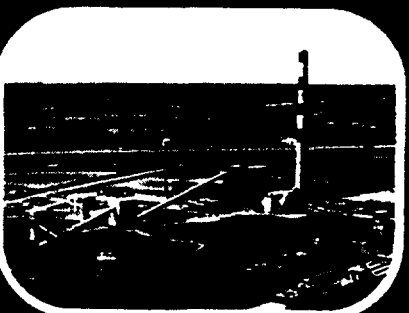
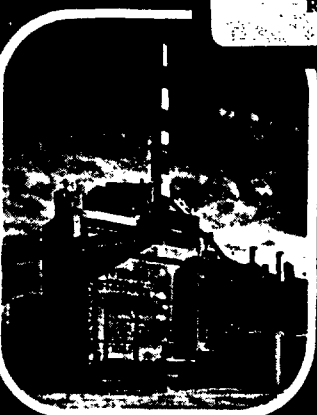
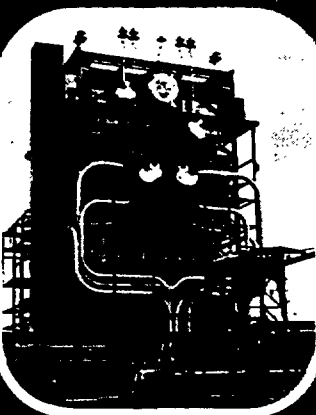




