10 YEAR REVIEW

1981 Financial Highlights

	1981	1980	% Change
Net revenues	**$273,632,000**	$256,559,000	6.7
Net income	**$20,208,000**	$18,510,000	9.2
Fully diluted earnings per share	**$3.00**	$2.55	17.6
Primary earnings per share	**$3.03**	$2.58	17.4
Return on average stockholders' equity	**17.9%**	16.9%	
Cash dividends paid	**$7,428,000**	$6,768,000	9.8
Cash dividends paid per share	**$1.11**	$0.94	18.1
Stockholders' equity, end of year	**$117,382,000**	$107,185,000	9.5
Stockholders' equity per share, end of year	**$17.63**	$16.06	9.8
Primary shares outstanding, end of year	**6,657,000**	6,674,000	(.3)
Number of stockholders	**6,079**	6,481	
Number of employees	**2,870**	3,219	

Table of Contents

Financial Highlights — Above
President's Letter: To Our Stockholders — 1
A Decade of Growth — 6
Management's Discussion and Analysis of Continuing Operations — 17
Ten-Year Financial Review — 18
Consolidated Balance Sheet — 20
Consolidated Statement of Income — 22
Consolidated Statement of Stockholders' Equity — 23
Consolidated Statement of Changes in Financial Position — 24
Report of Independent Public Accountants — 25
Financial Review — 25
Board of Directors — 36
Corporate Officers — 37
Divisions and Managers — 38
Annual Meeting — 39

Description of the Company

Bliss & Laughlin, a diversified manufacturer and marketer of industrial and commercial products, manages its various geographically dispersed businesses as a portfolio of assets. Financial and operating results are measured against clearly defined corporate goals. Balanced growth develops from internal sources and selected acquisitions.

Major areas of business activity include construction-related products and tools, industrial mail media operations, metal products and cold-finished steel bars.

Bliss & Laughlin Industries Incorporated

Annual Report 1981

10 Years of Progress

"In our 1980 Annual Report I stated that if our assumed economic scenario for 1981 did not materialize as optimistically as expected, your management would apply its best ability, flexibility and aggressiveness to other endeavors in order to produce another year of record earnings.

"It did not materialize—and we did!

"Your Company recorded its tenth consecutive annual record in fully diluted earnings per share, which was within 2 percent of our 1981 goal."

"It is most important to realize that our success could not have been accomplished without a cadre of corporate and divisional management which was spurred by its own desire for excellence."

10 YEAR REVIEW

E. T. Collinsworth, Jr., President & Chief Executive Officer of Bliss & Laughlin Industries.

To Our Stockholders:

A Decade of Consecutive Year-To-Year Records for Net Income Per Share

Ten years ago I had the good fortune of becoming the Chief Executive Officer of your Company and affiliating myself with an able and astute Board of Directors, a management which desired excellence and a loyal, dedicated group of employees. Looking back over this decade, I think that all of us can be justly proud of our accomplishments. The recently concluded year of record earnings suitably capped this period.

In our 1980 Annual Report I stated that if our assumed economic scenario for 1981 did not materialize as optimistically as expected, your management would apply its best ability, flexibility and aggressiveness to other endeavors in order to produce another year of record earnings.

It did not materialize—and we did!

Your Company recorded its tenth consecutive annual record in fully diluted earnings per share, which was within 2 percent of our 1981 goal. Net income for the year was $20,208,000, or $3.00 per share fully diluted ($3.03 per share primary), up about 17.6 percent on a fully diluted per share basis from the record high $18,510,000, or $2.55 per share fully diluted ($2.58 per share primary), achieved last year. Revenues for 1981 amounted to $273,632,000, a 6.7 percent increase from the $256,559,000 recorded in 1980.

With a full decade under the current management, we believe that now is an appropriate time to provide a more comprehensive report to the stockholders covering this ten-year span. For this reason I have shortened this letter in order to provide to you in the following pages a comprehensive ten-year review of the goals and objectives established at the commencement of my tenure in 1972, versus actual results obtained.

Measures of Management

While a more comprehensive ten-year measurement of management is included elsewhere in this annual report, I am including my normal presentation which reviews the measures of control long utilized by this management to gauge its performance. As outlined below, during the past year, despite a persistently soft and sometimes troublesome economy, most of our ratios stayed within acceptable parameters:

	Continuing Operations	
Income Statement Items	**1981**	1980
Gross profit—% of revenue	**22.5%**	25.4%
Selling and administrative expense—% of revenue	**13.9%**	13.6%
Net Income—% of revenue	**7.4%**	7.2%
Net Income—% of average assets employed	**10.9%**	10.4%
Balance Sheet Items		
Asset turnover	**1.48**	1.44
Average inventory—% of revenue	**17.4%**	16.4%
Average accounts receivable—% of revenue	**12.9%**	12.5%

We are most pleased that the two important statistics of net income as a percent of average assets employed and percent of stockholders' equity both exceeded the previous year. Also, we again ended the year with a very strong balance sheet with a current ratio of 3.29 to 1.00 and a debt to equity ratio of .28 to 1.00.

Increased Stock Cash Dividends

Reflecting this progress in our earnings, in May, 1981 the Board of Directors increased the common stock cash dividend 15 percent to 28¾ cents per share per quarter, which equates to an annualized rate of $1.15 per share. During the last ten years our cash dividends have been increased nine times for a total increase of 178 percent. The Company has paid quarterly cash dividends to its stockholders for 43 consecutive years.

Operational Performance

As I stated in last year's annual report, the outlook for 1981 assumed an economic profile which incorporated a business upturn. At that time I was cautious enough to counsel that if it did not occur, the Company must excel in all areas in order to achieve a new earnings record. For the most part I can report that, considering the economic climate, the operating groups performed admirably, with total operating earnings exceeding the previous year. However, the increase in aftertax earnings also required a combination of implementation of the economic downturn plans developed at the corporate level and the benefits resulting from the investment program, whereby funds not needed for operations were invested in selected securities.

Decade of Progress

Rather than recount all aspects of the past few years, I invite you to study closely the following pages wherein there has been presented a ten-year measurement of the Company against very specific standards. The planning concepts instituted in 1972 represent a distinctive managerial philosophy and method of operation which, together with the development of a talented management group, has made your Company a dynamic operation.

