

2007 Annual Report

valspar

## Financial highlights

(Dollars in thousands, except per share amounts)

	2007	% Change from 2006	2006	% Change from 2005
Net Sales	\$3,249,287	9.1%	\$2,978,062	9.7%
Income Before Taxes	\$ 259,771	0.9	\$ 257,432	14.0
Net Income	\$ 172,115	(1.8)	\$ 175,252	18.7
Return on Average Shareholders' Equity	13.1%	–	15.2%	–
Diluted Earnings Per Share	\$ 1.50*	(12.3)	\$ 1.71	20.4
Cash Dividends Per Share	\$ 0.52	18.2	\$ 0.44	10.0
Total Assets	\$3,452,281	8.2	\$3,191,535	16.8
Total Debt	\$1,016,509	21.1	\$ 839,430	14.1
Stockholders' Equity	\$1,380,797	11.3	\$1,240,063	16.9
Stockholders' Equity Per Share	\$ 13.72	12.7	\$ 12.17	15.1
Number of Shares Outstanding (Year-End)	100,634,973	(1.2)	101,904,264	1.5

\*In 2007, diluted earnings per share include 18 cents for a non-cash accrual related to Mandatorily Redeemable Stock in connection with the Company's acquisition of the remaining minority interest of Huarun Paints Holding Company Limited. Adjusted net income per common share diluted was \$1.68 for 2007. Please see reconciliation in Management's Discussion and Analysis in Form 10-K for more information.

### Our mission: to be the best

Valspar was founded in 1806, starting as a small manufacturer meeting the needs of local customers in and around Boston, Massachusetts. Over the years, our customer base has grown significantly, and we've expanded globally to meet the needs of increasingly diverse industries and markets.

Today we are a global enterprise with nearly 10,000 employees, and offices in 25 countries. We operate 20 labs in nine countries, manufacture in 17 countries and have sales in more than 80 countries. Building on over 200 years' experience, high ethical

standards and exceptional commercial and technical value, we've become one of the largest global coatings manufacturers.

Our mission is to be the best coatings company in the world – as judged by customers, shareholders, employees, suppliers and the communities in which we operate. We aim to be an industry and technology leader in all of our target markets by consistently delivering outstanding sales and earnings growth and return on investment. We have made steady progress against our goals: Over the past 10 years, Valspar has delivered double-digit compound annual growth in both sales and earnings.



At Valspar, we:

- Grow our business by building premium brands, expanding globally, making strategic acquisitions and generating strong free cash flow.
- Strengthen our business through continuous improvement in our operations, effective cost management and efficient sourcing.
- Secure our future through sound fiscal management and adherence to the highest standards of ethical business practices.



## If it matters, we're on it™

For over 200 years, Valspar's innovative paints and coatings have enhanced landmark buildings and the world's best known brands. From Lindbergh's Spirit of St. Louis to the Hong Kong Convention Center, from a Coca-Cola® can to a Yamaha® grand piano. Since 1806, if it mattered, Valspar was on it.

Now, as then, innovation matters. Safety matters. Every employee matters. Quality matters. Leadership matters. If it matters, we're on it.

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Paul Share, Valspar research scientist



**William L. Mansfield,**  
*Chairman, President and  
Chief Executive Officer,*  
with Huarun employees  
Chen Houwen,  
Xie Canxing,  
Hu Xingjuan and  
Xuan Wenhao.

### To our shareholders:

2007 was a challenging year for Valspar. Difficult market conditions in the U.S. housing sector worsened as the year progressed, restricting our sales growth in housing-related markets. Our businesses in markets outside of the United States, including our recent acquisitions, performed well. Against this backdrop, we grew our share in key markets, expanded our global presence, built brand awareness and increased our dividend to shareholders for the 30<sup>th</sup> consecutive year. Around the world, Valspar employees satisfied customers with innovative products and excellent service. We made solid progress on our long-term growth agenda and strengthened our position as a leader in the global paints and coatings industry.

### 2007 results

During the year we took several significant steps forward:

- We officially launched our campaign to build the Valspar premium paint brand.
- We expanded our global presence in large, high-growth international markets.
- We completed three strategic acquisitions to increase our global strength and accelerate our growth.
- We continued to drive operational excellence across the company through cost control and process improvements.

Net sales increased 9.1 percent to \$3.25 billion. Sales growth was driven by the strong performance of our acquisitions and international operations. International sales rose 34 percent to \$1.2 billion. Sales in our Paints segment increased 10.5 percent, while Coatings segment sales grew 10.0 percent.

Net income totaled \$172.1 million, or adjusted net income per common share-diluted of \$1.68, down from \$175.3 million, or \$1.71 per share, in 2006. The downturn in the U.S. housing market and higher raw material costs had a dampening effect on overall earnings. Operating cash flow of \$190.7 million, combined with \$160.6 million of additional debt, enabled us to fund \$247.9 million in acquisitions and capital investments. The Board of Directors raised the annual dividend by 7.7 percent to \$0.56 a share.