RILEY

Sticker Corporation



ANNUAL REPORT 1966

OFFICERS and DIRECTORS

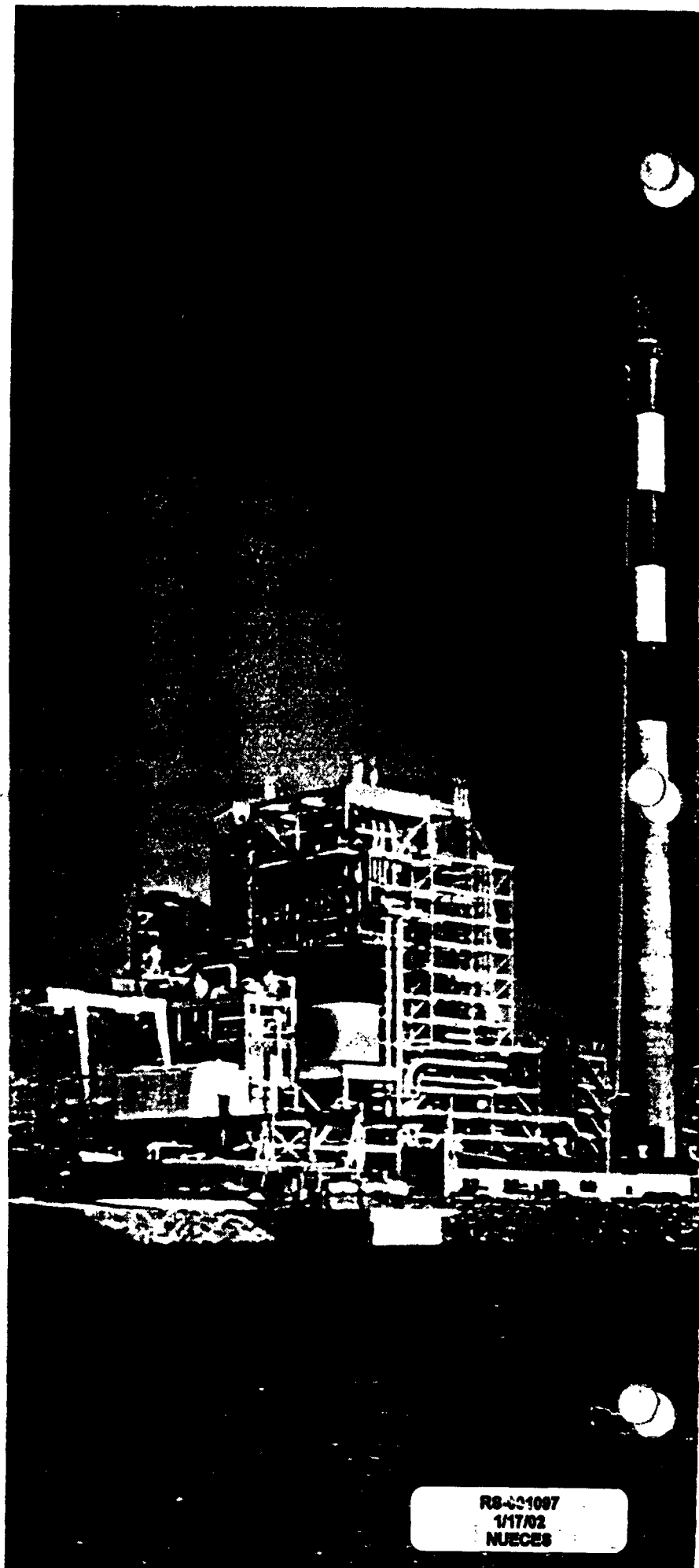
DIRECTORS

FRED H. DANIELS
Honorary Chairman
LOUIS E. GRIFFITH
Chairman
ROBERT K. GRIFFITH
CHAPIN RILEY
ROBERT S. BOWDITCH
PHILIP R. MATHER
RICHARD J. RUTHERFORD
BRUCE G. DANIELS
ELLIS T. KNOBLOCH

OFFICERS

LOUIS E. GRIFFITH
Chairman and Vice President
ROBERT K. GRIFFITH
*President, General Manager
and Treasurer*
HENRY H. MICHELSEN
Vice President — Sales
HENRY H. HEMENWAY
Vice President — Engineering
ELLIS T. KNOBLOCH
Vice President
ALEXANDER L. MITCHELL
Vice President — Chicago Office
KATHLEEN M. CROOKS
Secretary

High pressure steam produced by large, high capacity boilers is used to spin the turbine generators of the electric utility industry. These are important Riley products and have been purchased by over 42% of the investor owned electric utility companies in the U.S.A. Some typical installations are shown on this page and on our cover.



RB-431007
1/17/02
NUECES

FINANCIAL HIGHLIGHTS

	1966	1965	1964	1963	1962
Sales (Billings)	\$59,348,600	\$47,645,518	\$42,164,562	\$33,838,166	\$37,183,878
Net Earnings before Federal Taxes	2,537,714	(615,037)	1,712,134	1,881,017	682,873
Net Earnings after Federal Taxes	1,670,398	(631,128)	783,153	1,071,412	469,633
Net Earnings Per Share before Federal Taxes	6.49	(1.57)	4.38	4.81	1.75
Net Earnings Per Share after Federal Taxes	4.27	(1.61)	2.00	2.74	1.20
Cash Dividends Per Share	.80	1.60	1.60	1.60	1.60
Net Worth	18,379,394	17,019,655	18,263,530	18,089,690	17,638,393
Net Worth Per Share	47.00	43.53	46.71	46.26	45.11
Shares Outstanding	391,014	391,014	391,014	391,014	391,014
Expenditures for Plant and Equipment	797,225	722,306	858,973	876,050	443,660
Working Capital	14,291,998	12,766,460	13,542,067	13,461,610	13,920,809

RS-001098
1/17/02
NUECES

TO OUR SHAREHOLDERS

The comparative figures resulting from consolidated operations for the years 1966, 1965, 1964, 1963 and 1962, as shown on page 2 of this report, reflect the degree of improvement accomplished in our operations during 1966.

All divisions operated on a profitable basis in 1966 and the results from our continuing cost reduction efforts and improved production methods have been consequential.

A shortage of skilled labor in our field construction operations and delayed deliveries by suppliers did, however, adversely affect year end results.

Expenditures during 1966 for additions and improvements to wholly owned property and facilities totalled \$797,225. as compared with \$722,306. in 1965 and the estimated cost of completing authorized additions and improvements at year end was \$1,350,000.

Financial figures given in this report do not reflect the effect of substantial Engineering Fees not yet received from our Licensees. Such fees are based on contracts actually sold by our Licensees and the Engineering Fees involved will be paid to us in the same ratio as our Licensees receive contract payment from customers.

The consolidated backlog of unfilled orders on December 31, 1966 was approximately \$68,530,000. and on February 27, 1967 was approximately \$77,900,000.