It is most important to realize that our success could not have been accomplished without a cadre of corporate and divisional management which was spurred by its own desire for excellence. Consequently, we have purposely included their pictures in this report. Study them well—for it will be these individuals who will bear the challenge of tomorrow.

The Next Ten Years (Company Identification)

Since the past is only a prologue, one of this year's prime objectives is to develop a continuing strategy for the next ten years. This will encompass ideas and goals relative to our future operational mix of businesses and the organization required to meet the challenge.

Thanks to our progress to date, this should be a natural evolution. However, we do not underestimate the difficulty resulting from any change of the status quo. To assist in this effort, during this period your current management will pass on the reins of power and responsibility to those who will be expected to offer the fresh ideas required for the continuing vigor of your Company.

In addition we believe that our successful conception of "niche businessess" being considered as a "portfolio of assets" could be more substantially reflected through a "holding" company. It is within this context that management presently intends to organize the Company's operating divisions increasingly into wholly owned subsidiaries. To reflect this break with the past, as well as to insure that our corporate name will not be closely connected with any single entity, this year's proxy material contains a proposal to change the name of your Company to "AXIA Incorporated." This new Company will be the "umbrella" for all of our current and future businesses and lay the foundation for another decade of growth.

Outlook for 1982

A realistic assessment indicates that as Bliss & Laughlin enters 1982 our management is facing soft, if not outright depressed, conditions in many major markets. If the planned upturn in the economy in the year's second half does not materialize as assumed, the expected economic scenario indicated below will be too optimistic.

GNP Real Growth	3.7%
FRB Index—Total	158
Construction Component	155
Domestic Auto Shipments—Mil.	8.2
Housing Starts—Mil.	1.5
Domestic Steel Industry Shipments—Tons Mil.	92.0

It currently appears that earnings for the first half will probably be less than that of 1981. However, with stablized energy costs, a reduced rate of inflation, lower interest rates and improved economic conditions, business in many of our markets will rebound. If these assumed conditions do not occur, it will again require flexibility and diversity of approach for us to meet our goal of achieving another year of record net income.

Retirements

Before closing I want to pay special tribute to two gentlemen who are retiring from the Company. Joseph W. Rose, Group Vice President, Metal Products, retired as an officer on December 31, 1981. During his tenure at Bliss & Laughlin, he exhibited determination, devotion and adherence to a level of quality which has been an inspiration to all at Bliss & Laughlin. We will certainly miss his participation with our management but wish him well in this new phase of his life.

Stanley E. G. Hillman, the retired vice chairman of IC Industries, has indicated his intention to retire from our Board on March 24, 1982. Since 1977 the Company has enjoyed the benefit of his advice and dedication. Mr. Hillman brought to Bliss & Laughlin a wealth of experience and a refreshing approach to the Company and its management.

E. T. Collinsworth

E. T. Collinsworth, Jr.
President and Chief Executive Officer

Prologue:

Consistent with the approach taken in Bliss & Laughlin's recent annual reports, this year's presentation portrays Company operations in a longer term perspective rather than through a limited focus on the immediate past twelve months. With a decade under the current management, the last ten years are analyzed as a separate distinct era in the evolution of the Company. This performance review examines Company operations in the context of management goals and directions during this period.

A Decade of Growth

Ten years ago Bliss & Laughlin Industries had proceeded through the initial stage of its diversification program begun in 1961. The Board of Directors in 1971 determined to install a new management team with a mandate to continue the diversification of the Company but, more importantly for the future well-being of the Company, to improve internal planning and control, establish a more sharply defined strategic course, and expend more effort in management development.

In response to this directive, Bliss & Laughlin's new management developed a refined approach to Company operations and reviewed this strategic program with the Board of Directors. The concept of "niche" businesses was further refined, and it was concluded that Bliss & Laughlin should be viewed as a "portfolio of assets." Moreover, management would continuously monitor and measure performance of its various parts and the total Company against predetermined key long-range financial objectives.

The implementation of the process began with the development of a five-year operating plan against which future results would be gauged. These very specific operational standards provided month-to-month and annual analytical capabilities for both management and the Board of Directors, from which a long-term management incentive plan was developed. These standards were also used to gauge earnings performance, utilization of resources and the control of costs. As formalized, these goals were:

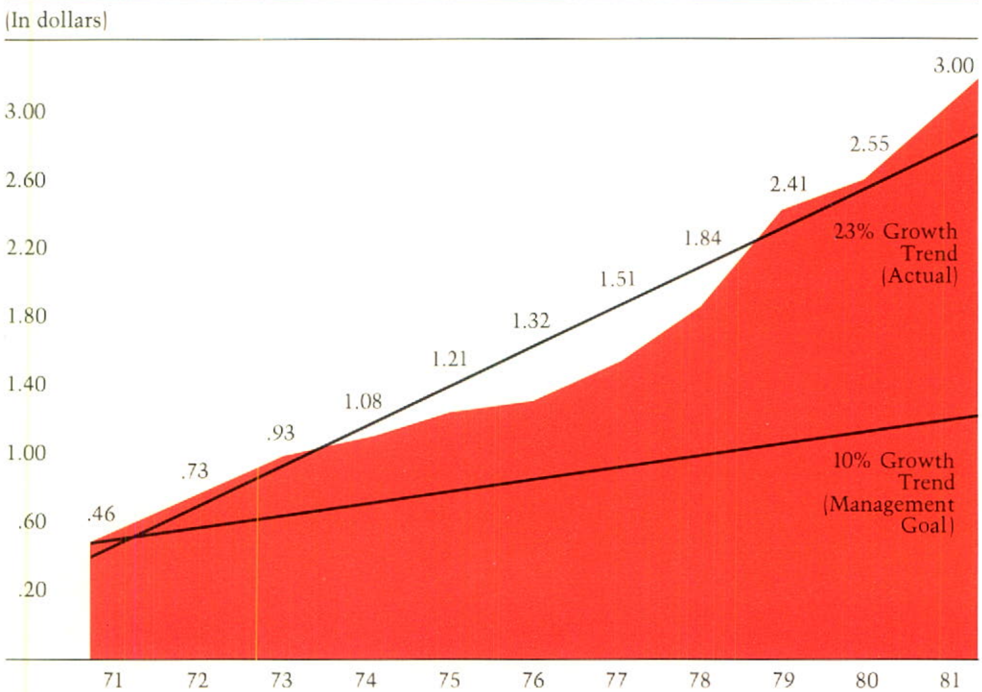
- A continuing annual growth trend in fully diluted earnings per share of a minimum of 10 percent;
- A return on equity, after taxes, of between 13 and 17 percent;
- A return on net assets, after taxes, of between 8 and 10 percent;
- A consistent improvement in the level of dividends paid; and
- An increase in the "float" of our securities.