### Growth initiatives

We remain focused on driving our growth initiatives – building premium brands, global expansion and strategic acquisitions.

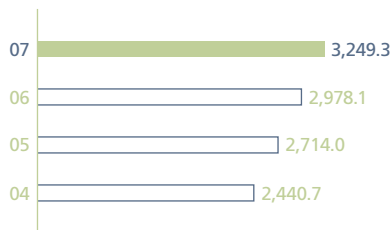
We are investing in the long-term strength of our brands – Valspar and Cabot premium brands and the Huarun brand in China. We successfully transitioned Lowe's premium paint line to the Valspar brand and introduced Cabot stains at stores across the United States. Valspar and Cabot premium paints and stains are also available through our nationwide network of 5,000 independent paint dealers and hardware stores. Results demonstrate a significant increase in both consumer awareness of the Valspar brand and visits to our consumer website, an indication that our brand investment is paying off. These brands, together with the outstanding performance of our Huarun brand in China, contributed to sales growth.

Our worldwide presence is expanding rapidly. We now have manufacturing capability in 17 countries and more than half of our employees work in our international locations. Our global infrastructure is in place and we have great platforms for growth in Asia, Latin America and Europe. Our Huarun

### net sales

(\$ in millions)

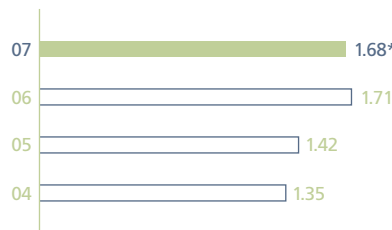
3-year average growth rate of 10.0%



### adjusted net income per common share-diluted

(dollars)

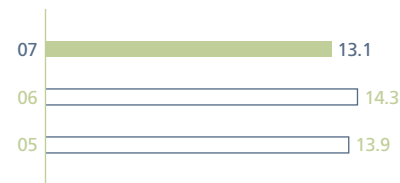
3-year average growth rate of 7.6%



### pre-tax return on capital

(percent)

3-year average return of 13.8%



acquisition is driving our growth in China, where our fastest growing business is consumer paint. We have a strong position in wood coatings for the Chinese domestic and export markets. Huarun's resin manufacturing capabilities are supporting growth in our Coatings segment. We are using Huarun's extensive distribution and retail network to distribute our automotive refinish products in China. In Latin America, our operations are focused on growth opportunities in Brazil and Mexico where we are the market leader in packaging and coil coatings. We are gaining scale in this region and growing rapidly by expanding our product offerings. And we are now a significant market participant in coil in Northern Europe, with a strong platform for growth in the emerging markets of Russia, Central and Eastern Europe and the Baltic States.

During the past year, we invested in three strategic businesses that offer excellent synergies with our existing operations. These investments expand our global presence, improve our share in key markets and will contribute to our projected growth:

- H.B. Fuller's powder coatings business provides us entry into European markets and greater ability to meet the needs of our global industrial coatings customers.
- Tekno in Brazil reinforces the global presence of our packaging and coil businesses and solidifies our ability to supply Latin America customers.
- Teknos Nova Coil in Finland expands our coil coating capabilities in the fast-growing markets of Eastern Europe.

Valspar's competitive advantages in technical service and technology will also contribute to growth, providing excellent opportunities for expansion in our core businesses and in new markets.

### Director changes

In June, Janel S. Haugarth, executive vice president, president and COO, supply chain services, Supervalu Inc., and Stephen D. Newlin, chairman, president

and CEO, PolyOne Corporation, were elected to the Board of Directors. Their valuable experience and insight will be terrific assets.

### Outlook

As we enter 2008, we remain concerned about ongoing weakness in the U.S. housing sector. We have taken aggressive actions to position the company for improved results in 2008 and beyond. We are tightly managing employment levels, expenses and capital spending, and in the fourth quarter of 2007 took steps to reduce inventory and further improve our manufacturing operations. We have a strong global infrastructure, superb long-term customer relationships and growing brand equity. We expect to report improved earnings in 2008. Over the next five years, we expect to generate free cash flow of approximately \$1.5 billion. We'll use this cash for dividends, to fund initiatives like our branding effort, for acquisitions, and for stock repurchases and debt reduction.


I would like to thank Tom McBurney who will be retiring from the Board in February after 20 years of service. During his tenure, Tom served in various leadership positions, including non-executive chairman, lead director and chair of the Governance Committee. His outstanding leadership has contributed significantly to the growth and development of our company.

Finally, thank you to Valspar employees around the world for their dedication and commitment. We have a talented global team working energetically to build a successful future for the company.

