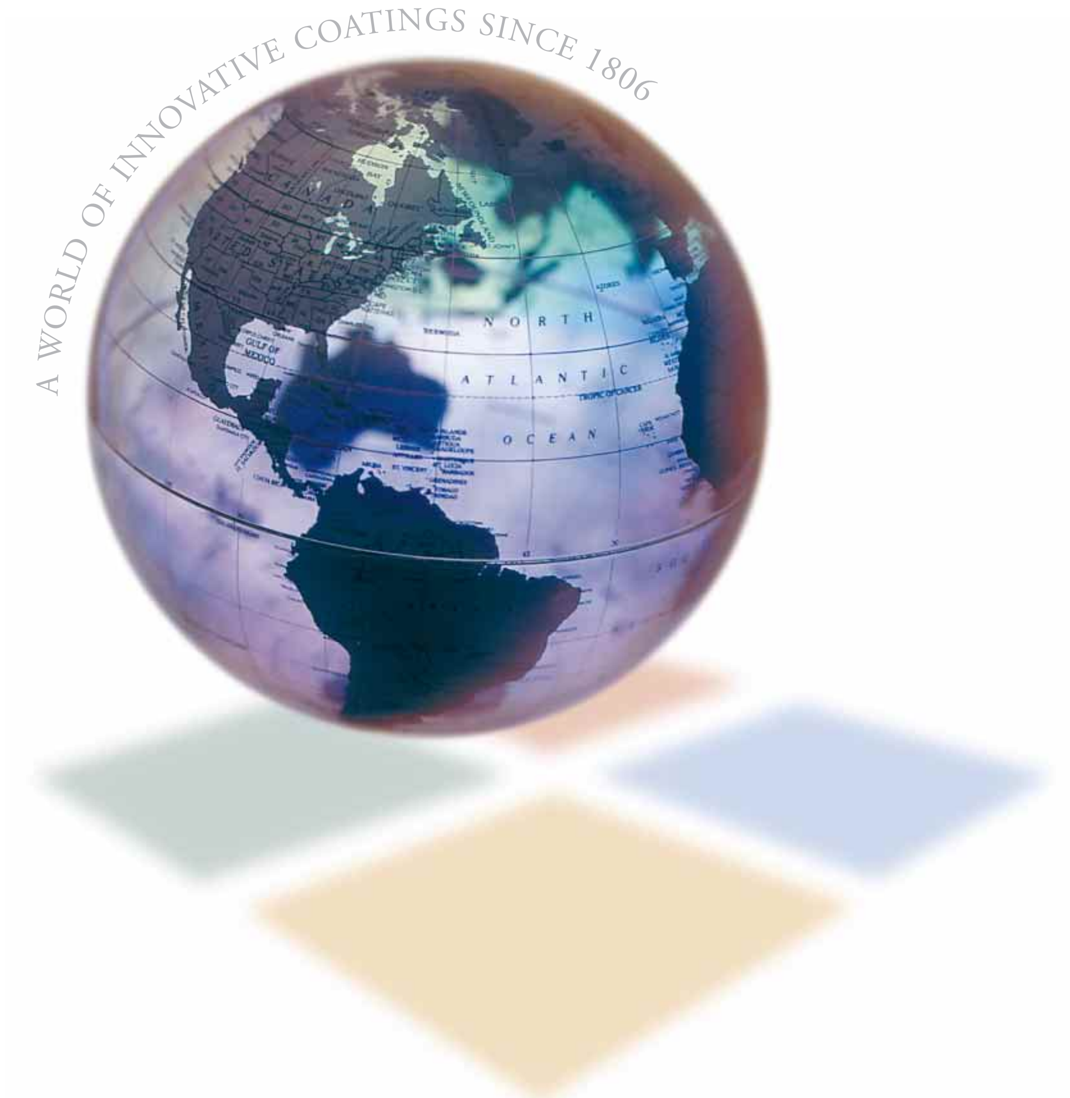
THE VALSPAR CORPORATION



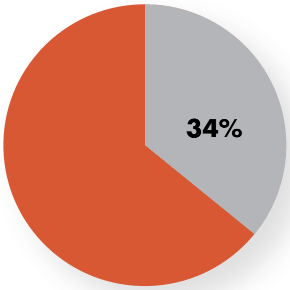
ANNUAL 1997 REPORT

CONSUMER GROUP

Products	Decorative paint, varnish, and stains
Principal Markets	Home centers, mass merchants, hardware wholesalers, and independent dealers
Competitive Strengths	Broad line of brands and control labels Customized programs Low-cost production and distribution
Growth Opportunities	Expand strong position with growth retailers

1997 Sales (percent of sales)

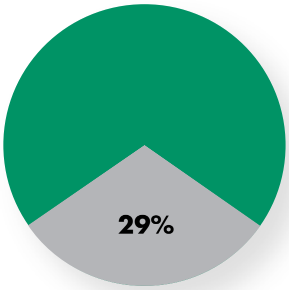
$345 Million



PACKAGING GROUP

Products	Coatings and metal decorating inks
Principal Markets	Rigid packaging (food and beverage cans), flexible packaging (paper, film, and foil)
Competitive Strengths	Broad portfolio of cost-effective, environmentally compliant technologies
Growth Opportunities	Global expansion to serve existing and new customers

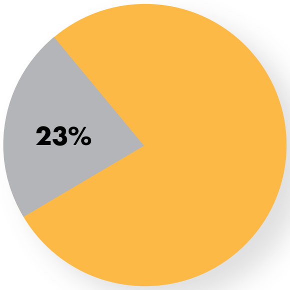
$299 Million



INDUSTRIAL GROUP

Products	Coatings
Principal Markets	Building products, agricultural and construction equipment, appliances, wood finishes, fabricated metal, automotive parts
Competitive Strengths	Broad technology portfolio and customization capability
Growth Opportunities	Gain market share as demand for environmentally compliant coatings increases

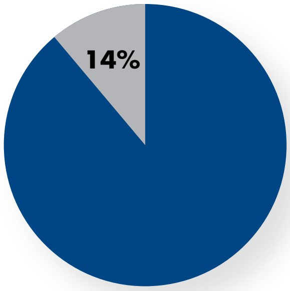
$232 Million



SPECIAL PRODUCT

Products	Paint, coatings, resins, and colorants
Principal Markets	Coatings manufacturers, automotive refinish, marine and floor coatings
Competitive Strengths	Ability to customize products, low-cost manufacturing
Growth Opportunities	Increase market share by developing specialty products and leveraging Valspar resources

$141 Million



FINANCIAL HIGHLIGHTS

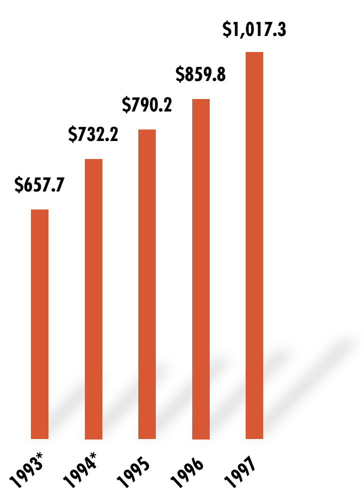
(Dollars in Thousands, except per share amounts)

	Years Ended	October 31, 1997	October 25, 1996	October 27, 1995
Operations:	Net sales	$1,017,271	$859,799	$790,175
	Net income	65,877	55,893	47,520
	– Percent of sales	6.5%	6.5%	6.0%
	– Return on average equity	24.0%	24.0%	24.4%
	Net income per share	$ 1.49	$ 1.26	$ 1.08
	Dividends paid per share	.36	.33	.30
Year-End Data:	Total assets	$ 615,470	$486,440	$398,199
	Stockholders' equity	295,065	253,703	212,115
	Stockholders' equity per share	$ 6.76	$ 5.77	$ 4.82
	Number of shares outstanding	43,678,971	43,944,526	43,977,220

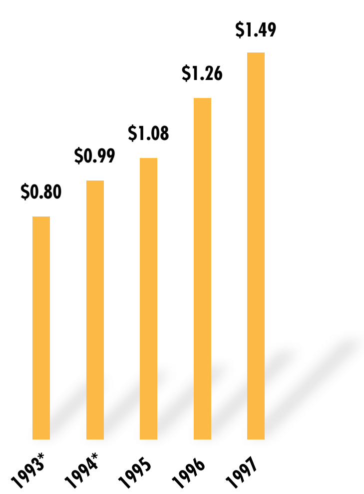
The above information and the following graphs have been adjusted to reflect the 2-for-1 stock split effective in March 1997.