Pictured are the Corporate Officers of Bliss & Laughlin Industries: (clockwise from lower left) E. T. Collinsworth, Jr., President & Chief Executive Officer; Dennis W. Sheehan, Vice President Administration, General Counsel & Secretary; T. P. Crigler, Financial Vice President & Treasurer; and Frank W. Aughnay, Executive Vice President.

Pictured are Robert C. Hoffman, Controller, Assistant Treasurer & Assistant Secretary; and Norma J. Bark, Assistant Secretary.

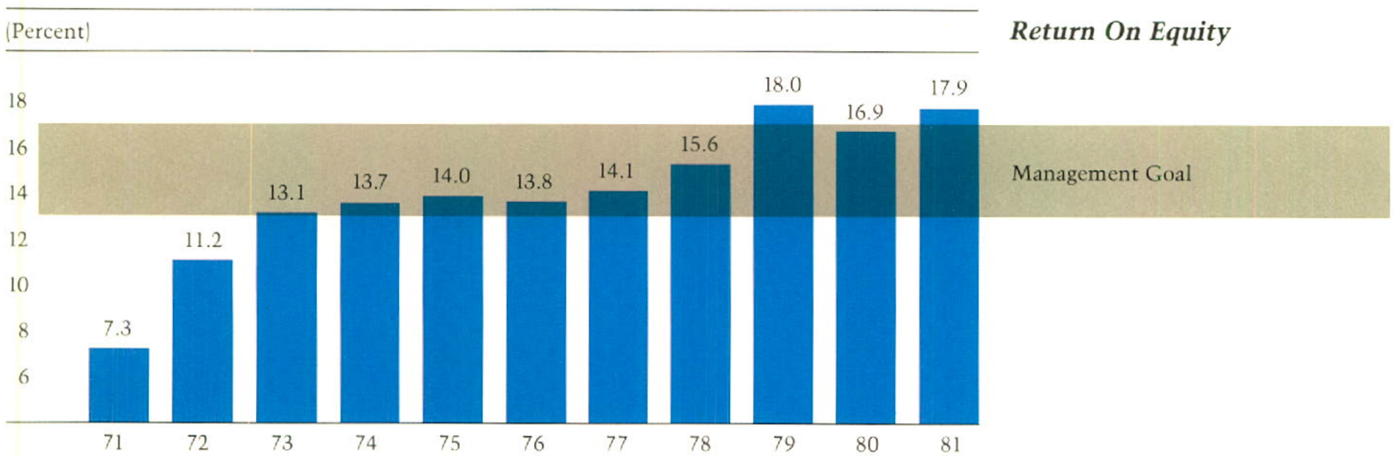
Charts and graphs assessing the performance of the management over the past ten years, are included below.

Fully diluted earnings per share from continuing operations have consistently established a new record each year for the past ten years and have achieved an annual compounded **growth rate trend** over this period of approximately 23 percent.



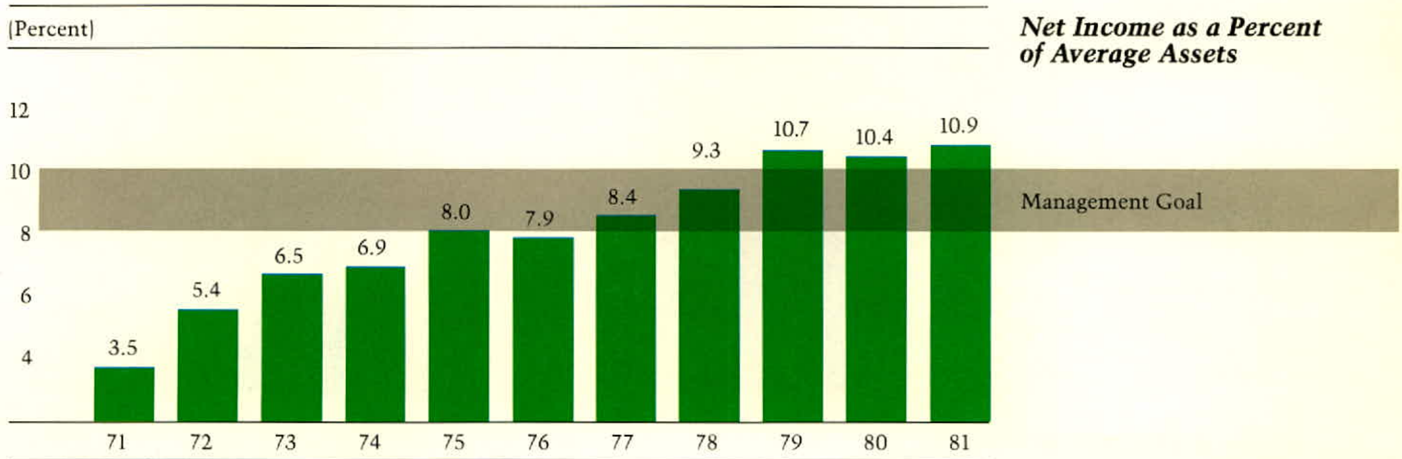
Fully Diluted Earnings Per Share

The goals established by the Bliss & Laughlin management in 1971 were not mere quantitative measures but stressed the quality of performance. This meant making maximum use of the Company's resources, its financial strength and the management's skill in controlling costs and in identifying opportunities. Thus, **return on stockholders' equity** constituted a primary consideration of the management. Over the past ten years Bliss & Laughlin has, on an average, outperformed its return on equity goal of 13 to 17 percent.



