PLAINTIFF'S EXHIBIT

RS-331

Riley Stoker Corporation

Annual Report

For the Year 1950

Officers

Fred H. Daniels	*Chairman and Vice-president*
Louis E. Griffith	*President and General Manager*
David K. Beach	*Vice-president and Treasurer*
Ollison Craig	*Vice-president*
Max H. Kuhner	*Vice-president*
David K. Beach	*Secretary*

Directors

Fred H. Daniels, *Chairman*

David K. Beach
Louis E. Griffith
Chapin Riley
Philip R. Mather
George N. Jeppson
Frank C. Smith, Jr.

RILEY

STOKER CORPORATION, WORCESTER, MASS.

Boston New York Philadelphia Washington Buffalo Pittsburgh Cleveland Detroit Chicago Cincinnati Atlanta New Orleans Memphis St. Louis Kansas City St. Paul Tulsa Houston Denver Salt Lake City Los Angeles Portland Seattle

COMPLETE STEAM GENERATING UNITS

BOILERS PULVERIZERS BURNERS STOKERS SUPERHEATERS AIR-HEATERS ECONOMIZERS
WATER-COOLED FURNACES STEEL-CLAD INSULATED SETTINGS FLUE GAS SCRUBBERS

RS-001810
1/17/02
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TO THE STOCKHOLDERS
OF RILEY STOKER CORPORATION:

There is submitted herewith for your consideration the audited Consolidated Balance Sheet as at December 31, 1950, the audited Statements of Consolidated Retained Earnings, Income, and Application of Funds for the year ended December 31, 1950. The net income was $800,363.77 after provision for Federal taxes. The capital structure of the Corporation consists of 350,000 shares of Common Stock having a par value of $3.00 per share. The net income per share for 1950 was $2.29, and this compares with similar figures of $4.87 per share for 1949, $7.33 for 1948, $2.21 for 1947, and $1.68 for 1946. Dividends of $1.30 per share amounting to $455,000.00 were paid during 1950 on the Common Stock.

The reduction in net income for 1950 is largely accounted for by the reduced volume of business available to our industry in the last half of 1949 and the first half of 1950, which resulted in decreased volume of shipments and highly competitive prices. During the year increased labor and material costs were also encountered. During the last half of 1950 new business closed was approximately twice as much as that obtained in any previous calendar half year. The result was that your Corporation entered 1951 with a materially larger volume of unfilled orders than has ever been experienced before.

During 1950 the net current position improved by $412,125.60, and the net quick value per common share amounted to $19.64 as of December 31, 1950. The details of the absorption of the increase in the net current position are shown on the Consolidated Statement of Application of Funds.

Bank loans amounting to $1,250,000.00 were entirely liquidated during the year, but rapidly increasing production has already necessitated short term borrowing in 1951.

Each year the average size of our steam generating units increases both in the public utility and industrial fields. Steam pressures and temperatures involved are also increasing, and the large volume of repeat business which we continue to receive from satisfied customers attests to the quality of the Corporation's products and service. Under our development program it is our purpose to maintain and continue to improve the quality of our products. The plant properties and manufacturing facilities of the Corporation are in excellent condition to care for the large volume of production ahead.

The Excess Profits Credit position of the Corporation is favorable, and the outlook for 1951 is good, in spite of threatened increases in corporation taxes, price controls, wage stabilization, and limitations on the supply of materials. A new Renegotiation Law is now being acted upon by Congress, but up to the end of 1950, the Corporation was not subject to renegotiation under existing law.

A Defense Order Rating has been assigned to the Boiler and Fuel Burning Industry. It now appears that we shall be able to get a preferred position in reference to procurement of necessary materials. The generation of power is basic to all industry, and this fact has now been recognized by the government production authorities.

We again acknowledge with appreciation the effective cooperation of our employees, customers, and suppliers during the past year.

Yours very truly,

F. H. DANIELS,
Chairman

L. E. GRIFFITH,
President

Worcester, Massachusetts
March 31, 1951

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Statement of Consolidated Earnings

For the Year Ended December 31, 1950

RETAINED INVESTED EARNINGS	
Balance, December 31, 1949	$7,052,785.22
Add:	
Federal and State Tax Adjustments—Prior Years	15,815.28
Net Income for Year	800,363.77
	$7,868,964.27
Deduct:	
Dividends on Common Stock	455,000.00
Balance, December 31, 1950	$7,413,964.27

Consolidated Statement of Income

For the Year Ended December 31, 1950

Income from Operations after selling and administrative expenses, but before depreciation	$1,454,211.30
Depreciation	134,760.25
Operating Income	$1,319,451.05
Other Income	60,003.03
	$1,379,454.08
Other Deductions	10,997.10
Income before Federal Income and Excess Profits Taxes	$1,368,456.98
Provision for Federal Income and Excess Profits Taxes	568,093.21
Net Income for Year	$800,363.77

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Consolidated Statement of Application of Funds

For the Year Ended December 31, 1950

Funds Provided		
Net Income		$800,363.77
Add: Charges against income requiring no expenditure of cash		
Depreciation	$134,760.25	
Less: Gain from Sale of Fixed Assets	1,012.39	133,747.86
Proceeds from Sale of Assets		17,565.50
Total Funds Provided		$951,677.13
Funds Applied		
Adjustment of Taxes and Miscellaneous Other Charges	$6,515.50	
Additions to Fixed Assets	78,036.03	
Dividends on Common Stock	455,000.00	539,551.53
Increase in Working Capital		$412,125.60
Changes in Working Capital for the Year		
Reduction of Bank Loans		$1,250,000.00
Decrease in Federal Income Tax		676,936.64
Decrease in Other Liabilities		113,267.08
		$2,040,203.72
Less:		
Decrease in Notes and Accounts Receivable	$1,499,513.80	
Decrease in Other Assets	128,564.32	1,628,078.12
Increase in Working Capital (As above)		$412,125.60

To the Board of Directors
Riley Stoker Corporation
Worcester 6, Massachusetts

We have examined the consolidated balance sheet of the Riley Stoker Corporation and its subsidiary companies as at December 31, 1950, and the related statements of consolidated income and retained invested earnings for the year ended at that date; and have had submitted to us a report of other public accountants on their examination of the subsidiary not examined by us. 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 statements of consolidated income and retained invested earnings present fairly the financial position of Riley Stoker Corporation and its subsidiary companies at December 31, 1950 and the results of their operations for the year ended at that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

George A. Smith and Company,
Certified Public Accountants

Worcester, Massachusetts
March 20, 1951

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1/17/02
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