Historical data is provided in the Eleven-Year Financial Summary on pages 6 and 7.

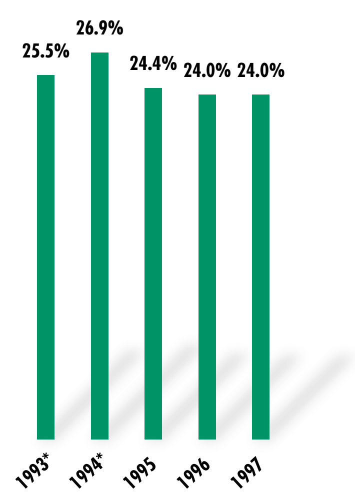
Net Sales
(Millions)



Net Income per Share
(Dollars)



Return on Average Equity
(Percent)

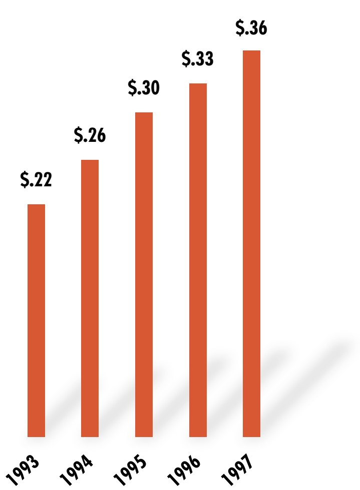


* Pro forma information as though the McWhorter business spin-off had occurred at the beginning of fiscal 1992.

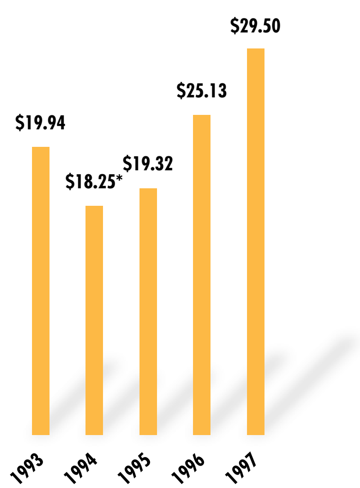
VALSPAR'S MANAGEMENT COMMITTEE

(Standing from left) Joel C. Hart, Stephen M. Briggs, Richard M. Rompala, Paul C. Reyelts, William L. Mansfield, Larry B. Brandenburger
(Seated from left) Thomas A. White, Robert T. Smith, Rolf Engh, Steven L. Erdahl

Dividends
(Dollars per Common Share)

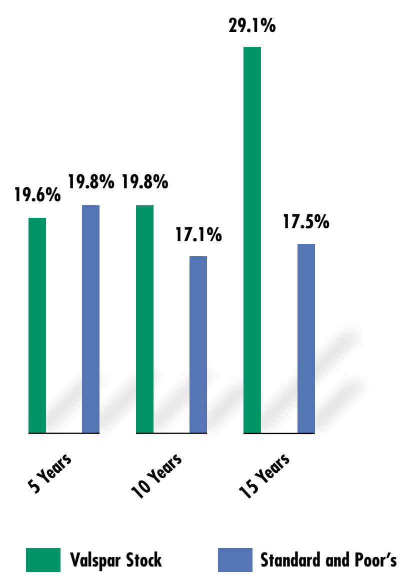


Year-End Stock Price
(Dollars per Common Share)



* In the April 29, 1994 spin-off, Valspar shareholders received one share of McWhorter Technologies, Inc. Common Stock for every two shares of Valspar Common Stock owned.

Shareholder Returns*
(Percent per Year)



* Assumes McWhorter Technologies, Inc. shares received in the April 29, 1994 spin-off were sold and funds reinvested in Valspar stock.

TO OUR STOCKHOLDERS

Financial Results

The fiscal year ended October 31, 1997 marked the 23rd consecutive year of earnings growth for Valspar. In addition, we reached $1 billion in sales for the first time. It took nine years for the Company's sales to double from $500 million to $1 billion; yet we plan to double again in half that time by following the same principles that have been guiding us since 1990:

- Meeting customer requirements – current and future
- Continuous improvement – with increasing speed
- Total employee involvement – leadership by management

Sales in 1997 increased 18.3 percent over last year. We are particularly proud that more than 10 percent of this growth was internally generated; the balance was due to acquisitions, net of divestitures. This double-digit internal growth was achieved by aggressive sales and marketing programs in all of our businesses, and by improved cooperation and cross-selling among our business units. Net income increased 17.9 percent this year to a record $65.9 million.

We made significant investments for future growth during the year. These investments – capacity addition, new technical facilities and a new information system – will provide the infrastructure to allow profitable growth in the years ahead. Cash flow from operations of $53 million was combined with $61 million of borrowings to fund a record level of capital expenditures of $48 million, acquisitions of $41 million, stock repurchases of $12 million, and dividends of $16 million. Despite an increase in debt, our balance sheet remains strong with a total debt ratio of 27 percent. Valspar's return on average equity remained high at 24 percent.

For the 20th consecutive year, the Board of Directors raised dividends. The increase was 16.7 percent, as the quarterly dividend was raised from $0.09 to $0.105 effective with the dividend payable January 15, 1998. As a service to our shareholders, we have introduced a dividend reinvestment and direct purchase plan (see the inside back cover of this report for more information).

Operating Results

The Consumer Group had a very strong year, as sales increased 17 percent. This was achieved through new store openings by our home center and mass merchant customers, as well as through the introduction of new products and programs. We recently rolled out several exciting new programs including a designer line of paint under the Laura Ashley® label, and McCloskey Decorative Effects,™ a system which allows the consumer to create special finishes and textures that resemble marbleizing, opalescence and feathering.

Sales for the Packaging Group were up 27 percent this year, with approximately 10 percent of the sales increase from internal growth. This is a significant achievement in a U.S. marketplace which is growing at only 1 to 2 percent per year. The Packaging Group is our most global business as one-quarter of 1997 sales were outside of North America; that portion should increase to about one-third next year. In August 1997, a state-of-the-art research facility was opened in Pittsburgh, Pennsylvania, to support and coordinate global technology initiatives.

Sales increased 13 percent in the Industrial Group driven by our coil coating and architectural spray business. During the year, we completed construction of a manufacturing facility in Singapore to supply product to the commercial construction market in Asia. We also expanded our technology portfolio by significantly upgrading our Electro-coat capabilities, and by acquiring additional powder and general industrial business through a business exchange with Ameron International Corporation.