**William L. Mansfield**

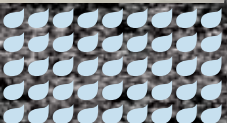
Chairman, President and Chief Executive Officer

\*The Company has reported "Adjusted Net Income per Common Share basic and diluted" for 2007 in this schedule which excludes a non-cash accrual of 18 cents related to Mandatorily Redeemable Stock in connection with the Company's acquisition of the remaining minority interest of Huarun Paints Holding Company Limited. Please see reconciliation in Management's Discussion and Analysis in Form 10-K for more information.



Cabot® brand deck stains are top rated by consumers.

## Building premium brands



### A billion-dollar brand

With our nationwide TV spots and print ads, sponsorship of the U.S. Open and an engaging new consumer website, millions of people took notice of Valspar brand premium paints this year, including homeowners, paint dealers and professional contractors. Our integrated marketing efforts, advertising, innovative consumer website and fresh, appealing in-store displays are effectively building brand awareness across multiple distribution channels – and driving customers to seek out Valspar's premium paints and stains. Valspar successfully launched the Valspar brand program in over 1,450 Lowe's locations. We also sell our brands through a nationwide network of 5,000 independent paint dealers and hardware stores.

With our brand equity investment, we aim to build a \$1 billion business in branded paints over the next five years. Meanwhile, our brand initiative is delivering near-term success. Consumer awareness and visits to our consumer website have increased dramatically, and customer preference for Valspar brand premium paints is growing.

Our branding initiative will drive our growth, elevating our market position and sales. We're using our Valspar brand platform to increase sales in our family of brands, which includes Cabot® stains, Plasti-Kote® spray paint and Quikrete® concrete products. We are also building our brand strength in China, where the Huarun brand is among the top brands in paints and stains. As we introduce new products and line extensions, our branding will accelerate our market presence and penetration and help grow profitable sales.

Quikrete® is a registered trademark of Quikrete International, Inc.



Customers can depend on Valspar's wide-ranging capabilities for all of their global coatings needs.



### Building loyal customers

Steel fabricators and can producers. Appliance makers and furniture designers. Home centers and hardware stores. These and other Valspar customers have one thing in common: high expectations for service and support. With locations in 25 countries, sales in more than 80, and a technical service organization that is among the industry's most comprehensive, Valspar meets the needs of demanding customers across the globe.

For many industrial customers, Valspar's broad technology portfolio positions us as a total-solution provider for all their coatings and related service needs. We help customers reduce complexity and streamline processes across multiple applications at business

locations around the world. It's our way of staying close to customers' changing needs while improving efficiency in sourcing, materials handling and distribution. Valspar adds value at customers' plants, offering the on-site expertise of technical service pros at critical stages in the production process.

In the wood coatings industry, we apply our innovative wood coatings solutions – and our integrated selling process – to help connect high-end furniture designers in North Carolina with our fabrication and finishing customers in China. At Valspar, we strengthen customer ties by helping them meet their business goals.

# Global expansion



## Expanding our worldwide presence

Valspar is expanding its worldwide presence and rapidly growing its business in global markets. Nearly 37 percent of our revenues now come from international sales, and more than half of our employees work in our international locations.

Over the last eleven years, our sales have grown by over \$2 billion, with half coming from international expansion. By increasing our operations in diverse geographies,

economic sectors and market segments, we are working to bring balance to our businesses and consistency to our performance. With manufacturing in 17 countries, Valspar can source, produce and distribute products and service customers around the globe. It's a competitive advantage for global customers who rely on our leading coatings technologies anywhere they do business.



Valspar is a world leader in innovative paint and coating technology, with 20 labs in nine countries.



## Growing in international markets

Our fastest growing markets are in China, Latin America and Eastern Europe, where manufacturing is increasing and personal income is rising. Huarun and our new powder coatings plant in Shanghai are ideal growth platforms to leverage China's strong demand for paints and coatings. In 2007, our revenues from Asia increased by more than 80 percent.

We're gaining scale and presence in Latin America too, where we're the market leader in coatings for packaging and coil markets.

Our recent joint venture with Tekno in Brazil has accelerated our growth and strengthens our ability to supply Latin America customers. In Europe we have a strong position in packaging coatings, and the addition of H.B. Fuller provides additional opportunities for powder coating sales growth. Through our Teknos Nova Coil acquisition in Finland, we're poised for growth in Russia, the Baltic States and emerging markets throughout Central and Eastern Europe.



Nezir Saiti is a production operator in our Grüningen, Switzerland facility, where we produce coatings for food packaging, pharmaceutical and cosmetic containers, and more.

Patty Decker, lab technician, and Sean McKinney, senior chemist, explore new materials and applications that keep Valspar in the forefront of global coatings technology.



