 1, 1970, earnings per share would not have been reduced based upon the "purchase of treasury stock" method of computation.

G. DEPRECIATION—Depreciation is provided for financial accounting and tax purposes generally on the straight-line method applied to individual property items.

Accountants' Opinion

To the Shareholders and the Board of Directors of Pratt & Lambert, Inc.:

We have examined the consolidated balance sheet of Pratt & Lambert, Inc. and its subsidiary companies as of December 31, 1970 and the related statements of consolidated income and retained earnings, consolidated capital surplus, and source and application of consolidated working capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and related statements of consolidated income and retained earnings, consolidated capital surplus, and source and application of consolidated working capital present fairly the financial position of the companies at December 31, 1970 and the results of their operations and the source and application of their working capital for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

One M&T Plaza
Buffalo, New York
February 18, 1971

HASKINS & SELLS

COMPARATIVE SUMMARY OF FINANCIAL DATA

	1970	1969
Operating Data:		
Net sales	**$47,078,041**	$47,448,538
Income before taxes on income	**3,396,374**	4,253,690
Income taxes — United States and Canada	**1,590,577**	2,107,667
Net income	**1,805,797**	2,146,023
Preferred dividends (pro-forma for 1967 and prior)	**294,961**	295,496
Net income available to common shares	**1,510,836**	1,850,527
Net income as a % of sales	**3.8%**	4.5%
Capital expenditures	**1,747,633**	984,579
Depreciation	**536,983**	543,401
Balance Sheet Data:		
Working capital	**13,116,519**	13,897,739
Current ratio	**3.5 to 1**	4.2 to 1
Common and preferred shareholders' equity (net worth)	**22,371,542**	22,048,408
Common shareholders' equity	**17,129,822**	16,803,448
Return on common shareholders' equity	**8.9%**	11.2%
Dividends on Common Shares:		
Pratt & Lambert, Inc.	**1,181,971**	1,183,417
Pooled companies prior to acquisition	**—0—**	—0—
Per Common Share Data*:		
Net income	**1.28**	1.56
Cash dividends	**1.00**	1.00
Book value	**14.50**	14.21
Average shares outstanding	**1,182,024**	1,183,196

*Adjusted to give effect to the two-for-one stock split in April 1969.

1968	1967	1966	1965	1964	1963	1962
$45,886,391	$42,043,310	$40,067,609	$37,720,191	$36,336,491	$35,394,143	$35,685,289
4,733,115	4,472,527	4,584,782	4,368,852	4,156,831	3,771,729	3,692,705
2,400,080	2,067,147	2,131,336	2,038,753	2,010,173	1,905,991	1,912,731
2,333,035	2,405,380	2,453,446	2,330,099	2,146,658	1,865,738	1,779,974
296,146	295,175	295,175	295,175	295,175	295,175	295,175
2,036,889	2,110,205	2,158,271	2,034,924	1,851,483	1,570,563	1,484,799
5.1%	5.7%	6.1%	6.2%	5.9%	5.3%	5.0%
819,264	788,714	903,627	412,672	321,022	656,041	359,042
497,969	456,935	406,968	390,326	391,148	381,927	376,138
13,635,325	12,873,635	13,764,473	13,570,799	12,517,851	11,457,810	11,027,903
3.7 to 1	4.4 to 1	4.4 to 1	4.4 to 1	4.1 to 1	3.8 to 1	3.9 to 1
21,391,535	20,188,943	20,806,827	19,519,739	18,407,226	17,471,066	16,767,604
16,118,215	14,941,383	15,559,267	14,272,179	13,159,666	12,223,506	11,520,044
13.1%	13.8%	14.5%	14.8%	14.6%	13.2%	13.6%
1,085,484	830,060	757,867	707,327	697,494	657,060	657,060
—0—	475,562	538,108	530,091	513,004	505,216	489,624
1.73	1.80	1.79	1.70	1.54	1.31	1.24
.92½	.92½	.92½	.87½	.86½	.81½	.81½
13.65	12.78	12.87	11.90	10.96	10.18	9.60
1,174,028	1,172,954	1,208,658	1,200,152	1,200,444	1,200,444	1,200,444

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