Sales in the Special Products Group were strong as well, led by Valspar Refinish with 45 percent growth. EPS resin sales were up 28 percent, and both our Federal Flooring and Marine businesses recorded double-digit growth. Color Corp. sales were essentially flat with last year. Acquisition activity during the year included certain assets of International Zinc (Marine), MasterBuilders (Floor Coatings), House of Kolor (Refinish), Forton (EPS) and the purchase of a resin plant in Hagerstown, Maryland. In February, we sold our Maintenance Coatings business.

Strategic Initiatives

We made good progress on all three of our strategic initiatives – Globalization, MIDAS and Waste Minimization. We expanded our international presence by purchasing the can coatings and ink businesses of Coates Brothers (Hong Kong) Limited and Coates (Guangzhou) PRC Limited in January, and by forming a joint venture with Coates in South Africa in December, 1997. We also started a joint venture in Brazil to serve our packaging customers in South America. In less than two years we have built the infrastructure to manufacture and sell can coatings throughout Europe, Asia, Australia, South America and Africa.

MIDAS is an employee-led initiative to review and improve the way we purchase all goods and services on a corporate-wide level. We have 40 active teams which have identified over $20 million of annual savings. We have made good progress so far, and our employees continue to identify new opportunities for savings.

The goal of our Waste Minimization initiative is at least 50 percent reduction in material waste by the year 2000. Each of our businesses have completed the first step in this initiative by forming waste reduction teams, and we are already seeing results.

Environmental and Safety

Valspar is committed to continuous improvement in environmental stewardship and safety. Since 1995, we have reduced total waste generation by 20 percent. Despite an increase of over 450,000 hours worked, we reduced the number of injuries at our domestic facilities for the fourth consecutive year, and lost work days declined by almost 50 percent. We were saddened, however, by a fatality at our Garland facility. This unfortunate incident will help sharpen our safety awareness and drive us to reinforce safe behavior in all our facilities.

Director Changes

In August we were pleased to welcome Jeffrey Curler and Edward Pollak to our Board of Directors. Jeff is President of Bemis Company, a major packaging company, and Ed is Vice President – Asia Pacific of Witco Corporation, a specialty chemical manufacturer with extensive international operations. These two individuals bring a wealth of industry and global experience to Valspar. After 28 years as Valspar's benchmark for hard work, dedication and integrity, Bob Pajor ended his official association with Valspar by resigning from the Board in December. In addition, Bill George resigned from the Board after serving since 1984. We thank Bob and Bill for their leadership, guidance and vision to help build Valspar into a world-class company.

Strategic Goals and Outlook

We remain committed to the year 2001 strategic objectives described in last year's report, namely:

- Achieving $2 billion in sales
- Becoming one of the top 10 coating companies in the world
- Obtaining a #1 or #2 position in target markets for our major businesses
- Having our employees own 30 to 35 percent of the Company

Reaching these objectives will require continuing our emphasis on internal growth and making acquisitions which bring us new technologies or access to new markets. We believe that our strategies are sound, and that we have the management team, technology, financial strength and employees to achieve these objectives by the year 2001.

C. Angus Wurtele
Chairman of the Board

Richard M. Rompala
President and
Chief Executive Officer

ELEVEN-YEAR FINANCIAL SUMMARY

	(Dollars in Thousands, except per share amounts)			
	Fiscal Years	1997	1996	1995
Operating Results	Net Sales	$1,017,271	$859,799	$790,175
	Cost and Expenses			
	Cost of Sales	698,474	594,935	561,170
	Operating Expense	206,834	169,873	146,344
	Income from Operations	111,963	94,991	82,661
	Other (Income) Expense – Net	(2,508)	(1,081)	(763)
	Interest Expense	5,294	3,029	4,216
	Income Before Income Taxes	109,177	93,043	79,208
	Net Income	65,877	55,893	47,520
	Net Income as a Percent of Sales	6.5%	6.5%	6.0%
	Return on Average Equity	24.0%	24.0%	24.4%
	Per Common Share:			
	Net Income	$ 1.49	$ 1.26	$ 1.08
	Dividends Paid	.36	.33	.30
	Stockholders' Equity	6.76	5.77	4.82
Financial Position	Total Assets	$ 615,470	$486,440	$398,199
	Working Capital at Year-End	97,427	96,130	90,995
	Property, Plant and Equipment – Net	185,748	153,819	130,404
	Long-Term Debt, Excluding Current Portion	35,844	31,948	21,658
	Stockholders' Equity	295,065	253,703	212,115
Other Statistics	Property, Plant and Equipment Expenditures	$ 48,131	$ 25,376	$ 38,982
	Depreciation and Amortization Expense	25,771	22,262	20,318
	Research and Development Expense	39,099	32,616	27,746
	Total Cash Dividends	$ 15,741	$ 14,575	$ 13,121
	Average Common Shares Outstanding (000s)	44,233	44,403	44,183
	Number of Stockholders	1,830	1,783	1,864
	Number of Employees at Year-End	3,205	2,855	2,542
	Market Price Range –			
	Common Stock: High	$ 32.94	$ 25.50	$ 20.94
	Low	24.00	19.13	15.25

Reference is made to the Notes to Consolidated Financial Statements for a summary of accounting policies and additional information. The above amounts include Sunbelt Coatings, Inc. results, as the 1995 acquisition was accounted for as a pooling of interests. Results for 1994 include six months of operations for McWhorter Technologies, Inc. prior to the spin-off to shareholders. Per share data has been adjusted to reflect 2-for-1 stock splits effective in March 1987, March 1992, and March 1997. The number of stockholders is based on recordholders at year-end.

Group Sales

The operating divisions of the Company are organized to reflect classes of similar products. The table below shows the percentage of net sales for these groups for the past five years.

	(Percent of Net Sales)				
Fiscal Years	1997	1996	1995	1994	1993
Consumer Coatings	34	34	34	31	29
Packaging Coatings	29	27	27	25	27
Industrial Coatings	23	24	25	23	22
Special Products	14	15	14	21	22

1994	1993	1992	1991	1990	1989	1988	1987
$795,275	$700,897	$683,485	$632,562	$571,445	$526,892	$479,617	$448,944
569,063	501,135	492,092	458,953	410,094	385,459	356,690	321,258
146,683	129,997	131,232	120,643	109,206	98,725	89,906	89,862
79,529	69,765	60,161	52,966	52,145	42,708	33,021	37,824
631	2,036	360	1,504	3,337	(1,555)	(2,733)	(479)
2,504	1,645	2,932	5,686	4,704	5,838	6,370	6,227
76,394	66,084	56,869	45,776	44,104	38,425	29,384	32,076
45,799	40,156	34,418	27,676	26,731	23,234	18,295	18,052
5.8%	5.7%	5.0%	4.4%	4.7%	4.4%	3.8%	4.0%
24.4%	21.8%	21.7%	20.0%	22.1%	21.9%	19.7%	23.0%
$ 1.04	$ .91	$ .79	$ .64	$ .61	$ .52	$ .41	$ .40
.26	.22	.18	.15	.13	.11	.10	.08
3.99	4.51	3.92	3.40	2.96	2.56	2.23	1.93
$367,608	$340,479	$321,618	$319,367	$302,806	$ 261,103	$232,974	$236,099
87,887	85,741	57,500	58,066	56,199	63,519	60,694	57,148
107,956	103,916	101,005	98,818	106,621	82,687	73,652	74,748
35,343	7,890	10,684	30,697	49,456	40,201	42,412	58,561
176,712	198,826	169,377	147,896	128,707	112,698	99,895	85,807
$ 31,817	$ 17,213	$ 19,581	$ 8,843	$ 13,171	$ 8,701	$ 9,390	$ 10,032
19,134	20,648	19,793	18,896	15,119	13,975	12,759	11,687
27,430	24,955	24,802	23,226	20,350	18,037	17,190	17,062
$ 11,252	$ 9,471	$ 7,843	$ 6,519	$ 5,651	$ 4,899	$ 4,472	$ 3,559
44,326	44,062	43,946	43,724	43,708	44,660	44,976	44,980
1,902	1,866	1,863	1,857	1,863	1,864	1,922	1,869
2,585	2,577	2,482	2,530	2,502	2,593	2,505	2,687
$ 22.88	$ 20.75	$ 18.19	$ 11.72	$ 10.00	$ 7.97	$ 7.75	$ 10.13
16.38	15.19	11.28	7.63	7.35	5.66	5.29	4.91