## Strategic acquisitions, market leadership

### Growing through strategic acquisitions

Valspar has grown consistently, and at a rate almost three times faster than the global coatings market over the past 10 years. We have a strong track record of making successful acquisitions, with more than 40 transactions in our history. Over the past three years alone, we've invested about half a billion dollars in strategic acquisitions that expand our presence in high-growth economies.

Adhering to our disciplined acquisition strategy, we seek out complementary businesses that support our core capabilities or help

strengthen existing product lines and technologies. After bringing new businesses on board, we rapidly integrate their operations and make the most of synergies between our people, processes, markets and technologies. Our proven integration approach helps new acquisitions contribute quickly to financial results.

To better serve existing markets, carve out new niches and extend our market penetration, Valspar will continue growing through acquisition. We'll go where our customers go and capture opportunity in high-growth international markets.

In our Global Packaging Technical Center, Krystle Eleamos, associate chemist, works in the Collaboratory. This innovative lab facilitates technical collaboration with suppliers and customers for advanced packaging solutions.



### Growing through market leadership

To be the best coatings company in the world, we focus on market leadership. In every geography, every industry and every technology.

We're the number one global supplier of packaging coatings. Our materials are used on many of the 300 billion beverage and food cans that are made each year. We offer the broadest product line and technology portfolio in the industry, from coatings for food cans to aerosol cans, tubes, drums, pails, caps, closures and plastic containers. Valspar is the leading global supplier of wood coatings. In China, one of the world's

fastest-growing markets, Valspar is the leading supplier of coatings to wood furniture manufacturers, and through our network of 600 distributors and 2,000 retail outlets, the number one supplier of wood coatings for the home. We're a global leader in the coil coatings market, where we deliver coatings for metal building components for commercial construction and appliance coatings. In general industrial coatings, we are a leader in the market with one of the broadest technology portfolios.

Our high-quality manufacturing, innovative technologies and technical service support give Valspar a competitive advantage.



With Valspar's new global color documentation system, it's a snap for body shops to precisely match the paint color of virtually any car on the road.



Valspar's global customers benefit from the on-site expertise of field technical service reps like Carlos Concha (left), shown here with Jim Morse, paint supervisor at a Toro manufacturing facility.




### Driving operational excellence

Strong cash flow. Prudent fiscal practices. Continuous operational improvement. Tight control of costs. Hands-on management. At Valspar, these are a few of the ways we work to drive operational excellence and create long-term value. By practicing sound fundamentals, we've earned a reputation for high-quality, low-cost performance.

We strive to be a leader in sales and earnings growth and return on investment. Our seasoned and energetic team focuses intently on execution.

By cultivating a culture of operational excellence and strategic, fact-based decision-making, Valspar intends to continue to deliver a high level of performance and sound returns for our investors.



Valspar coatings protect the windows, curtainwall and louvers at the J. Paul Getty Center, Los Angeles.

# Operational excellence, technical leadership

## Driving innovation

At Valspar, inventive ideas originate from many sources: collaborating with customers on common problems, scientists in our labs, conducting market research and analyzing industry trends. What develops after an initial idea has the potential to greatly benefit an industry – and help sustain our success.

For plastic packaging customers, we created a barrier resin that decreases levels of oxygen and extends a product's shelf life. For beverage bottlers, our materials are key

to a new closure system that eliminates trapped air and maintains product quality. For roofing customers, we developed a new coil coating that reflects sunlight and keeps cooling costs down. The innovations just keep coming, from high-performance materials using nano technology to fire-resistant paints and more. Technology innovations are the fuel for our future.

# The world of Valspar

Valspar's broad array of paint and coating solutions cover the globe. We operate in more than 25 countries and are one of the largest paints and coatings manufacturers in the world. Our business includes two segments: Coatings and Paints. Our Coatings segment is comprised of two product lines: industrial coatings and packaging coatings. Our Paints segment also has two product lines: architectural paints and automotive refinish paints. We also have a number of smaller product lines, which sell resins, colorants, gel coats and furniture protection plans.

## Coatings 57% segment

### Market overview

In the Coatings segment, we sell products for industrial coatings and packaging coatings markets. Our leading technologies and technical service, along with our ability to deliver them to customers anywhere in the world, are our strengths in the Coatings segment. Our industrial coatings product line covers a wide range of applications and diverse end uses, serving home furnishings, building products, and general industrial markets, employing a wide range of technologies and application methods. We're the number one global supplier of packaging coatings used on most of the 300 billion beverage and food cans produced each year.

### Business profile

#### Packaging:

Coatings for the interior and exterior of food and beverage cans, caps and bottle crowns; coatings for plastic cosmetics and decorative glassware; barrier resins for plastic bottles and plastic film packaging.

#### General industrial:

Decorative and protective coatings for metal, plastic and composite materials for a broad range of markets.