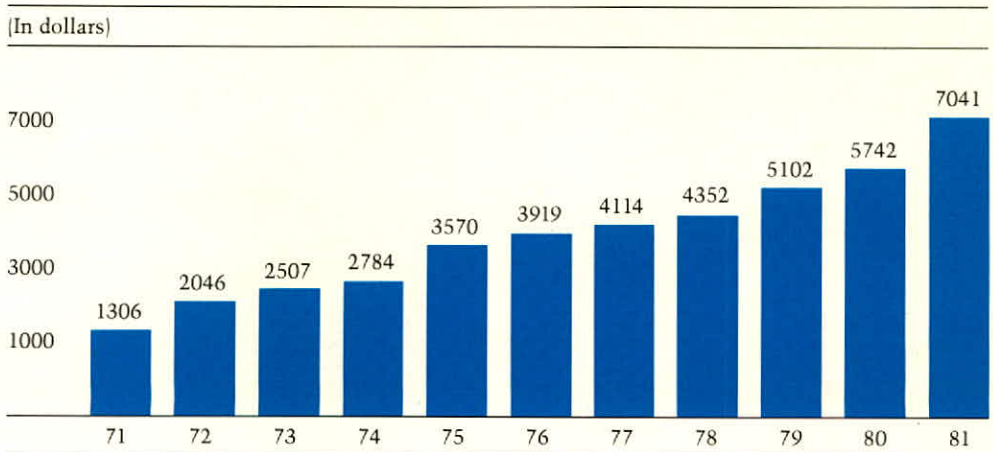
Return On Equity

The major financial gauge for maximum utilization of resources is the **return on average assets employed.** The Company established an 8 to 10 percent return as its standard, which has been achieved.



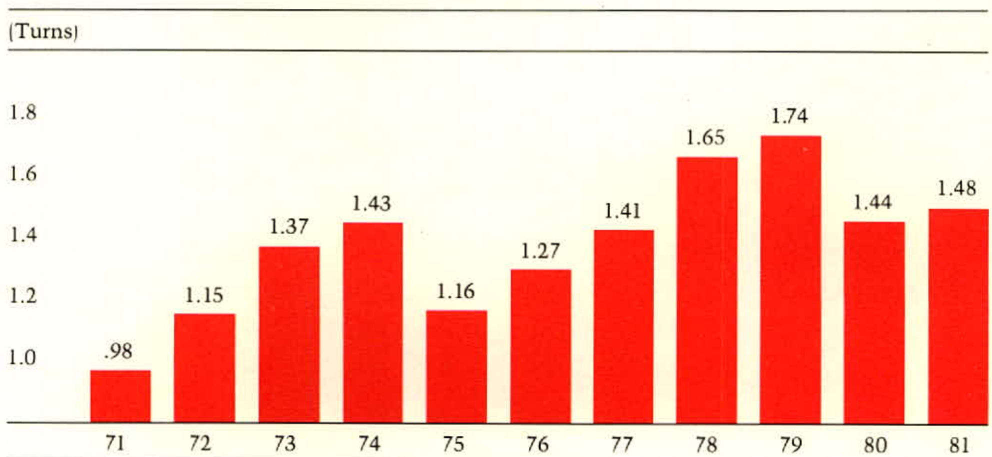
Net Income as a Percent of Average Assets

Among other methods, **productivity** can be calculated as a function of labor. The ten-year record of net income per employee indicates the labor efficiency developed and implemented.



Net Income Per Employee

Asset turnover is another measure of the attention to the balance sheet and sensitivity of management to those assets management can influence.

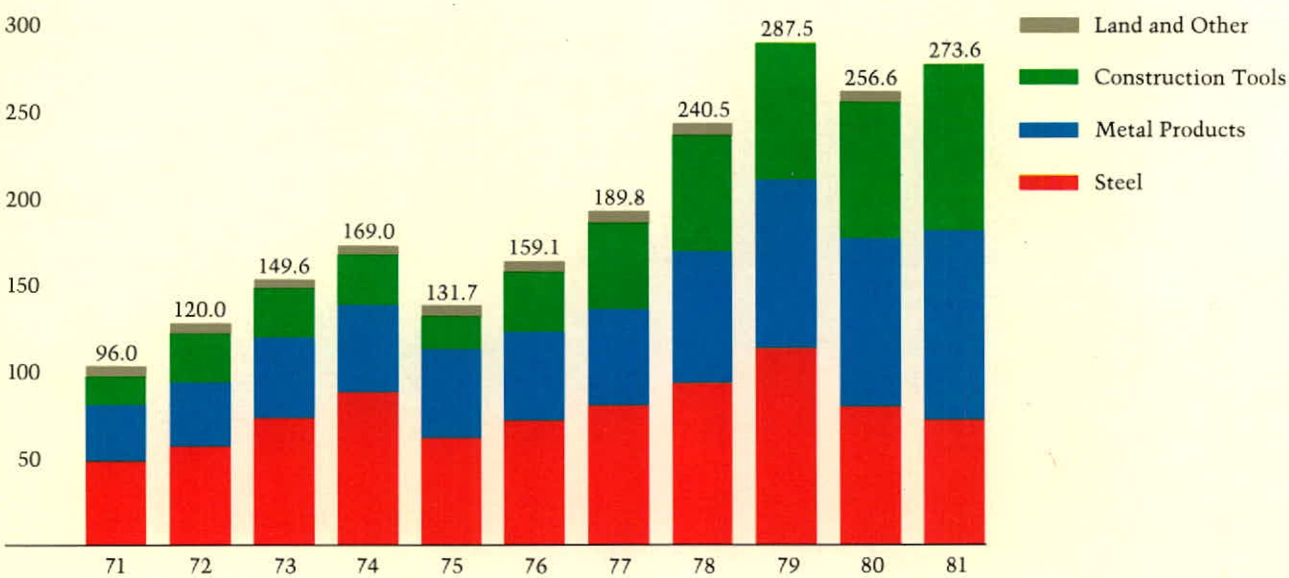


Asset Turnover

Within a diversified organization revenues and income contributions constantly shift among the various operating groups in the Company. You will see below the **changes in revenues** of the various major components of the Company.