Stock Information and Dividends

Stock traded on the New York Stock Exchange

	For the Fiscal Year	1997	1996
Market price/high – low:	First quarter	$29.13 – $24.00	$22.38 – $19.13
	Second quarter	29.88 – 27.00	24.13 – 21.44
	Third quarter	32.94 – 27.88	24.32 – 21.69
	Fourth quarter	32.13 – 29.50	25.50 – 21.25
Per share dividends:	First quarter	$.09	$.0825
	Second quarter	.09	.0825
	Third quarter	.09	.0825
	Fourth quarter	.09	.0825
		$.36	$ .33

Overview. In 1997 the Company completed nine acquisitions including the second phase of its acquisition of TOTAL SA's Coates Coatings (Coates) operations. The second phase included the packaging coatings and metal decorating inks businesses in Hong Kong and China. The acquisition agreement calls for the purchase of certain other Coates operations in subsequent phases. Total consideration paid for the nine acquisitions in 1997 was $40.6 million in cash and the exchange of the Company's maintenance business.

In 1996, the Company completed the first phase of its acquisition of the Coates operations for $47.3 million in cash. The first phase included the Coates European operations, which consist of packaging coatings and metal decorating inks businesses in the United Kingdom, France, Norway, Germany and Spain. Also included were the Coates Australian and United States operations which were combined with the Company's existing businesses in these countries.

These acquisitions were accounted for as purchases. See Note 2 to the Consolidated Financial Statements.

The following discussion of operations is impacted by the combined effect of the transactions discussed above.

Operations 1997 vs. 1996. Net sales increased 18.3% to $1,017,271,000 in 1997 from $859,799,000 in 1996. 1997 was a 53-week fiscal year. Excluding the results of acquisitions, divestitures and the additional accounting week, net sales increased 10.0%. This increase was primarily driven by volume growth in all business groups.

The gross profit margin increased to 31.3% in 1997 from 30.8% in 1996. The increase was driven by improved efficiencies within our plants, savings generated by the efforts of cross-functional cost reduction teams and lower raw material costs in the first half of the year. The Company expects raw material costs to increase modestly over the first several months of fiscal 1998.

Operating expenses (research and development, selling, and administrative) increased 21.8% to $206,834,000 (20.3% of net sales) in 1997 compared with $169,873,000 (19.8% of net sales) in 1996. Excluding the results of acquisitions, divestitures and the additional accounting week, operating expenses increased 14.6%. The increase was primarily attributable to a higher level of promotional and advertising programs in the Consumer Group, sales and marketing cost increases in all businesses, and higher costs to support the upgrade of the Company's information systems.

Other income, net of expense, increased to $2,508,000 in 1997 from $1,081,000 in 1996. The increase was the result of improved financial performance by the Company's joint ventures in 1997, realized gains on marketable securities, partially offset by the writedown of certain equipment no longer in use in 1997.

Interest expense increased to $5,294,000 in 1997 from $3,029,000 in 1996 reflecting an increase in debt levels during the year.

In 1997, net income increased 17.9% to $65,877,000, or $1.49 per share, representing the 23rd consecutive year of increased earnings. The growth in sales and improved gross margin offset the impact of increased operating expenses during 1997.

Operations 1996 vs. 1995. Net sales increased 8.8% to $859,799,000 in 1996 from $790,175,000 in 1995. Excluding the results of the acquired Coates operations, net sales increased 5.2%. The increase was primarily driven by volume increases in the Consumer Group, a shift in product mix in the Industrial Group and increased volume in certain business lines within the Special Products Group. The increase was partially offset by lower unit sales within the Packaging Group, excluding Coates. The gross profit margin increased to 30.8% in 1996 from 29.0% in 1995. The increase was primarily the result of a modest decline in raw material costs, improved material handling efficiencies within our plants, and savings generated by the efforts of cross-functional cost reduction teams.

Operating expenses (research and development, selling, and administrative) increased 16.1% to $169,873,000 (19.8% of net sales) in 1996 compared with $146,344,000 (18.5% of net sales) in 1995. Excluding the results of Coates, operating expenses increased 10.9%. The increase was primarily attributable to a higher level of promotional and advertising programs in the Consumer Group, costs related to global expansion efforts, and continuing investment in our information systems.

Other income, net of expense, increased 41.7% to $1,081,000 in 1996. The increase was the result of improved financial performance by the Company's joint ventures.

Interest expense decreased 28.2% to $3,029,000 in 1996 reflecting a decline in average levels of debt during the year. Additionally, 1995 interest expense included interest paid on an income tax assessment.

In 1996, net income increased 17.6% to $55,893,000, or $1.26 per share. Higher sales coupled with an improved gross margin due to a modest decline in raw material costs, improved material handling efficiencies, and cost reduction efforts offset the impact of increased operating expenses during 1996.

Financial Condition. Cash provided by operating activities was $53,129,000 in 1997 compared with $86,642,000 in 1996 and $82,153,000 in 1995. The decrease in 1997 was due to increased working capital requirements driven by the growth in all the businesses. The cash provided by operating activities combined with $60,926,000 in proceeds from bank borrowings were used to support $48,131,000 in capital expenditures, $40,629,000 in net cash payments related to acquisitions, $15,741,000 in dividend payments and $12,495,000 in payments for share repurchases. Cash balances increased $4,001,000 in 1997.

Accounts receivable increased $23,953,000 primarily due to increased sales volume in all businesses, particularly in the last month of the year. Inventories and other assets increased $41,965,000 due to an increase in sales volume and, to a lesser extent, a build up of inventory in anticipation of the systems implementation. Accounts payable and accrued liabilities increased $32,018,000 as a result of the increase in inventories and an increase in various expense accruals.

Capital expenditures for property, plant and equipment were $48,131,000 in 1997 compared with $25,376,000 in 1996 and $38,982,000 in 1995. The increase in capital expenditures in 1997 was primarily the result of the construction of a new research and development laboratory for the Packaging Group, the construction of production facilities in China and Singapore, and continued investment in the upgrade and replacement of existing management information systems. Other capital spending was evenly distributed among the four business groups. The Company anticipates capital spending in fiscal 1998 to be lower than the spending level in 1997.

During 1997, the Company invested $40,629,000 in acquisitions, including the second phase of the Coates acquisition. Cash payments for acquisitions were funded through the Company's operations and available credit facilities.

The Company increased its borrowings with banks by $60,926,000 during 1997. The ratio of total debt to capital increased to 26.8% at the end of 1997 compared to 15.6% in 1996. Average debt outstanding during 1997 was $89,997,000 at a weighted average interest rate of 5.42% versus $46,265,000 at 5.36% last year. At October 31, 1997, the Company had unused lines of credit available from banks of $227,024,000 which is expected to be adequate to cover current and projected financing needs.