#### Coil:

Coatings for appliances, pre-engineered buildings and components, including roofs, column covers, wall panels and similar architectural products.

#### Wood:

Decorative and protective coatings for wood building products, floors, furniture and cabinets.

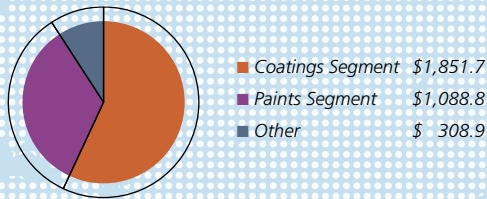
#### Brands:

Valspar®, EzDex®, Duraspar®, Fluropon®, Dynaprime®, Greenbar®, Vectrogard®, WeatherX™, ValOR®, Flurospar®, Lilly®, Huarun®

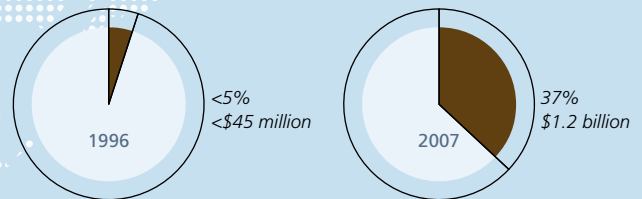
### 2007 highlights:

- Named "Partner-Level Supplier" by Deere & Company, the company's highest level of achievement
- First company awarded Silver Level of Achievement by Rexam, one of the world's leading beverage can makers
- Recognized as "2007 Outstanding Supplier" by the Aluminum Corp. of China (Chalco), China's leading aluminum producer
- New powder coatings plant in Shanghai will meet growing demand in Asian markets
- Expanded global presence and gained market share through three strategic investments:
  - Tekno in Brazil strengthens our coil coatings business in Latin American growth markets
  - Teknos Nova Coil in Finland serves fast-growing markets of Central and Eastern Europe
  - H.B. Fuller powder coatings business establishes immediate presence in Europe

Quikrete® is a registered trademark of Quikrete International, Inc.



2007 total sales: \$3,249.3 million



International sales trend  
(as a percentage of total sales)

# Paints 34% segment

## Market overview

Our Paints segment accounts for approximately one-third of total company sales. We have two product lines in this segment: architectural paints and automotive refinish paints. Our architectural business is primarily focused on North American customers and the emerging paint market in China. Our strong distribution network includes home centers like Lowe's, over 5,000 paint dealers and mass merchants in the United States, and 600 distributors and more than 2,000 retail outlets in China. We supply automotive refinish paints to auto shops and automotive refinish distributors in Europe, North America, Asia and Brazil.

## Business profile

### Architectural:

Broad product line of interior and exterior paints, stains, primers, varnishes, floor paints and specialty decorative products such as enamels, aerosols and faux finishes for professionals and the do-it-yourself market.

### Automotive refinish:

Range of paints and aerosol spray paints used by body shops and automotive refinish distributors, and automotive supply distributors and retailers.

## Brands:

Valspar®, Cabot®, Quikrete®, De Beer®, McCloskey®, Goof Off®, House of Kolor®, Plasti-Kote®, Huarun®, Medallion®, Zenith®, Idol®

## 2007 highlights:

- Launched Valspar branding initiative
- Successfully transitioned Lowe's premium paint line to the Valspar brand
- Significantly increased brand awareness of Valspar's premium paint brands
- Introduced innovative, high-traffic consumer website: [www.valspar.com](http://www.valspar.com)
- Introduced an improved global color documentation system for automotive refinish industry
- Huarun is meeting demand in the fast-growing China market with an extensive network of distributors and retail paint stores throughout China

# Other 9%

## Market overview

We also have some smaller product lines, not included in our segments, that encompass a broad range of complementary or supporting products and services that serve internal needs and provide opportunities for growth. We manufacture specialty polymers, colorants and gel coats for external sale to other coatings and building products manufacturers. We believe our ability to internally supply

a major portion of our resins and colorants is a competitive advantage. We also offer furniture protection plans under the Guardsman® brand in the United States, the United Kingdom and Australia.

## Brand:

Guardsman®

Around the world, Valspar's talented and experienced teams are guided by shared corporate values and a focus on delivering results.