(In millions)

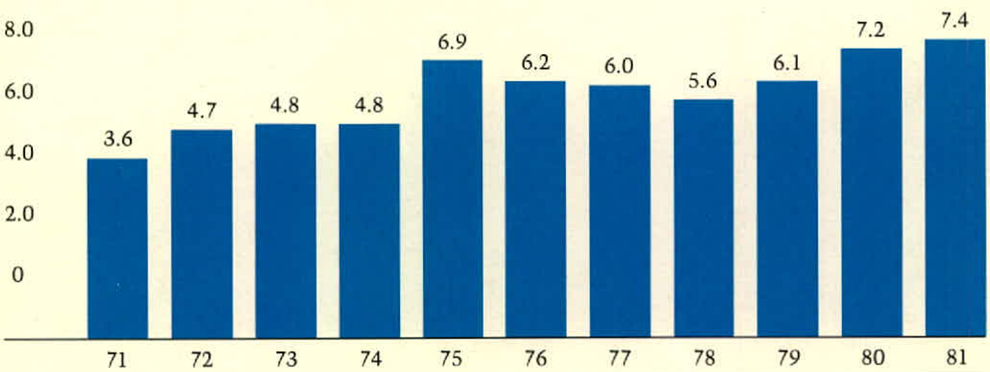
Net Revenues



Net income, always a major focus of the current management, reflects the net amount available for dividends and reinvestment. The increase of the **net income as a percentage of revenues** to an acceptable level represented an initial goal of the management in 1971.

(Percent)

Income % of Revenues

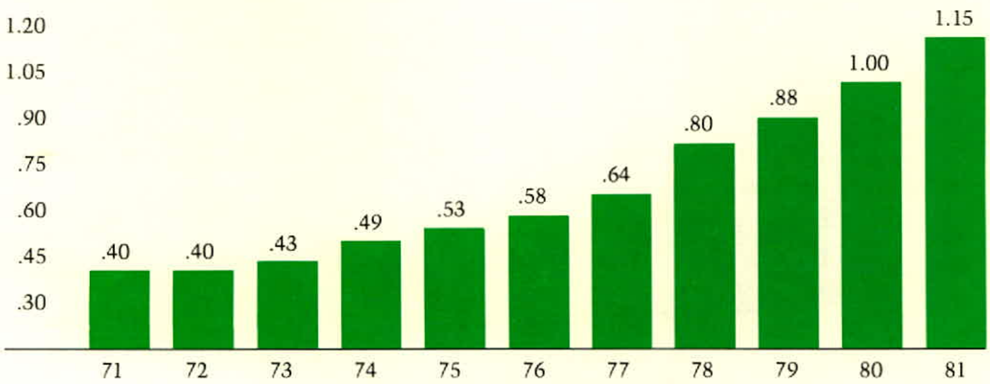


Based upon the prospects for a decade of growth, the Company in 1971 adopted a policy of consistent improvement of the **dividend rate.** During the past ten years there has been a total increase in cash dividends of

178 percent, together with stock dividends or distributions of 10 percent in 1973, 20 percent in 1975, 20 percent in 1977, 25 percent in 1978 and 25 percent in 1980. A share of stock in 1971 paid a dividend of $1.00. Today, that one share of stock and its regularly reinvested dividends would be 4.72 shares paying annual dividends of $5.25. Below is the ten-year record of the annual dividend rate.

Dividend Rate (Year End)

(In dollars)

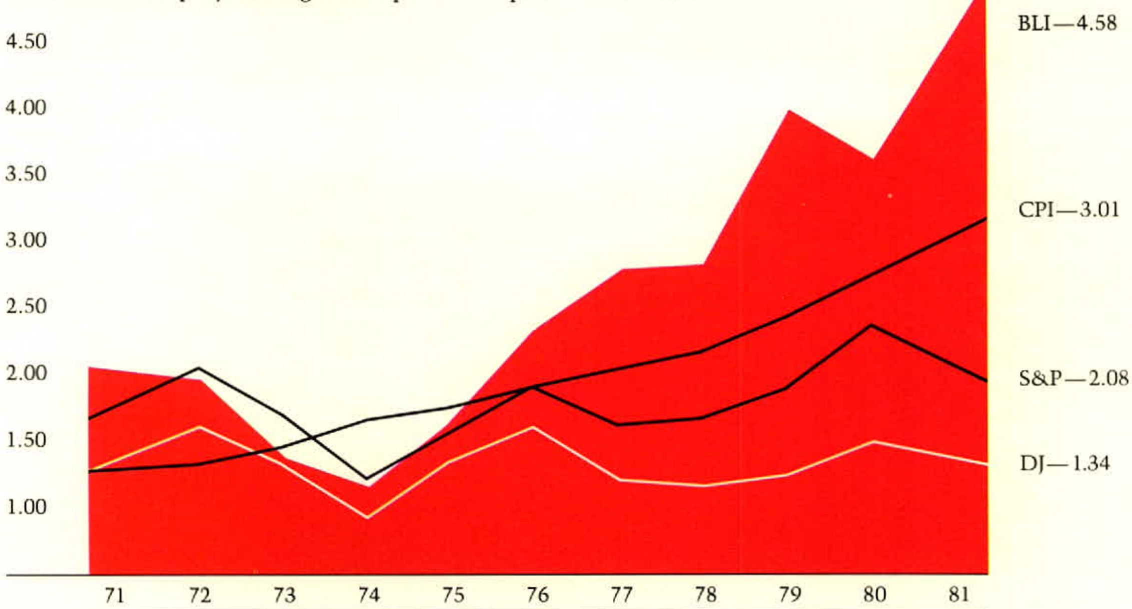


Of particular concern for a stockholder is the reflection of the value of the ownership of Bliss & Laughlin in the marketplace. This can be shown as a relationship of the **price of the stock** to objective standards. Below, the price of the Bliss & Laughlin stock is contrasted to the Dow Jones Industrial Average, the Consumer Price Index and the Standard and Poor's Stock Price Average over the past decade.

Stock Price Comparison

(Index—1962=1.00)*

*In 1962 the Company first began to implement its plan of diversification.



Group Management

Analysis of financial goals, no matter how objective and stringent, cannot describe all the elements of a company. The key to Bliss & Laughlin's success was not only the development of a plan, but also the assembly and development of an experienced management which could achieve the goals established. The individuals comprising this team represent the strength of the organization. This group secures the Company's future for its stockholders, customers, suppliers and the investment community. On the following pages the various operational components are described, and the individuals who manage them are identified.

Construction Tools Group

Bliss & Laughlin's Construction Tools Group was already well developed in 1971.

Ames Taping Tool Systems Co., a cornerstone of the group, was the market leader in the manufacture, rental and servicing of drywall taping tools. The managerial challenge was to keep Ames the undisputed leader in its market niche—a challenge which has been met.