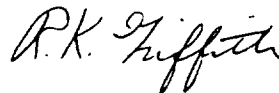
With increased emphasis on our research and product improvement programs and the acceptance of our products by the electric generating and many other industries, we look forward to future years with confidence and enthusiasm.

To our customers, shareholders, loyal employees and suppliers we express our sincere appreciation and thanks for their cooperation and support.

By Order of The Board of Directors



L. E. GRIFFITH, CHAIRMAN



R. K. GRIFFITH, PRESIDENT

February 27, 1967



CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

	Year Ended December 31	
	1966	1965
Sales	\$59,348,600	\$47,645,518
Cost of Sales	\$53,248,268	\$44,264,742
Gross Income	\$ 6,100,332	\$ 3,380,776
Selling and Administrative Expenses		
Selling	\$ 2,223,191	\$ 2,076,370
Administrative	2,258,179	2,542,218
Total	\$ 4,481,370	\$ 4,618,588
Income (Loss) From Operations	\$ 1,618,962	(\$ 1,237,812)
Other Income	1,318,051	870,014
	\$ 2,937,013	(\$ 367,798)
Other Deductions	399,299	247,239
Income (Loss) Before Federal Income Tax	\$ 2,537,714	(\$ 615,037)
Provision for Federal Income Tax	867,316	16,091
Net Income (Loss) for Year		
(Per Share: 1966—\$4.27; 1965—(\$1.61))	\$ 1,670,398	(\$ 631,128)
Retained Earnings at Beginning of Year	14,202,116	15,445,992
Add: Prior Years' Federal Tax and Other Adjustments	2,152	12,874
	\$15,874,666	\$14,827,738
Deduct: Dividends Paid		
(Per Share: 1966—\$.80; 1965—\$1.60)	312,811	625,622
Retained Earnings at End of Year	\$15,561,855	\$14,202,116

Provisions for Depreciation deducted above amounted to \$708,329 in 1966 and \$648,470 in 1965.



CONSOLIDATED

ASSETS	December 31	
	1966	1965
Current Assets		
Cash	\$ 759,198	\$ 600,021
Marketable Securities At Cost (Market Value 1966—\$4,710,104; 1965—\$5,234,284) ..	5,565,764	5,565,764
Notes and Accounts Receivable—Trade, Less Allowances of \$37,647 for Doubtful Accounts	13,614,814	13,308,744
Other Receivables	647,620	1,143,130
Inventories of Materials and Supplies (At Lower of Cost or Market)	7,787,894	6,533,218
Costs of Incompleted Contracts, Less Related Billings of \$13,490,158 (\$11,261,983—in 1965)	97,261	1,667,808
Engineering in Process	574,688	570,360
Prepaid Expenses	286,491	286,129
Total Current Assets	\$29,333,730	\$29,675,174
Other Assets		
Stock of Other Corporations—At Cost	\$ 13,943	\$ 13,943
Notes Receivable—Trade, maturing after 1967	312,972	326,579
Total Other Assets	\$ 326,915	\$ 340,522
Property, Plant and Equipment		
Land	\$ 404,754	\$ 404,754
Buildings	5,457,209	5,404,677
Machinery and Equipment	8,002,643	7,426,846
	<u>\$13,864,606</u>	<u>\$13,236,277</u>
Less: Accumulated Depreciation	8,722,720	8,140,020
Net Property, Plant and Equipment	\$ 5,141,886	\$ 5,096,257
Patents—At Cost Less Amortization	\$ 1	1
	<u><u>\$34,802,532</u></u>	<u><u>\$35,111,954</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 1966

Note A: Contingencies—The Company is a defendant in a suit relating to damages arising from an explosion. A claim on another explosion has been made against the Company. The Company denies liability on the foregoing and believes the final outcome of these matters will not materially adversely affect the financial statements of the Company.

Note B: Basis of Consolidation—The consolidated financial statements include the accounts of the Company and all subsidiaries (each of which is wholly owned). Intercompany items and transactions have been eliminated in the consolidated figures.

Note C: Depreciation—For financial reporting purposes and for Federal Income Tax purposes, depreciation is provided for by the straight line method and by the declining balance method, based upon estimated useful lives of the assets.