## Asia Pacific

**Robert Yu:** *Technical Director, Huarun Paints Holdings Co., Ltd.*

**Nathan Dai:** *Managing Director, China Metal Business*

**Kerry Zhang:** *Finance Director, Asia Pacific Valspar & Chief Finance Officer, Huarun Paints Holdings Co., Ltd.*

**Robert Lavichant:** *President, Asia Pacific Valspar & Chief Executive Officer, Huarun Paints Holding Co., Ltd.*

**Cordell Dietz:** *Vice President, Asia Metal*

**Justin Jin:** *Commercial General Manager, General Industrial*



## Europe, Middle East, Africa and India

**Keith Hills:** *Director of Manufacturing, Packaging Europe*

**Igor Bariatinsky:** *Technical Manager, 2 Piece and Beverage Coil*

**Tania Garrett:** *HR Director, Europe, Middle East, Africa and India*

**Bern Ouimette:** *President, Europe, Middle East, Africa and India*



## Latin America

**Carlos Pecucci:** *Operations Director, South America*

**Patricia Spina:** *HR Manager, South America*

**Paulo Souza:** *Technical Director, South America*

**J.R. Benites:** *President, Latin America*

**Luiz Torres:** *Sales & Marketing Director, South America*



At Valspar, we strive to live our values every day, improve our environmental performance, maintain a safe, positive culture for our employees and support the communities in which we do business.

### A safe and positive culture

Valspar employees will always be our greatest asset. We support them through companywide training and development programs, by encouraging teamwork and rewarding individual achievement. We work hard to keep them safe, too. Valspar has earned a reputation as one of the safest manufacturers in all of industry. Our goal is to maintain an accident-free workplace.

### Good environmental stewards

Environmental stewardship is a key operating principle at Valspar. We are mindful of how we operate our facilities, working to protect employees, the public and the environment by monitoring our emissions, minimizing waste and promoting recycling.

We also are committed to making environmental improvements to our materials and processes, developing products that minimize environmental impact. We have developed paints and coatings that use water-based formulas instead of solvents, with lower levels of volatile organic compounds (VOCs).





Valspar employees Archie Jackson and Dick Seitz help to brighten up a Los Angeles home.

## Supporting our global culture and values

### Supporting our communities

Valspar is committed to helping sustain the communities in which we live and work. In 2007, Valspar, our employees and the Valspar Foundation contributed nearly \$5 million in cash and in-kind donations to support urban revitalization, social services, education, and science and the arts.

Valspar is a major supporter and the national paint sponsor for Habitat for Humanity International. In 2007, Valspar donated over 168,000 gallons of paint for Habitat projects throughout the United States. Working together with Habitat for Humanity, Valspar created the vision and

is the driving force behind *A Brush with Kindness*, an innovative urban revitalization program initiated in 1997. Today, Valspar and Habitat for Humanity are building the program into a nationwide effort, offering deserving homeowners and neighborhoods across the country much needed assistance with exterior painting, landscaping and minor repairs.

## Eleven-year financial summary

(Dollars in thousands, except per share amounts)

Fiscal Years		2007	2006	2005
<b>Operating Results</b>	Net Sales	<b>\$3,249,287</b>	\$2,978,062	\$2,713,950
	Cost and Expenses			
	Cost of Sales	<b>2,277,490</b>	2,072,157	1,928,352
	Operating Expense	<b>662,224</b>	598,468	514,735
	Restructuring Charge	<b>-</b>	-	-
	Income from Operations	<b>309,573</b>	307,437	270,863
	Other (Income) Expense – Net	<b>(11,860)</b>	3,799	621
	Interest Expense	<b>61,662</b>	46,206	44,522
	Income Before Income Taxes	<b>259,771</b>	257,432	225,720
	Net Income	<b>172,115</b>	175,252	147,618
	Net Income as a Percent of Sales	<b>5.3%</b>	5.9%	5.4%
	Return on Average Equity	<b>13.1%</b>	15.2%	14.3%
	Per Common Share:			
	Net Income – Basic	<b>\$ 1.52**</b>	\$ 1.73	\$ 1.45
	Net Income – Diluted	<b>1.50**</b>	1.71	1.42
	Dividends Paid	<b>0.52</b>	0.44	0.40
Stockholders' Equity	<b>13.72</b>	12.17	10.57	
<b>Financial Position</b>	Total Assets	<b>\$3,452,281</b>	\$3,191,535	\$2,732,383
	Working Capital at Year-End	<b>495</b>	(228,560)	239,573
	Property, Plant and Equipment, Net	<b>514,396</b>	459,605	427,822
	Long-Term Debt, Excluding Current Portion	<b>648,988</b>	350,267	706,415
	Stockholders' Equity	<b>1,380,797</b>	1,240,063	1,061,092
<b>Other Statistics</b>	Property, Plant and Equipment Expenditures	<b>\$ 76,940</b>	\$ 75,417	\$ 62,731
	Depreciation and Amortization Expense	<b>71,811</b>	68,716	68,395
	Research and Development Expense	<b>90,322</b>	82,608	79,286
	Total Cash Dividends	<b>\$ 52,670</b>	\$ 44,655	\$ 40,658
	Average Diluted Common Shares Outstanding (000s)	<b>102,617</b>	102,726	104,150
	Number of Stockholders	<b>1,474</b>	1,532	1,524
	Number of Employees at Year-End	<b>9,946</b>	9,556	7,540
	Market Price Range – Common Stock: High	<b>\$ 29.58</b>	\$ 29.62	\$ 25.52
	Low	<b>24.00</b>	21.54	20.41

Reference is made to the Notes to Consolidated Financial Statements for a summary of accounting policies and additional information.