Goldblatt Tool Co., acquired in 1965, has developed into a leading manufacturer and distributor of drywall, plastering and masonry tools to the trowel trades.

Marco Paper Products Co. is the major source of drywall tape for gypsum wallboard application.

Management in 1971 had determined that the Group should serve segments of the construction industry which would have different lead and lag economic characteristics. It could thus provide the Company with some measure of insulation from the normal fluctuations of the business cycle as experienced by the general construction industry and yet outperform overall industry indices.

Management was also convinced that industrial mail marketing would become an especially cost-effective medium for the sale of industrial, commercial and institutional products. To pursue this perceived opportunity, the following companies were acquired, developed and expanded:

Jensen Tools Inc., since its purchase in 1974, has grown to be a major marketer of tools and tool kits used by electronic technicians and precision mechanics.

10 YEAR REVIEW

Pictured are key management members of the Construction Tools Group: (clockwise from left) Donald B. Moritz, Corporate Vice President, Construction Tools Group; Donald C. Place, Vice President & General Manager, Goldblatt Tool Co.; Eugene R. Johnson, Vice President & General Manager, Ames Taping Tools Systems Co.; and Uma Nandan, Vice President & General Manager, Jensen Tools Inc.

Markson Science, Inc., which became part of BLI in 1975, markets over 4,800 specialty products by catalog to industrial, chemical, educational and biomedical research laboratories.

Direct Safety Company, developed in 1976 to market by mail over 1,500 brand name safety products and accessories, provides a centralized source of supply to the growing market for safety products created by industrial demand and government regulation.

These management initiatives—the close attention to detail, the nurturing of product lines, the development of economic contingency plans keyed to "trigger" points, the exploitation of new opportunities overlooked in "unglamorous" businesses, and the judicious selection of divestitures—have all contributed to the Group's record of performance. It has also performed creditably in difficult business environments—achieving these results despite three recessions, record interest rates and, most recently, the fewest number of new housing starts of the past three decades.

Pictured is Joseph W. Rose, Corporate Vice President, Metal Products Group, with members of his staff: (left to right, top) Harold O. Hayes, Jr., Vice President & General Manager, Nestaway Division; Ronald C. Chalman, Vice President & General Manager, Tekform Products Co.; (left to right, bottom) Willard P. Stetzelberger, Vice President & General Manager, Faultless Division; Robert J. Robinson, Vice President & General Manager, Dave Fischbein Co.; Joseph W. Rose; and Vernon H. Anthony, General Manager, Faultless-Doerner Manufacturing Inc.

Metal Products Group

A different set of management procedures was applied to the Metal Products Group. Special attention was given to improving operating and balance sheet ratios, as well as to growth by acquisition.

Faultless Division, which designs, manufactures and sells casters for home, office and industrial use, remains one of the world's largest manufacturers of casters. Faultless has grown at approximately 23 percent a year over the past decade and has successfully extended its product line. **Faultless-Doerner Manufacturing Inc.** in Canada is a major manufacturer of metal chair bases and controls.

Nestaway Division manufactures wire fabricated baskets for home appliances and serves major customers, such as Maytag, Hobart and General Electric. Nestaway successfully penetrated new markets in the seventies. For industry it has developed flexible conveyors and storage racks for material handling; for the home it has developed lawn and patio furniture; and, recently, its wire shelving has found itself in the unusual position of being fashionable as a result of the "high-tech" vogue in interior decoration.

Tekform Products Co., a major supplier of metal packages for the hybrid micro-electronics industry, produces key elements for high-reliability applications such as defense, aircraft electronics, computers and medical instrumentation.

Dave Fischbein Co., acquired in 1978, is an international manufacturer and marketer of industrial sewing machines and related material handling equipment for closing filled bags.

Metalart Buckle Co., purchased in 1979, designs, produces and distributes buckles and other metal accessories for the apparel trade. It is a leader in its field of zinc die-cast products, and continues to supply and develop the unique quality items that its customers require.

Amprix Electronics Co., the most recent acquisition in December of 1980, represents the first building block of a new group of businesses in the Company's portfolio of assets. Amprix designs and builds electronic components and other products for the automotive aftermarket. It is a leading supplier of replacement electronic ignition parts and voltage regulators. In the 1980s, as the population of motor vehicles with electronic controls increases and requires replacement parts, Amprix will be positioned to serve this niche.

The Metal Products Group benefited from management's new initiatives during the decade. Both the long-established and the newer businesses improved the Group's performance through increased computerization, more efficient order processing, tighter market planning and market research, and increased manufacturing efficiencies.

Steel Group

Bliss & Laughlin Steel Co., the original business of the Company, continues to be the leading independent producer of cold-finished steel bars in the United States. Its major markets include steel service centers, the automotive industry, agricultural equipment producers, and machinery and equipment manufacturers. Over the past decade management has revitalized its manufacturing capabilities and repositioned its business to remain fully competitive and to achieve significant productivity gains. In 1977 major capital expenditures were committed to completely modernize the main plant in Harvey, Illinois, and to install in a new high-volume facility at Batavia, Illinois, the most modern automatic steel bar making machinery in the world.

Pictured are the operating managers of Bliss & Laughlin Steel Co.: (clockwise from left) William P. Daughtery, Vice President – Purchasing; George W. Fleck, Controller; Gregory H. Parker, Corporate Vice President, Steel Group; and Anthony J. Romanovich, Vice President – Sales & Marketing.

Bliss & Laughlin Steel operations are among the most efficient of any producer; however, its annual volume and income contributions remain somewhat cyclical since they are tied, to a considerable degree, to the overall activity within the domestic steel industry and to the general economic environment.

Land Group

New management in 1971 developed a long-term plan to disengage the Company from the land business. An earlier strategy of the late sixties, the Land Development Program, could no longer be profitably pursued because of changes in the economic and regulatory environments. Since that time management has deliberately chosen opportune moments to liquidate the businesses operated by the Company's Land Group. The resulting capital has been redeployed in areas where management believes that returns may be optimized. This process will continue.

In conclusion, the last ten years have seen Bliss & Laughlin Industries Incorporated develop and refine the management techniques it needs to flexibly, and profitably, pursue its strategy of developing, acquiring and operating niche businesses. This successful experience has formed the base from which a younger management is evolving to accept the challenge of a new decade of opportunities and growth.