BALANCE SHEETS

	December 31	
LIABILITIES	1966	1965
Current Liabilities		
Notes Payable to Banks	\$ 4,990,000	\$ 6,600,000
Accounts Payable	4,688,363	3,326,492
Customers' Advances	3,342,764	4,962,731
Accrued Liabilities	1,525,413	2,019,491
Federal Income Tax	495,192	—
Total Current Liabilities	<u>\$15,041,732</u>	<u>\$16,908,714</u>
Reserves		
Building Fund	\$ 200,000	\$ 200,000
Contingencies	150,000	150,000
Expenses	1,231,406	1,033,585
Total Reserves	<u>\$ 1,581,406</u>	<u>\$ 1,383,585</u>
Stockholders' Equity		
Capital Stock—Common, Par Value \$3.00 Per Share		
Authorized—1,050,000 Shares		
Issued and Outstanding—391,014 Shares	\$ 1,173,042	\$ 1,173,042
Other Capital	1,444,497	1,444,497
Retained Earnings	15,561,855	14,202,116
Total Stockholders' Equity	<u>\$18,179,394</u>	<u>\$16,819,655</u>
	<u>\$34,802,532</u>	<u>\$35,111,954</u>

Note D: Bonus Profit Sharing Plans—The Company has bonus profit sharing plans under which distribution is made in the following year to a selected list of employees of the Corporations as approved by the Board of Directors. The total payment is computed by a formula on the basis of the year's income. The total accrual charged to 1966 operations is \$59,070, payable to participants of a subsidiary.

Note E: Retirement Plans—The Company and its subsidiaries have various pension plans covering substantially all of their employees. All plans are separately funded and actuarial reports of these funds at December 31, 1966 indicate that past service requirements are more than provided for.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Year Ended December 31	
	1966	1965
Source of Funds		
Operations		
Net Income (Or Loss)	\$1,670,398	(\$ 631,128)
Charges Requiring No Current Cash Outlay		
Depreciation	707,947	648,470
Increase in Reserves	197,821	137,045
Other	18,930	(7,757)
Total From Operations	<u>\$2,595,096</u>	<u>\$ 146,630</u>
Proceeds from Sale of Assets	24,720	10,455
Decrease in Long-Term Notes Receivable	13,606	404,844
Adjustment of Prior Years' Federal Taxes	2,152	10,392
--	<u>\$2,635,574</u>	<u>\$ 572,321</u>
Application of Funds		
Dividends Paid	\$ 312,811	\$ 625,622
Additions to Plants and Equipment	797,225	722,306
	<u>\$1,110,036</u>	<u>\$1,347,928</u>
Increase (Decrease) in Working Capital	<u>\$1,525,538</u>	<u>(\$ 775,607)</u>

To The Board of Directors
Riley Stoker Corporation
9 Neponset Street
Worcester, Massachusetts

Gentlemen:

We have examined the consolidated balance sheet of Riley Stoker Corporation and subsidiary companies as of December 31, 1966 and the related consolidated statement of income and retained earnings 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 the related consolidated statement of income and retained earnings present fairly the financial position of Riley Stoker Corporation and subsidiary companies at December 31, 1966 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Worcester, Massachusetts
March 3, 1967