Fiscal 1997 Common Stock dividends of $15,741,000 represents an 8.0% increase over 1996. The annual dividend was increased to $0.36 per share from $0.33 per share in 1996 with the payout at 28.2% of the prior year earnings, which is consistent with the Company's target payout rate of 25% to 35%. The Company's debt agreements impose limitations on the amount of dividends that can be paid. These limitations have not affected, nor are they expected to affect, the ability of the Company to pay dividends in the future.

The Company has continuing authorization to purchase shares of its Common Stock for treasury at management's discretion for general corporate purposes. Purchases under this program were 448,000, 335,000 and 210,000 shares in 1997, 1996 and 1995, respectively.

The Company is involved in various claims relating to environmental and waste disposal matters at a number of current and former plant sites. The Company engages or participates in remedial and other environmental compliance activities at certain of these sites. At other sites, the Company has been named as a potentially responsible party (PRP) under federal and state environmental laws for the remediation of hazardous waste. The Company's management reviews each individual site, taking into consideration the number of parties involved at the site, joint and several liability of other PRPs, the level of contribution that may be attributed to the Company relative to the other parties, the nature and magnitude of the wastes involved, the method and extent of remediation, the potential insurance coverage, the estimated legal and consulting expense with respect to each site, and the time period over which any costs would likely be incurred. Based on the above analysis, management estimates, to the extent possible, the restoration or other cleanup costs and related claims for each site. The estimates are based in part on discussions with other PRPs, governmental agencies and engineering firms.

Based on the above considerations, the Company has established reserves for potential environmental liabilities and plans to continue to accrue reserves in appropriate amounts. The reserves are continuously reviewed and adjusted as additional information becomes available and management is able to better estimate the ultimate cleanup costs at individual sites. While uncertainties exist with respect to the amounts and timing of the Company's ultimate environmental liabilities, management believes that such liabilities, individually and in the aggregate, will not have a material adverse effect on the Company's financial condition or results of operations.

Year 2000. The Company has conducted a review of its computer systems to identify the systems that could be affected by the "Year 2000" issue and is developing an implementation plan to resolve the issue. The Company presently believes that, with modifications to existing software and converting to new software, the Year 2000 problem will not pose significant operational problems for the Company's computer systems as so modified and converted.

CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands, except per share amounts)

		October 31, 1997	October 25, 1996
Assets			
Current Assets	Cash and cash equivalents	$ 11,113	$ 7,112
	Accounts and notes receivable, less allowances for doubtful accounts (1997 – $1,364; 1996 – $1,260)	183,593	152,842
	Inventories	119,653	84,186
	Prepaid expenses and other accounts	42,488	31,060
	Total Current Assets	356,847	275,200
Other Assets		72,875	57,421
Property, Plant and Equipment	Land	10,516	8,611
	Buildings	102,448	79,283
	Machinery and equipment	238,883	214,671
		351,847	302,565
	Less accumulated depreciation	166,099	148,746
	Net Property, Plant and Equipment	185,748	153,819
		$615,470	$486,440
Liabilities and Stockholders' Equity			
Current Liabilities	Notes payable to banks	$ 71,720	$ 14,665
	Trade accounts payable	96,676	80,125
	Income taxes	1,083	8,123
	Accrued liabilities	89,660	75,911
	Current portion of long-term debt	281	246
	Total Current Liabilities	259,420	179,070
Long-Term Debt, Less Current Portion		35,844	31,948
Deferred Income Taxes		6,769	6,433
Other Liabilities		18,372	15,286
Stockholders' Equity	Common Stock (par value $.50 per share; shares authorized 120,000,000; shares issued, including shares in treasury, 53,321,312 shares)	26,660	13,330
	Additional paid-in capital	17,758	13,957
	Retained earnings	313,485	276,679
	Other	(1,850)	(593)
		356,053	303,373
	Less cost of Common Stock in treasury (1997 – 9,642,341 shares; 1996 – 9,376,786 shares)	60,988	49,670
	Total Stockholders' Equity	295,065	253,703
		$615,470	$486,440

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

(Dollars in Thousands, except per share amounts)

For the Year Ended	October 31, 1997	October 25, 1996	October 27, 1995
Net Sales	$1,017,271	$859,799	$790,175
Cost and Expenses			
Cost of sales	698,474	594,935	561,170
Research and development	39,099	32,616	27,746
Selling and administrative	167,735	137,257	118,598
Income from Operations	111,963	94,991	82,661
Other (income) expense, net	(2,508)	(1,081)	(763)
Interest expense	5,294	3,029	4,216
Income before Income Taxes	109,177	93,043	79,208
Income taxes	43,300	37,150	31,688
Net Income	$ 65,877	$ 55,893	$ 47,520
Net Income Per Common Share	$ 1.49	$ 1.26	$ 1.08
Weighted Average Number of Shares Outstanding	44,232,548	44,402,624	44,182,822

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Dollars in Thousands, except per share amounts)

	Common Stock		Additional Paid-In	Retained		Treasury
	Shares	Amount	Capital	Earnings	Other	Stock
Balance October 28, 1994	26,660,656	$13,330	$ 6,588	$200,913	$(2,616)	$41,503
Common Stock options exercised for 356,096 shares			637			(884)
Purchase of 226,008 shares of Common Stock for treasury						3,607
Net income				47,520		
Cash dividends on Common Stock – $.30 per share				(13,121)		
Other			3,123	49	(820)	(738)
Balance October 27, 1995	26,660,656	13,330	10,348	235,361	(3,436)	43,488
Common Stock options exercised for 202,148 shares			856			(954)
Purchase of 335,088 shares of Common Stock for treasury						7,582
Net income				55,893		
Cash dividends on Common Stock – $.33 per share				(14,575)		
Other			2,753		2,843	(446)
Balance October 25, 1996	26,660,656	13,330	13,957	276,679	(593)	49,670
Common Stock options exercised for 94,885 shares			663			(545)
Purchase of 470,698 shares of Common Stock for treasury						12,495
Stock Split	26,660,656	13,330		(13,330)		
Net income				65,877		
Cash dividends on Common Stock – $.36 per share				(15,741)		
Other			3,138		(1,257)	(632)
Balance October 31, 1997	53,321,312	$26,660	$17,758	$313,485	$(1,850)	$60,988

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in Thousands)

	For the Year Ended	October 31, 1997	October 25, 1996	October 27, 1995
Operating Activities	Net income	$65,877	$55,893	$47,520
	Adjustments to reconcile net income to net cash provided by operating activities:			
	Depreciation and amortization	25,771	22,262	20,318
	Deferred income taxes	1,669	(3,352)	(220)
	Loss on property, plant and equipment disposals	1,486	1,587	396
	(Decrease) increase in cash due to changes in net operating assets, net of effects of acquired businesses:			
	Accounts and notes receivable	(23,953)	(3,257)	(17,062)
	Inventories and other assets	(41,965)	(1,698)	6,600
	Trade accounts payable and accrued liabilities	32,018	14,039	22,052
	Income taxes payable	(6,341)	21	1,814
	Other deferred liabilities	790	1,464	255
	Other	(2,223)	(317)	480
	Net Cash Provided by Operating Activities	53,129	86,642	82,153
Investing Activities	Purchases of property, plant and equipment	(48,131)	(25,376)	(38,982)
	Acquired businesses/assets, net of cash	(40,629)	(51,698)	–
	Other investments/advances to joint ventures	5,734	(5,178)	(1,050)
	Net Cash Used in Investing Activities	(83,026)	(82,252)	(40,032)
Financing Activities	Net proceeds from (payments on) borrowings	60,926	18,194	(23,488)
	Proceeds from sale of treasury stock	1,208	1,810	1,521
	Purchase of shares of Common Stock for treasury	(12,495)	(7,582)	(3,607)
	Dividends paid	(15,741)	(14,575)	(13,121)
	Other	–	–	(1,131)
	Net Cash Provided by (Used in) Financing Activities	33,898	(2,153)	(39,826)
	Increase in Cash and Cash Equivalents	4,001	2,237	2,295
Cash and Cash Equivalents at Beginning of Year		7,112	4,875	2,580
Cash and Cash Equivalents at End of Year		$11,113	$ 7,112	$ 4,875

See Notes to Consolidated Financial Statements.