Management's Discussion and Analysis of Continuing Operations

(Refer to page 33, Line of Business Information)

Financial Condition–The Company completed 1981 with continued strong results. Our current ratio at year-end was 3.29 in 1981 versus 3.10 in 1980 and 2.99 in 1979. Accounts receivable turnover in 1981 was 8.6 versus 8.1 in 1980 and 9.5 in 1979. Inventory turnover was 4.6 in 1981, 4.4 in 1980 and 5.2 in 1979. Our debt to equity ratio declined to 28% in 1981 from 31% in 1980 and 32% in 1979.

The Company is capable of meeting all internal working capital requirements and the continuation of the acquisition program with no additional outside borrowing or equity financing. In 1981 cash decreased by $7,756,000 to $12,895,000 when compared to 1980. The major reasons for the decrease are a continuation of the investment program and the purchase of BLK. As of December 31 almost $15,000,000 has been invested in equity securities. The remaining 50% ownership of BLK was purchased on April 20 for $1,375,000. Cash decreased $19,000,000 when comparing 1980 to 1979. The three major reasons for the decrease were the investment progam ($10,000,000), the purchase of Amprix ($7,200,000) and the purchase of Treasury Stock ($9,000,000).

There are no major capital projects as all of the Company's divisions have adequate capacity for expected volume increases. There are no known events which would decrease materially the liquidity of the Company.

Results of Operations–For the tenth consecutive year, net income was at a record level in spite of a depressed economy. Both revenues and pre-tax income from the total of the three operating groups increased from 1980 levels. In addition, income from non-operating sources was again a major contributing source.

1980 was also a record earnings year. Revenues and income from the operating groups decreased when compared with 1979. Income from the sale of real estate was the major contributor to the record earnings.

Steel Group–The Steel Group increased revenues by 16% and pre-tax income by 34% when compared to 1980. The increase in revenues is attributable to an increase in tons shipped and normal price increases. Pre-tax income was increased by $641,000 on the conversion of pension liabilities to an annuity from three previously sold plants.

In 1980 net revenues dropped 29% when compared to 1979, income decreased 55%, and tons shipped dropped 36%. The lower volume combined with a two-month strike in 1980 at the Harvey plant were major contributors to the decline.

Metal Products Group–The seven divisions of the Metal Products Group reported an increase in revenues of 13% and an increase in pre-tax income of 23%. Five of the divisions had increased revenues and four showed increased income when compared to 1980. These results were negatively affected by higher than anticipated start-up costs at Amprix and a strike at the Faultless plant in Evansville, Indiana. Corrective procedures have been implemented at Amprix. Results were positively affected by the settlement of a business interruption claim at Faultless resulting from a fire in 1979 and favorable earnings at Faultless-Doerner after a loss in 1980.

In 1980 Metal Products revenues declined 2%, and pre-tax income declined 31%. The primary reason for the decline was a loss of $1,200,000 at Faultless-Doerner due to an inventory writedown.

Construction Tools Group–The five divisions of the Construction Tools Group posted an increase in revenues of 1% and a decrease in income of 3%. The most significant reason was the depressed construction segment of the economy which caused reduced revenues at Ames and Goldblatt. The remaining divisions showed increased revenues and higher pre-tax income when compared to 1980 results.

In 1980 revenues declined 5% and pre-tax income declined 14% from 1979 levels. The largest decline occurred at Ames and Goldblatt, the two divisions most heavily influenced by the downturn in construction activity.

Corporate and Other–In 1981 interest income declined due to less favorable interest rates and a lower marketable security portfolio than in 1980. Dividend income and gains on stock sales from our investment program contributed significantly to pre-tax income. At the end of 1980 the Company held 245,500 shares of Kirsch stock, which were sold in 1981 at a pre-tax gain of approximately $4,500,000.

In 1980 higher interest expense was offset by higher interest income as a result of very favorable interest rates and a high average cash balance which contributed $1,700,000 to pre-tax income. The investment program contributed $1,500,000 to pre-tax income, and substantial and highly profitable land sales contributed more than $6,500,000.

Inflation–Under the provisions of SFAS 33, the Company has elected not to disclose the effects of changing prices on operations.

Pricing actions are taken to protect profit margins affected by inflation, and internal control systems exist within the Company to allocate resources to obtain the highest returns.

Ten-Year Financial Review (a)

	1981(b)	1980(b)	1979(b)
Operating Results (in thousands)			
Net revenues	**$273,632**	$256,559	$287,492
Gross profit	**61,577**	65,146	67,400
Depreciation and amortization	**6,182**	5,222	4,527
Interest expense	**3,014**	3,043	2,701
Income from continuing operations before income taxes	**33,429**	34,237	34,137
Provision for income taxes	**13,221**	15,727	16,457
Income from continuing operations	**20,208**	18,510	17,680
Income (Loss) from discontinued operations (c)	—	—	2,314
Net income	**20,208**	18,510	19,994
Cash dividends	**7,428**	6,768	6,206
Per Share Data			
Per fully diluted share:			
Income from continuing operations	**$ 3.00**	$ 2.55	$ 2.41
Income (Loss) from discontinued operations	—	—	.32
Net income	**3.00**	2.55	2.73
Per primary share:			
Income from continuing operations	**$ 3.03**	$ 2.58	$ 2.45
Income (Loss) from discontinued operations	—	—	.33
Net income	**3.03**	2.58	2.78
Dividends paid	**1.11**	.94	.86
Financial Position (in thousands)			
Working capital	**$ 69,010**	$ 66,910	$ 80,148
Plant and equipment, net	**51,583**	47,066	40,934
Long-term notes payable	**28,566**	28,039	28,534
Mortgage loans	**687**	1,266	1,577
Convertible subordinated debentures	**509**	726	889
Stockholders' equity	**117,382**	107,185	104,884
Total assets	**182,978**	174,894	181,851
Statistics			
Average primary shares outstanding (in thousands)	**6,678**	7,163	7,202
Number of stockholders	**6,079(d)**	6,481	6,486
Number of employees	**2,870**	3,219	3,465

(a) Restated to report separately discontinued operations resulting from the sale of the Waco Division in 1979.
(b) See page 17 for management's discussion and analysis of continuing operations.
(c) Includes loss on refinancing of debt in 1972.
(d) Stockholders of record at November 16, 1981.