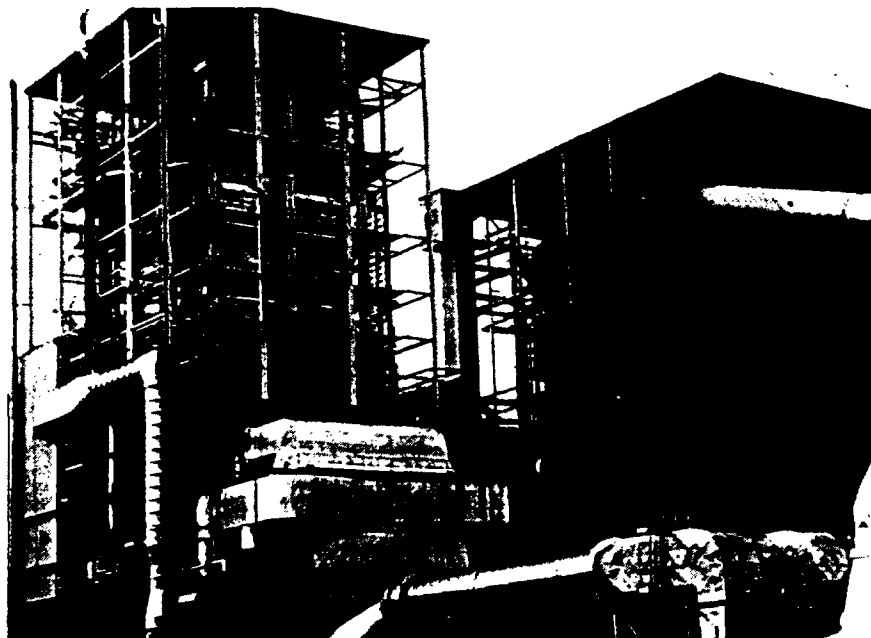
George A. Smith and Company
Certified Public Accountants

PROGRESS IN 1966

New Products

The acceptance of our supercritical design by the utility industry is evidenced by the purchase in 1966 of the first unit by South Carolina Electric and Gas Company. This steam generating unit, with a capacity of 2,846,000 pounds of steam per hour, will operate at 3735 psig with superheat at 1000°F and reheat at 1000°F, when fired by three (3) Riley Ball Tube Mills.

The introduction in 1966 of the OD-2 design boiler for medium capacities was featured by the purchase of a 220,000 pound per hour unit by Philadelphia Electric Company for its Schuylkill Station. This proprietary design incorporates the advantages of both package type boilers and shop assembled components which substantially reduce the cost of field erection in the higher capa-



Designing boilers with special firing equipment for unusual fuels other than coal, oil and natural gas is a Riley specialty. This boiler at an electric utility power station in Belgium is one of the world's largest designed to burn blast furnace gas. It was manufactured and constructed by Riley's manufacturing associate Chaudronneries Pierre Brouhon Belgium. A duplicate has been ordered.

cities that are not available in package type boilers.

Sales

Current inquiries indicate that the volume of new business available to our industry will be substantial in 1967.

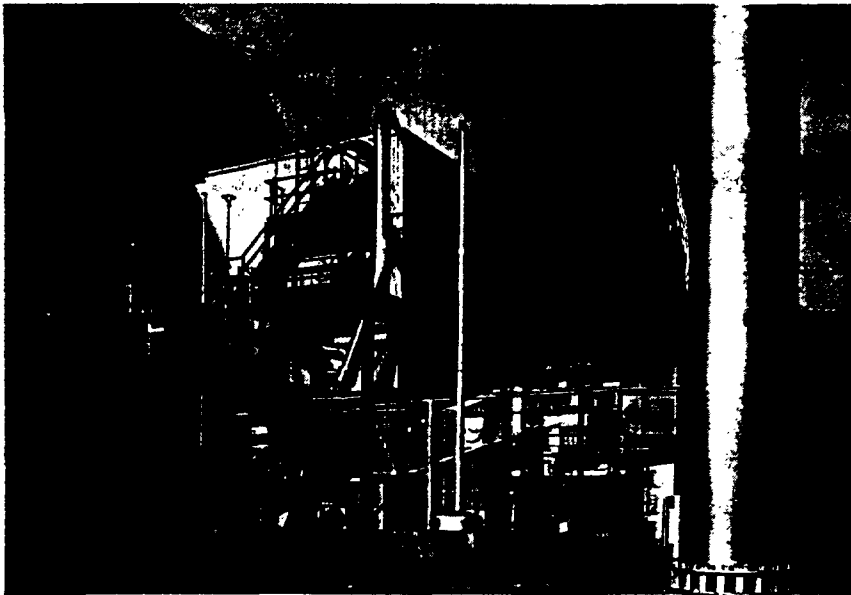
Manufacturing

The total capital investment in 1966 included expenditures for new equipment at the Detroit plant, the A. W. Cash Company, Badenhause Corporation, and Union Iron Works Plants.

Operation of the two additional electric melting furnaces, authorized in 1965, and installed in 1966 has substantially improved the efficiency of the foundry operations at the Detroit Plant.