Note 1 – Summary of Significant Accounting Policies

Description of Business: The Company operates in one business segment, the manufacture and distribution of paint and coatings through its Consumer Coatings, Packaging Coatings, Industrial Coatings and Special Products Groups. The Company's products are sold in the United States, Western Europe, Canada, Australia, Singapore, China, Hong Kong, South America, and Mexico.

Fiscal Year: The Company has a 4-4-5 accounting cycle with the fiscal year ending on the Friday on or immediately preceding October 31. Fiscal year 1997 included 53 weeks. All other years presented include 52 weeks.

Principles of Consolidation: The consolidated financial statements include the accounts of the parent company and its subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation. Investments in companies owned 20 to 50 percent where the Company does not have management control are accounted for using the equity method.

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires the Company to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash Equivalents: The Company considers all highly liquid instruments purchased with an original maturity of less than three months to be cash equivalents.

Inventories: Inventories are stated at the lower of cost or market. The Company's domestic coatings inventories are recorded on the last-in, first-out (LIFO) method. The remaining inventories are recorded using the first-in, first-out (FIFO) method.

Property, Plant and Equipment: Property, plant and equipment are recorded at cost. Provision for depreciation of property is made by charges to operations at rates calculated to amortize the cost of the property over its useful life (twenty years for buildings; three to ten years for machinery and equipment) primarily using accelerated methods for assets acquired prior to fiscal year 1994. All assets acquired in fiscal years 1994 through 1997 are depreciated using the straight-line method. The result of this change on the financial statements was not material.

Stock Options: In 1997, the Company adopted Statement of Financial Accounting Standards No. 123 (SFAS 123), "Accounting for Stock-Based Compensation." As permitted under this standard, the Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting For Stock Issued to Employees" in accounting for its stock options and other stock-based employee awards. Pro forma information regarding net income and earnings per share as calculated under the provisions of SFAS 123, is disclosed in Note 7.

Long-Lived Assets: Impairment losses are recorded on long-lived assets when indicators of impairment are present and the undiscounted cash flows estimated to be generated by the assets are less than the carrying amount of such assets.

Foreign Currency: Foreign currency assets and liabilities are translated into U.S. dollars using the exchange rates in effect at the balance sheet date. Results of operations are translated using the average exchange rates throughout the period. The effect of exchange rate fluctuations on translation of assets and liabilities is recorded as a component of stockholders' equity.

Net Income Per Share: Net income per share is based on the weighted average number of common shares outstanding during each year adjusted for the dilutive effect of common stock equivalents. In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings per Share," which is required to be adopted for the quarter ended January 1998. Under the new requirements for calculating basic earnings per share, the dilutive effect of stock options will be excluded. The dilutive effect of options will be included in a diluted earnings per share computation required by the Statement. The adoption of this standard will not have a material effect on reported earnings per share.

Financial Instruments: All financial instruments are held for purposes other than trading. The estimated fair values of the Company's financial instruments approximate their carrying amounts in the consolidated balance sheet at October 31, 1997.

Stock Split: The Company's Board of Directors declared a 2-for-1 stock split, effected in the form of a 100% stock dividend, for stockholders of record on March 7, 1997. Information regarding shares outstanding, earnings per share, dividends per share and common stock options has been restated to give retroactive effect to the stock split.

Note 2 – Acquisitions

In 1997, the Company completed nine acquisitions, including the second phase of its acquisition of TOTAL SA's Coates Coatings (Coates) operations. The second phase included the packaging coatings, and metal decorating inks businesses in Hong Kong and China. The acquisition agreement calls for the purchase of certain other Coates operations in subsequent phases. Total consideration paid for the nine acquisitions in 1997 was $40.6 million in cash and the exchange of the Company's maintenance business.

In 1996, the Company completed the first phase of its acquisition of the Coates operations for $47.3 million in cash. The first phase included the Coates European businesses, which consist of packaging coatings and metal decorating inks businesses in the United Kingdom, France, Norway, Germany and Spain. Also included were the Coates Australian and United States operations which were combined with the Company's existing businesses in these countries.

These acquisitions have been accounted for as purchases. Accordingly, the results of operations of the acquired businesses have been included in the Company's consolidated results of operations from the date of acquisition. The impact of these transactions on the results of operations for 1996 or 1997 was not material. The excess of the purchase price over the estimated fair value of the net assets acquired has been recorded as goodwill and is being amortized over the estimated period of benefit.

On March 24, 1995, the Company acquired all of the common stock of Sunbelt Coatings, Inc., in exchange for 678,910 shares of the Company's Common Stock. The transaction has been accounted for as a pooling of interests, and, accordingly, the consolidated financial statements for all periods presented have been restated to include Sunbelt. The effect of this acquisition on the Company's financial statements was not significant.

Note 3 – Inventories

The major classes of inventories consist of the following:

	1997	1996
Manufactured products	$ 81,720	$58,591
Raw materials, supplies and work-in-process	37,933	25,595
	$119,653	$84,186

Inventories stated at cost determined by the last-in, first-out (LIFO) method aggregate $102,185 at October 31, 1997 and $69,988 at October 25, 1996, approximately $28,677 and $26,591 lower, respectively, than such costs determined under the first-in, first-out (FIFO) method.

Note 4 – Trade Accounts Payable and Accrued Liabilities

Trade accounts payable include $19,120 and $12,290 of issued checks which had not cleared the Company's bank accounts as of October 31, 1997 and October 25, 1996, respectively.

Accrued liabilities include the following:

	1997	1996
Employee compensation	$35,661	$30,587
Customer volume rebates	8,914	8,580
Contribution to employees' retirement trusts	6,029	5,311
Other	39,056	31,433
	$89,660	$75,911

Note 5 – Long-Term Debt and Credit Arrangements

Long-term debt consists of the following:

	1997	1996
Notes to banks (3.53%-11.50% at October 31, 1997)	$21,293	$17,116
Industrial development bonds (3.70-3.75% at October 31, 1997, payable in 2015)	12,500	12,500
Obligations under capital lease (7.48% at October 31, 1997, payable through 2004)	2,332	2,578
	36,125	32,194
Less current maturities	(281)	(246)
	$35,844	$31,948

The notes to banks totaling $21,293 at October 31, 1997 and $17,116 at October 25, 1996 have been classified as long-term reflecting the Company's ability to refinance these amounts on a long-term basis. The maturities of the remaining long-term debt are as follows: 1998 – $281; 1999 – $285; 2000 – $306; 2001 – $330; 2002 – $355, and $13,275 thereafter.

The Company has a $150,000 committed revolving credit loan with a syndicate of banks at optional interest rates of prime, LIBOR-based or CD-based rates. The revolving credit loan facility matures in 2000. The revolving credit loan agreement contains covenants which require the Company to maintain certain financial ratios. The Company is in compliance with these covenants as of October 31, 1997.

Under other short-term bank lines of credit, the Company may borrow up to $160,286 on such terms as the Company and the banks may mutually agree. These arrangements are reviewed periodically for renewal and modification. Borrowings under these short-term notes had an average annual rate of 5.76% in fiscal 1997 and 5.89% in fiscal 1996.