Per share data has been adjusted to reflect 2 for 1 stock splits effective in September 2005 and March 1997. The number of stockholders is based on recordholders at year-end.

\*Includes impact of pre-tax restructuring and other charges of \$39,300, \$(1,200) and \$8,346 in 2001, 2000 and 1999, respectively.

\*\*In 2007, net income per common share, basic and diluted, include 18 cents for a non-cash accrual related to Mandatorily Redeemable Stock in connection with the Company's acquisition of the remaining minority interest of Huarun Paints Holding Company Limited. Adjusted net income per common share diluted was \$1.68 for 2007. Please see reconciliation in Management's Discussion and Analysis in Form 10-K for more information.

	2004	2003	2002	2001	2000	1999	1998	1997
	\$2,440,692	\$2,247,926	\$2,126,853	\$1,920,970	\$1,483,320	\$1,387,677	\$1,155,134	\$1,017,271
	1,697,176	1,542,144	1,430,184	1,346,934	1,039,267	960,395	803,240	698,474
	473,719	478,279	447,064	391,184	281,318	273,925	230,152	206,834
	-	-	-	21,930	(1,200)	8,346	-	-
	269,797	227,503	249,605	160,922	163,935	145,011	121,742	111,963
	(139)	186	2,346	(2,787)	200	(9,164)	(7,753)	(2,508)
	41,399	45,843	48,711	72,559	21,989	19,089	10,707	5,294
	228,537	181,474	198,548	91,150	141,746	135,086	118,788	109,177
	142,836	112,514	120,121	51,500*	86,466*	82,142*	72,130	65,877
	5.9%	5.0%	5.6%	2.7%*	5.8%*	5.9%*	6.2%	6.5%
	15.3%	14.0%	17.3%	9.4%*	20.8%*	22.4%*	22.7%	24.0%
\$	1.39	\$ 1.12	\$ 1.20	\$ 0.56*	\$ 1.01*	\$ 0.95*	\$ 0.83	\$ 0.76
	1.35	1.08	1.17	0.55*	1.00*	0.94*	0.81	0.74
	0.36	0.30	0.28	0.27	0.26	0.23	0.21	0.18
	9.75	8.57	7.36	6.61	5.15	4.58	3.92	3.38
	\$2,634,258	\$2,496,524	\$2,419,552	\$2,226,070	\$1,125,030	\$1,110,720	\$ 801,680	\$ 615,470
	84,104	207,768	203,057	216,589	199,576	140,216	158,085	97,427
	428,431	414,219	402,475	411,179	298,747	312,133	233,482	185,748
	549,073	749,199	885,819	1,005,731	300,300	298,874	164,768	35,844
	1,000,363	869,317	737,253	654,565	437,571	393,756	340,188	295,065
\$	61,375	\$ 51,042	\$ 44,698	\$ 36,200	\$ 32,425	\$ 31,400	\$ 42,833	\$ 48,131
	60,537	55,622	51,143	73,050	45,238	39,800	30,742	25,771
	75,880	69,667	65,924	58,105	46,353	44,091	39,555	39,099
\$	36,911	\$ 30,247	\$ 27,962	\$ 24,856	\$ 22,185	\$ 19,785	\$ 18,575	\$ 15,741
	105,418	103,848	102,740	93,316	86,392	87,672	88,640	88,466
	1,558	1,614	1,642	1,702	1,728	1,818	1,815	1,830
	7,504	7,013	7,058	6,750	4,685	4,482	3,833	3,205
\$	25.76	\$ 24.25	\$ 25.08	\$ 18.90	\$ 21.66	\$ 19.85	\$ 21.07	\$ 16.47
	22.34	18.80	16.50	12.23	9.88	14.00	12.88	12.00

## Stock information

Stock traded on the New York Stock Exchange

	For the Fiscal Year	2007	2006
Market Price (high/low):	First Quarter	<b>\$29.48 - 26.28</b>	\$27.30 - 21.54
	Second Quarter	<b>\$29.25 - 25.74</b>	\$29.20 - 25.69
	Third Quarter	<b>\$29.58 - 26.88</b>	\$29.62 - 23.83
	Fourth Quarter	<b>\$29.06 - 24.00</b>	\$27.50 - 23.88

## Dividends

	For the Fiscal Year	2007	2006
Per Share Dividends:	First Quarter	<b>\$0.13</b>	\$0.11
	Second Quarter	<b>\$0.13</b>	\$0.11
	Third Quarter	<b>\$0.13</b>	\$0.11
	Fourth Quarter	<b>\$0.13</b>	\$0.11
		<b>\$0.52</b>	\$0.44