The addition of 9200 sq. ft. to the panel assembly area and the introduction of new machine tools have improved the operations of Badenhause Corporation.

The installation of additional modern machine tools and improved production methods are resulting in continued cost reduction at all facilities.



The new Riley OD Boiler is a medium sized industrial type boiler that is completely engineered by electronic data processing from custom design specifications and was developed to compete in price with standard design boilers of our competitors. This unit, tucked in the corner of the generating plant of The Fitchburg Gas & Electric Light Company, is producing steam for 22,704 kilowatts.

RILEY BOILER CUSTOMERS (Partial List)

ELECTRIC UTILITIES

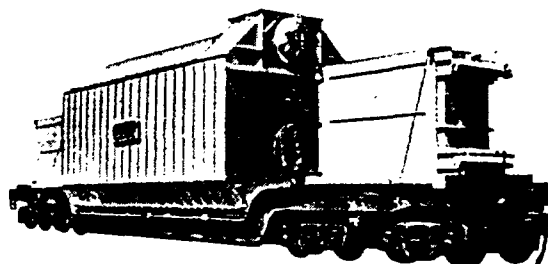
Arizona Public Service Co.
 Carolina Power & Light Co.*
 Central Power & Light Co.
 Kansas Gas & Electric Co.*
 Holyoke Water Power Co.*
 Minnesota Power & Light Co.*
 Eastern Iowa Light & Power Co.
 Philadelphia Electric Co.*
 Louisiana Power & Light Co.*
 Texas Electric Service Co.*
 Public Service Company of Indiana, Inc.*
 Arkansas Power & Light Co.
 Utah Power & Light Co.*
 Columbus & Southern Ohio Electric Co.*
 Central Illinois Light Co.*
 Houston Lighting & Power Co.*
 South Carolina Electric & Gas Co.*
 Union Electric Co. of Missouri*
 Nevada Power Co.
 Commonwealth Edison Co.*
 Florida Power Corporation*
 Dallas Power & Light Co.*
 Monongahela Power Co.
 The Potomac Edison Co.*
 Delmarva Power & Light Co.
 Massachusetts Electric Co.
 Southwestern Gas & Electric Co.
 Northern States Power Co.*
 Central Louisiana Electric Co.*
 Gulf Power Co.*
 Sierra Pacific Power Co.*
 Pennsylvania Electric Co.
 Iowa Electric Light & Power Co.*
 Montana-Dakota Utilities Co.*
 Mississippi Power Co.*
 Ohio Edison Co.*
 Iowa Public Service Co.*
 Interstate Power Co.*
 Pacific Gas & Electric Co.*
 Southern Indiana Gas & Electric Co.*
 Upper Peninsula Power Co.
 New Orleans Public Service Inc.*
 Northern Virginia Power Co.
 Iowa-Illinois Gas & Electric Co.*
 West Penn Power Co.
 Upper Michigan Power & Light Co.*
 Superior Water, Light & Power Co.
 The Cliffs Power & Light Co.
 Otter Tail Power Co.*
 North Dakota Power & Light Co.
 The Hartford Electric Light Co.*
 Taiwan Power Co.*
 Community Public Service Co.
 Wisconsin Electric Power Co.*
 West Texas Utilities Co.*
 Fitchburg Gas & Electric Light Co.
 The Detroit Edison Co.
 Manila Electric Co.*
 Tampa Electric Co.*
 San Diego Gas & Electric Co.
 Southwestern Power Co.
 Salt River Power District*
 Boston Edison Co.
 Louisville Gas & Electric Co.
 Georgia Power Co.
 Alabama Power Co.