The Company had unused lines of credit under the short-term bank lines and revolving credit facility of $227,024 at October 31, 1997.

Interest paid during 1997, 1996 and 1995 was $4,878, $2,608 and $3,783, respectively.

Note 6 – Income Taxes

Significant components of the provision for income taxes are as follows:

Year Ended	1997	1996	1995
Current			
Federal	$34,636	$32,368	$26,009
State	5,703	6,798	5,681
Foreign	1,437	1,336	218
Total Current	41,776	40,502	31,908
Deferred			
Federal	1,542	(2,279)	(93)
State	497	(435)	(9)
Foreign	(515)	(638)	(118)
Total Deferred	1,524	(3,352)	(220)
Total Income Taxes	$43,300	$37,150	$31,688

Significant components of the Company's deferred tax assets and liabilities are as follows:

	1997	1996
Deferred tax assets:		
Product liability accruals	$ 2,063	$ 2,141
Insurance reserves	2,690	2,843
Deferred compensation	4,175	2,686
Workers' compensation reserves	2,606	3,879
Employee compensation reserves	2,970	3,180
Other	14,018	11,354
Total deferred tax assets	28,522	26,083
Deferred tax liabilities:		
Tax over book depreciation	(13,887)	(11,010)
Other	(6,476)	(6,078)
Total deferred tax liabilities	(20,363)	(17,088)
Net deferred tax assets	$ 8,159	$ 8,995

The reconciliation of income tax expense computed at the US federal statutory tax rates to recorded income tax expense is as follows:

	1997	1996	1995
Tax at US statutory rates	35.0%	35.0%	35.0%
State income taxes, net of Federal benefit	3.7%	4.5%	4.7%
Other	1.0%	0.4%	0.3%
	39.7%	39.9%	40.0%

Income taxes paid during 1997, 1996 and 1995 were $46,094, $39,748 and $29,989, respectively.

Note 7 – Stock Plans

Stock Options: Under the 1991 Stock Option Plan, options for the purchase of up to 4,000,000 shares of common stock may be granted to officers and key employees. Options are issued at market value at the date of grant and are exercisable in full or in part at that time.

In 1997, the Company adopted Statement of Financial Accounting Standards No. 123 (SFAS 123), "Accounting for Stock-Based Compensation." As permitted by SFAS 123, the Company has elected to continue following the guidance of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" for measurement and recognition of stock-based transactions with employees. Accordingly, no compensation expense has been recorded for options granted under the stock option plan. Had compensation expense for the stock option plan been determined based on the fair value at the date of grant for awards in 1997 and 1996, consistent with the provisions of SFAS 123, the Company's net income and earnings per share would have been reported as follows:

	1997	1996
Net income –		
As reported	$65,877	$55,893
Pro forma	65,486	55,710
Earnings per share –		
As reported	$ 1.49	$ 1.26
Pro forma	1.48	1.26

The pro forma effect on net income and earnings per share is not representative of the pro forma net income in future years because it does not take into consideration pro forma compensation expense related to grants made prior to 1996.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	1997	1996
Expected dividend yield	1.5%	1.5%
Expected stock price volatility	21.2%	21.2%
Risk-free interest rate	5.15%	5.9%
Expected life of options	6 years	6 years

The weighted average fair value for options granted during 1997 and 1996 is $7.63 and $6.06 per share, respectively.

Stock option activity for the three years ended October 31, 1997 is summarized as follows:

	Shares Reserved	Options Outstanding	Weighted Average Exercise Price
October 28, 1994			
Balance	1,084,002	856,650	$12.36
Granted	(352,590)	352,590	17.28
Exercised		(190,024)	9.29
Canceled	25,178	(25,178)	13.86
October 27, 1995			
Balance	756,590	994,038	14.41
Granted	(358,650)	358,650	20.72
Exercised		(202,148)	8.96
Canceled	12,264	(12,264)	16.76
October 25, 1996			
Balance	410,204	1,138,276	17.34
Cancelled	(105,154)		
Reserved	1,000,000		
Granted	(249,600)	249,600	28.32
Exercised		(94,885)	12.73
Canceled	11,280	(11,280)	20.37
October 31, 1997			
Balance	1,066,730	1,281,711	$19.79

Options outstanding at October 31, 1997 had an average remaining contractual life of 7.5 years. Options exercisable of 465,000 at October 31, 1997 had a weighted average exercise price of $16.83.

Employee Stock Ownership Plans: Under the Company's Employee Stock Ownership Plans, substantially all of the Company's domestic employees are eligible to participate and may contribute 1% to 6% of their compensation to the Plans. The Company contributes an amount equal to one-half of the employee contributions. The Company's contributions were $2,615, $2,231, and $2,145 for 1997, 1996, and 1995, respectively.

Key Employee Bonus Plan: In 1993 the Company established a Key Employee Bonus Plan for certain employees. Under the Plan, participants can elect to convert all or any portion of the cash bonus awarded under certain incentive bonus plans into a grant of restricted stock receivable three years from the date of grant.

Note 8 – Retirement Plans

The Company sponsors a Profit Sharing Plan for substantially all of its domestic employees. Under the Plan, the Company makes a contribution based on return on assets as defined in the Plan up to a maximum of 10% of the aggregate compensation of eligible participants. Contributions to the Profit Sharing Plan totaled $8,603, $7,583, and $7,552 for 1997, 1996, and 1995, respectively.

The Company also sponsors a number of defined benefit pension plans for certain hourly and foreign employees. The benefits for these plans are generally based on stated amounts for each year of service. The Company funds the plans in amounts consistent with the limits of allowable tax deductions.

The components of net periodic pension cost for the defined benefit pension plans were as follows:

Year-Ended	1997	1996	1995
Service cost of benefits earned during the period	$ 913	$ 761	$ 428
Interest cost on projected benefit obligation	1,855	1,564	1,209
Return on assets	(2,422)	(1,993)	(4,540)
Net amortization and deferral	127	128	3,420
	$ 473	$ 460	$ 517

The funded status of the plans was as follows:

	1997	1996
Projected benefit obligation	$(27,517)	$(24,905)
Plan assets at fair value	35,722	29,903
Funded status	8,205	4,998
Unrecognized net transition asset	(1,096)	(1,000)
Unrecognized prior service cost	2,771	2,287
Unrecognized net gains	(7,536)	(3,732)
Net prepaid pension cost	$ 2,344	$ 2,553

The actuarial assumptions were as follows:

	1997	1996
Discount rate	7.5% - 8.0%	7.0% - 8.5%
Expected long-term return on assets	8.0% - 8.5%	8.0% - 9.5%
Average increase in compensation	5.0%-6.0%	6.0%

Note 9 – Benefits Other Than Pensions

In addition to the Company's defined benefit pension plans, the Company sponsors a health care plan that provides postretirement medical benefits for some of its employees. The Company's policy is to fund these benefits as they are paid.

The Company's accrued postretirement benefit liability recognized in the Company's balance sheet was $1,616 and $1,626 at October 31, 1997 and October 25, 1996, respectively. Net periodic postretirement expense was $98, $125, and $142 in 1997, 1996 and 1995, respectively.

The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 7.5% at October 31, 1997 and October 25, 1996. The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation was 8.5% in 1997, then declining by 0.5% per year to an ultimate rate of 5.5%. A 1% change in the cost trend rate would not have a material effect on the accumulated postretirment benefit obligation or net periodic postretirement expense.