Front row: **Charlie Gaillard, Steve Newlin, Dick White, Jeff Curler, Susan Boren**  
 Back row: **Janel Haugarth, Greg Palen, John Bode, Bill Mansfield, Tom McBurney**  
 Not pictured: **Mae Jemison**

## Board of Directors

### **John S. Bode**

*Retired Partner,  
KPMG LLP*

### **Susan S. Boren**

*Partner,  
SpencerStuart*

### **Jeffrey H. Curler**

*Chairman and Chief Executive Officer,  
Bemis Company, Inc.*

### **Charles W. Gaillard**

*Retired President,  
General Mills, Inc.*

### **Janel S. Haugarth**

*Executive Vice President;  
President and Chief Operating Officer,  
Supply Chain Services,  
SUPERVALU INC.*

### **Mae C. Jemison, M.D.**

*President,  
BioSentient Corporation*

### **William L. Mansfield**

*Chairman, President  
and Chief Executive Officer,  
The Valspar Corporation*

### **Thomas R. McBurney**

*President,  
McBurney Management Advisors  
Former Chairman,  
US Foods, Pillsbury Co.*

### **Stephen D. Newlin**

*Chairman, President  
and Chief Executive Officer,  
PolyOne Corporation*

### **Gregory R. Palen**

*Chairman,  
Spectro Alloys Corporation  
Chief Executive Officer,  
Palen/Kimball Company*

### **Richard L. White, Ph.D.**

*Former Executive Vice President,  
Bayer Corporation*

## Corporate information

### Officers

#### **William L. Mansfield**

*Chairman, President  
and Chief Executive Officer*

#### **Kenneth H. Arthur**

*Group Vice President*

#### **Kathleen J. Bass**

*Vice President*

#### **J.R. Benites**

*Vice President*

#### **Anthony Blaine**

*Senior Vice President*

#### **Larry B. Brandenburger**

*Vice President*

#### **Al N. Dunlop**

*Vice President*

#### **Rolf Engh**

*Executive Vice President*

#### **Steven L. Erdahl**

*Executive Vice President*

#### **Brian J. Falline**

*Vice President*

#### **Andrew R. Hecker**

*Vice President*

#### **Gary E. Hendrickson**

*Senior Vice President*

#### **Thomas V. Kelliher**

*Vice President*

#### **Steven C. Lindberg**

*Vice President*

#### **Donald A. Nolan**

*Senior Vice President*

#### **Bernard J. Ouimette**

*Vice President*

#### **Steven D. Person**

*Vice President*

#### **Paul C. Reyelts**

*Executive Vice President  
and Chief Financial Officer*

#### **Lori A. Walker**

*Vice President*

### Certifications

As required under section 302 of the Sarbanes-Oxley Act of 2002, Valspar's CEO and CFO have certified certain matters relating to the Company's financial statements, disclosure controls and internal controls. These certifications are filed as Exhibits 31.1, 31.2 and 32.1 to the Company's Annual Report on Form 10-K dated October 26, 2007.

Also, the New York Stock Exchange (NYSE) requires the CEO of a listed company to certify annually that he or she is not aware of any violation of the NYSE corporate governance listing standards. The Company has filed its annual certification for 2007 with the NYSE.

### Valspar corporate headquarters

1101 Third Street South  
Minneapolis, MN 55415  
T +1 612 332 7371  
F +1 612 375 7723  
[www.valsparglobal.com](http://www.valsparglobal.com)

#### **Mailing address**

P.O. Box 1461  
Minneapolis, MN 55440

### Registrar and transfer agent

Mellon Investor Services LLC  
480 Washington Boulevard  
Jersey City, NJ 07310  
T +1 800 205 8318  
[www.melloninvestor.com](http://www.melloninvestor.com)

### Annual meeting

Wednesday, February 27, 2008  
11:00 AM CST  
Guthrie Theater  
818 South 2nd Street  
Minneapolis, MN 55415

### Corporate reports, earnings, announcements and news releases

Stockholders seeking information about Valspar are invited to call or write to the Corporate Secretary at Corporate Headquarters. Quarterly earnings releases, stock split history and other company announcements are published on Valspar's corporate website at [www.valsparglobal.com](http://www.valsparglobal.com).

### Stock trading

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

### Investor services program dividend reinvestment plan

Investor Services Program  
Mellon Investor Services LLC  
Call 866-353-7849 for information, or visit [www.melloninvestor.com](http://www.melloninvestor.com).

valspar

The Valspar Corporation  
1101 Third Street South  
Minneapolis, MN 55415

[www.valsparglobal.com](http://www.valsparglobal.com)