INDUSTRIALS

General Motors Corp.*
 Ford Motor Co.*
 Celanese Corporation*
 Great Atlantic & Pacific Tea Co.*
 Boise Cascade Corp.*
 The Dow Chemical Co.*
 Deere & Company
 Esso Standard Oil Co.*
 Standard Oil of Calif.*
 Bethlehem Steel Corp.
 U. S. Steel Corp.*
 Republic Steel Corp.*
 Marathon Southern Corp.
 The Texas Co.
 Shell Oil Co.*
 Phillips Petroleum Company
 The Champion Paper & Fibre Co.*
 W. Va. Pulp & Paper Co.*
 Gaylord Container Corp.*
 Olin Kraft, Inc.*
 B. F. Goodrich Company*
 Union Carbide Chemical Co.*
 Continental Can Co.*
 Kennecott Copper Corp.*
 Hooker Chemical Corp.*
 Swift & Co.*
 Western Electric Co.*
 E. I. duPont de Nemours & Co.*
 U. S. Rubber Co.*
 A. E. Staley Mfg. Co.*
 Crocker Burbank & Co., Ass'n.
 St. Regis Paper Co.*
 Masonite Corp.*
 Humble Oil and Refining Co.*
 American Enka Corp.*
 Commercial Solvents Corp.
 American Viscose Corp.*
 Monsanto Chemical Co.*
 Rayonier, Inc.*
 Westinghouse Electric Co.*
 General Electric Co.*
 Northern Ohio Sugar Co.
 Crucible Steel Corp. of America
 Gulf States Paper Co.
 Campbell Soup Co.
 Pennsylvania Railroad*
 St. Croix Paper Co.*
 Glidden Co.*
 International Harvester Co.*
 Allis Chalmers Mfg. Co.*
 Norton Co.*
 Pratt & Whitney Div.
 of United Aircraft*
 Publicker Industries, Inc.*
 McDonnell Aircraft Corp.*
 Mead Corporation*
 Great Lakes Steel Corp.*
 General Foods Corp.*
 American Brass Co.*
 American Smelting & Refining Corp.*
 Freeport Sulphur Co.
 Kaiser Aluminum & Chemical Corp.*
 Celotex Corp.
 The Charmin Paper Products Co.*
 Bryant Sugar House*

Alton Box Board Co.*
 Marathon Oil Co.
 Shell Chemical Co.*
 Diamond National Corp.*
 Emery Industries, Inc.
 Strathmore Paper Co.
 Koppers Co., Inc.*
 Upjohn Company*
 C. H. Dexter & Sons, Inc.
 American Oil Co.
 Barber Colman Co.
 Standard Brands, Inc.
 P. H. Glatfelter Co.
 Hormel & Co.
 Weyerhaeuser Corp.
 Remington Rand Co.*
 Archer-Daniels-Midland Co.*
 Penn Station Housing Project
 Copperweld Steel Co.
 Libby, McNeil & Libby*
 Naugatuck Chemical Co.
 Morgan Packing Co.
 Toledo Edison Co.
 Holy Cross College*
 Suntime Refining Co.
 Tobin Packing Co.
 R. J. Reynolds Tobacco Co.*
 Carnation Company*
 Chrysler Corporation*
 Firestone Tire & Rubber Co.*
 Chevrolet Motor Division*
 American Chemical Co.*
 Wyckoff Steel Co.*
 Atlantic Refining Co.
 H. J. Heintz Co.
 Anheuser-Busch, Inc.
 The Hilton-Davis Chemical Co.
 The American Tobacco Co.
 Corning Glass Co.
 U. S. Plywood Corporation
 Shell Oil Co.*
 General Electric Co.*
 United Rubber & Chemical Co.
 Utah-Idaho Sugar Co.
 Indiana State College
 Knox College
 Southampton Penitentiary Farms
 Norwich University

Rikers Island Penitentiary
 Miles Chemical Co.
 National Bureau of Standards
 Pond Lily Co.
 Nicholson File Co.
 Great Lakes Steel Div.
 National Steel Corp.
 Hercules Incorporated*
 Buckeye Sugars, Inc.
 Hudson Pulp & Paper Co.
 Antilles Chemical Co.*
 Rochdale Village, Inc.
 Bucyrus-Erie Co.
 Johns-Manville Products Co.*
 Reynolds Metals Co.
 Torrington Company*
 The Budd Company
 Ingersoll Rand Co.
 Thomas J. Lipton Co., Inc.
 Holly Sugar Co.*
 American Smelting & Refining Co.*
 Swift & Co.*
 Mohawk Paper Mill, Inc.
 Container Corporation of America*
 Florida Sugar Corp.*
 Kohler Company
 General Aniline & Film Corp.
 Princeton University
 Sugar Cane Growers Coop*
 Goodyear Tire & Rubber Co.*
 Geigy Chemical Co.
 Hunt Foods and Industries
 Georgia Pacific Corp.
 Cooper Tire and Rubber Co.
 Chemstrand Co.
 Eastman Kodak Co.
 National Steel Corp.
 Great Western Sugar Co.
 Brown & Williamson Tobacco Co.
 Gulf Oil Corp.*
 Borden Chemical Co.
 The Boeing Co.*
 Continental Oil Co.
 Spreckles Sugar Co.
 Erving Paper Mills
 U.S. Gypsum
 Linkbelt Co.
 *Repeat Orders