Note 10 – Quarterly Results of Operations (Unaudited)

The following is a tabulation of the unaudited quarterly results for the years ended October 31, 1997 and October 25, 1996:

	Net Sales	Gross Margin	Net Income	Net Income Per Share
1997 Quarter Ended:				
January 24	$ 189,288	$ 53,438	$ 7,928	$ .18
April 25	252,768	82,809	17,103	.39
July 25	282,655	88,655	20,668	.47
October 31	292,560	93,895	20,178	.46
	$1,017,271	$318,797	$65,877	$1.49
1996 Quarter Ended:				
January 26	$165,304	$ 44,853	$ 6,232	$ .14
April 26	208,459	64,587	14,137	.32
July 26	247,481	75,965	18,194	.41
October 25	238,555	79,459	17,330	.39
	$859,799	$264,864	$55,893	$1.26

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

Board of Directors and Stockholders
The Valspar Corporation

We have audited the accompanying consolidated balance sheets of The Valspar Corporation and subsidiaries as of October 31, 1997 and October 25, 1996 and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended October 31, 1997. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Valspar Corporation and subsidiaries at October 31, 1997 and October 25, 1996 and the consolidated results of their operations and their cash flows for each of the three years in the period ended October 31, 1997, in conformity with generally accepted accounting principles.

Ernst + Young LLP

Minneapolis, Minnesota
November 19, 1997

REPORT OF MANAGEMENT

Board of Directors and Stockholders
The Valspar Corporation

The management of The Valspar Corporation is responsible for the integrity and objectivity of the financial statements and related information presented in this report. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles. Where necessary, they reflect estimates based on management's judgment.

Management relies upon established accounting procedures and related systems of internal control for meeting its responsibilities to maintain reliable financial records. These systems are designed to provide reasonable assurance that assets are safeguarded and that transactions are recorded and executed in accordance with management's intentions. This system is supported by written policies and procedures, an effective internal audit function, and qualified financial staff.

The Audit Committee of the Board of Directors, composed of outside directors, meets regularly with management, the Company's internal auditors, and its independent auditors to discuss the adequacy and effectiveness of audit functions, control systems and the quality of financial accounting and reporting. The independent and internal auditors have access to the Audit Committee without management's presence.

Richard M. Rompala
President and Chief Executive Officer

Paul C. Reyelts
Vice President-Finance

CORPORATE DATA

Directors

Susan S. Boren
President
Trillium Advisors, Inc.

Jeffrey H. Curler
President
Bemis Company, Inc.

Thomas R. McBurney
President
McBurney Management Advisors

Kendrick B. Melrose
Chairman and Chief Executive Officer
The Toro Company

Gregory R. Palen
Chairman and Chief Executive Officer
Spectro Alloys Corporation

Lawrence Perlman
Chairman, President and Chief Executive Officer
Ceridian Corporation

Edward B. Pollak
Vice President – Asia Pacific
Witco Corporation

Richard M. Rompala
President and Chief Executive Officer

Michael P. Sullivan
President and Chief Executive Officer
International Dairy Queen, Inc.

C. Angus Wurtele
Chairman of the Board

Officers

C. Angus Wurtele
Chairman of the Board

Richard M. Rompala
President and Chief Executive Officer

Kenneth H. Arthur
Vice President – Consumer Sales

John M. Ballbach
President – Valspar Coates Europe and Middle East

Larry B. Brandenburger
Vice President – Research and Development

Stephen M. Briggs
Vice President – Consumer Coatings Group

Rolf Engh
Vice President – International and Secretary

Steven L. Erdahl
Vice President – Industrial Coatings Group

Gary E. Gardner
Vice President – Human Resources and Public Affairs

Joel C. Hart
Vice President – Automotive Refinish

Steven C. Lindberg
Vice President – Engineered Polymer Solutions

William L. Mansfield
Vice President – Packaging Coatings Group

Kathleen P. Pepski
Vice President and Controller

Paul C. Reyelts
Vice President – Finance

Robert T. Smith
Vice President – Marine and Federal

Timothy M. Wesolowski
Vice President and Treasurer

Thomas A. White
Vice President – Manufacturing

Thomas L. Wood
Vice President – Purchasing and Logistics

Manufacturing Plants

1004 West 10th Street
Azusa, CA 91702
818-334-8251

725 Kimberly Dr.
Carol Stream, IL 60188
708-653-1756

2841 South Ashland
Chicago, IL 60608
312-650-9441

9308 Industrial Drive
Covington, GA 30209-2619
404-787-0031

202 Jacobs Avenue
Fort Wayne, IN 46808
219-484-9011

701 Shiloh Road
Garland, TX 75042
214-276-5181

2350 114th Street
Grand Prairie, TX 75050
972-647-9049

1647 English Road
High Point, NC 27262
919-887-4600

95 Quaker Oats Drive
Jackson, TN 38301
901-424-9200

901 N. Greenwood Avenue
Kankakee, IL 60901
815-933-5561

1630 W. Hill Street
Louisville, KY 40210
602-774-4411

5501 E. Slauson Avenue
Los Angeles, CA 90040
213-726-7272

1400 North State Street
Marengo, IL 60152
815-568-3020

210 Crosby Street
Picayune, MS 39466
601-798-4731

2000 Westhall Street
Pittsburgh, PA 15233
412-766-9300

372 Cleveland Street
Rochester, PA 15074
412-774-8550

1215 Nelson Boulevard
Rockford, IL 61104
815-987-3700

1931 Salisbury Road
Statesville, NC 28677
704-881-0704

6110 Gunn Highway
Tampa, FL 33625
813-961-1234

1191 S. Wheeling Road
Wheeling, IL 60090
708-541-9000

Valspar Inc.
645 Coronation Drive
West Hill, Ontario
Canada M1E2K4
416-284-1681

International Manufacturing Plants

Waterloo Works
Machen – Newport
Gwent NP18YN, UK
44 1633 440356

25 Boulevard du Marchai
A-Juin
Boîte Postale 1208
F-44022 Nantes Cedex 01
France
332 40959898

Feldheider Strasse 64
D-40699 Erkrath
Germany
49 2104 9381 13

Strand Vaean 6
3050 Mjondalen
Norway
47 32876790

Baoyuan 2nd Industrial District
Xixiang, Baoan, Shenzhen,
P.R. China
867557909777

67 Tuas Avenue 1
Singapore 639509
658632883

Corporate Headquarters

1101 Third Street South
Minneapolis, MN 55415
612-332-7371
Fax: 612-375-7723

Registrar & Transfer Agent

ChaseMellon Shareholder Services
P.O. Box 590
Ridgefield Park, NJ 07660
800-851-9677

Annual Meeting

The Annual Meeting of Stockholders is scheduled to be held in Minneapolis, Minnesota. The Meeting will be at 11:00 A.M. on Wednesday, February 25, 1998 at the Corporation's Research Center, 312 South 11th Avenue.

Form 10-K

A copy of the Corporation's annual report to the Securities and Exchange Commission (Form 10-K) will be sent to any stockholder upon written request directed to:

The Valspar Corporation
Corporate Secretary
P.O. Box 1461
Minneapolis, MN 55440

Earnings Announcements

To receive a copy of the Corporation's most recent quarterly earnings announcements call 800-VAL-4929.

Stock Trading

Valspar's common stock is traded on the New York Stock Exchange under the symbol VAL.

Investor Services Program

Several convenient, low-cost services are available through the Investor Services Program of ChaseMellon Shareholder Services to make it easier to invest in the common stock of the Corporation. Call 800-205-8318 for more information.

THE VALSPAR CORPORATION
1101 Third Street South
Minneapolis, Minnesota 55415