The MH Package Boiler manufactured by our Union Iron Works subsidiary has been selling exceptionally well. The complete unit on a depressed flat car is one of ten 125,000 lbs/hr MH Boilers purchased in recent months by The Boeing Company.

R8-001106
 1/17/02
 NUECES



RILEY *Stoker Corporation*

GENERAL OFFICES - WORCESTER, MASSACHUSETTS

OPERATIONS DIRECTORY

GENERAL OFFICES
Worcester, Massachusetts
Administration, Sales, Engineering,
Construction, Service.

RILEY STOKER CORPORATION
Detroit, Michigan
Fuel Burning Equipment

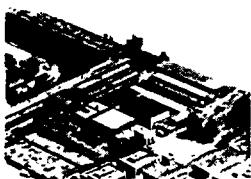
BADENHAUSEN CORPORATION
Cornwells Heights, Pennsylvania
Large Utility and Industrial
Steam Generating Equipment

UNION IRON WORKS
Erie, Pennsylvania
Field Assembled and Package Boilers,
Process Heating Equipment

A. W. CASH COMPANY
Decatur, Illinois
Control and Pressure Regulating Valves



General Offices—Worcester



Detroit Plant



Badenhausem Corporation



Union Iron Works



A. W. Cash Co.

SALES OFFICES—Albuquerque, Atlanta, Baton Rouge, Boston, Charlotte, Chicago, Cincinnati, Cleveland, Detroit, Denver, Honolulu, Houston, Jacksonville, Kansas City, Los Angeles, New York, Philadelphia, Pittsburgh, Portland, Salt Lake City, San Francisco, Seattle, St. Louis, St. Paul, Syracuse.

Licensed Manufacturing Associates

JOHN BROWN LAND BOILERS, LTD.
Steam Generating and Fuel Burning Equipment
The United Kingdom and Eire

Steam Generating Equipment
Europe (Except Belgium, Luxembourg, France,
Spain, Portugal and their possessions)

FOSTER WHEELER LIMITED
Steam Generating and Fuel Burning Equipment
Canada

DISTRAL S.A.
Republic of Colombia, Venezuela, Ecuador and Peru

RILEY DODDS AUSTRALIA, LIMITED
Steam Generating and Fuel Burning Equipment
Australia, New Zealand and the Republic of South
Africa

FAMA
Stokers — Europe, Cambodia, Turkey and Viet Nam

CHAUDRONNERIES PIERRE BROUHON
Steam Generating Equipment
Belgium, Congo and Grand Duchy of Luxembourg

SOCIETE D'EXPLOITATION D'USINES METALLURGIQUES
Steam Generating Equipment and Gas, Oil, Coal Burners
France, Spain, Portugal and their possessions

Overseas Agents

INDIA
Shanta Brothers Private Limited

VIET NAM AND CAMBODIA
Brownell, Lane Intl. Ltd.

PAKISTAN
Interhom Ltd.

KOREA
Joongwon & Company, Ltd.

KINGDOM OF DENMARK
Thomas Schmidt

TAIWAN
The Suiki Enterprise Co., Ltd.

PHILIPPINES
Atlantic Gulf & Pacific Co. of Manila, Inc.

ARGENTINA
Sociedad Argentina Tecnica
Industrial y Comercial, S. A.

PUERTO RICO AND DOMINICAN REPUBLIC
Abarca Warehouses Corp.

ISLAND OF MAURITIUS
Rey & Lenfema, Ltd.

CHILE
Racontec Ltda.

TURKEY
Sinai Tatbikat T.A.S.