1978	1977	1976	1975	1974	1973	1972
$240,472	$189,816	$159,117	$131,718	$168,989	$149,640	$120,023
57,363	45,474	37,560	33,110	38,856	32,457	27,102
3,510	2,617	2,174	2,170	2,346	2,411	2,397
2,894	2,759	2,427	2,040	2,738	2,185	2,156
26,852	21,881	18,142	17,049	16,183	13,993	10,824
13,309	10,554	8,243	7,986	8,015	6,838	5,215
13,543	11,327	9,899	9,063	8,168	7,155	5,609
(87)	(114)	213	458	1,198	1,050	469
13,456	11,213	10,112	9,521	9,366	8,205	6,078
5,157	4,339	3,766	3,400	3,216	3,055	2,853
$ 1.84	$ 1.51	$ 1.32	$ 1.21	$ 1.08	$ .93	$ .73
(.01)	(.02)	.03	.06	.16	.14	.06
1.83	1.49	1.35	1.27	1.24	1.07	.79
$ 1.90	$ 1.59	$ 1.43	$ 1.33	$ 1.18	$ 1.02	$ .80
(.02)	(.02)	.03	.07	.18	.15	.06
1.88	1.57	1.46	1.40	1.36	1.17	.86
.72	.61	.54	.50	.46	.43	.40
$ 64,802	$ 64,271	$ 59,380	$ 50,142	$ 36,502	$ 40,085	$ 33,611
40,587	32,706	28,001	26,327	26,869	26,697	27,839
29,550	28,288	24,566	21,906	12,966	18,914	18,089
2,278	2,778	3,334	4,120	5,191	8,939	11,017
1,617	2,731	5,075	7,016	7,141	7,141	7,141
90,871	83,589	75,691	67,701	61,786	56,614	52,144
153,856	141,346	129,364	119,934	111,829	112,964	108,285
7,144	7,130	6,918	6,806	6,898	7,041	7,050
6,789	6,571	6,535	6,715	6,491	6,339	6,141
3,112	2,753	2,526	2,539	2,934	2,854	2,741

Consolidated Balance Sheet
(in thousands)

December 31	1981	1980	1979
ASSETS			
Current Assets:			
Cash and marketable securities	**$ 12,895**	$ 20,651	$ 40,045
Trade accounts receivable, less allowance for doubtful accounts of $1,566, $1,899 and $1,506, respectively	**32,383**	31,085	32,180
Inventories	**49,342**	42,694	43,594
Prepaid expenses and deferred income tax benefits	**4,461**	4,363	4,593
Total current assets	**99,081**	98,793	120,412
Total realty assets	**8,996**	10,330	12,041
Plant and Equipment, at Cost:			
Land	**2,526**	2,239	1,924
Buildings	**23,571**	20,511	16,513
Machinery and equipment	**61,762**	55,186	50,292
Equipment leased to others	**2,712**	2,834	3,046
	90,571	80,770	71,775
Less: accumulated depreciation	**38,988**	33,704	30,841
Net plant and equipment	**51,583**	47,066	40,934
Other Assets:			
Investments, notes receivable and deferred charges	**16,095**	11,244	1,175
Investments in and advances to affiliated companies	**1,656**	1,559	1,202
Intangible assets, at cost less accumulated amortization	**5,567**	5,902	6,087
Total other assets	**23,318**	18,705	8,464
Total assets	**$182,978**	$174,894	$181,851

The accompanying financial review is an integral part of this balance sheet.

	1981	1980	1979
LIABILITIES & STOCKHOLDERS' EQUITY			
Current Liabilities:			
Short-term loans	$ —	$ 2,218	$ 1,552
Current maturities of long-term debt	**2,877**	720	1,177
Accounts payable, trade	**10,417**	15,179	12,280
Customer deposits	**2,030**	2,193	2,450
Accrued liabilities:			
Salaries, wages and vacations	**3,372**	2,929	3,382
Pension costs	**1,504**	1,998	2,435
Other	**5,898**	5,434	6,606
Income taxes	**3,973**	1,212	10,382
Total current liabilities	**30,071**	31,883	40,264
Total realty liabilities	**830**	1,685	2,073
Non-Current Liabilities:			
Long-term debt, less current maturities	**29,075**	28,765	29,423
Deferred income taxes	**3,438**	2,162	1,509
Accrued pension and insurance costs, less current portion	**2,182**	3,214	3,698
Total non-current liabilities	**34,695**	34,141	34,630
Stockholders' Equity:			
Capital stock:			
Preferred stock, no par value; authorized 1,000,000 shares; no shares issued	—	—	—
Common stock, $2.50 par value; authorized 10,000,000 shares, issued 7,993,000, 7,966,000 and 6,357,000 shares, respectively	**19,982**	19,917	15,894
Additional capital	**47,904**	47,714	30,208
Retained earnings	**68,778**	56,104	65,788
Treasury stock, at cost; 1,336,000, 1,292,000 and 582,000 shares, respectively	**(17,407)**	(16,550)	(7,006)
Cumulative translation adjustment	**(567)**	—	—
Unrealized loss on long-term investments	**(1,308)**	—	—
Total stockholders' equity	**117,382**	107,185	104,884
Total Liabilities & Stockholders' Equity	**$182,978**	$174,894	$181,851

Consolidated Statement of Income
(in thousands, except per share amounts)

For the years ended December 31	1981	1980	1979
Net Revenues	**$273,632**	$256,559	$287,492
Costs and Expenses:			
Cost of revenues	**212,055**	191,413	220,092
Selling, general and administrative expenses	**37,967**	34,883	34,384
Interest expense	**3,014**	3,043	2,701
Interest (income)	**(3,489)**	(4,779)	(3,235)
Other (income) expense, net	**(9,344)**	(2,238)	(587)
Total costs and expenses	**240,203**	222,322	253,355
Income From Continuing Operations Before Income Taxes	**33,429**	34,237	34,137
Provision For Income Taxes	**13,221**	15,727	16,457
Income From Continuing Operations	**20,208**	18,510	17,680
Discontinued Operations:			
Income (Loss) from discontinued operations, less applicable taxes of $1,778 in 1979	—	—	2,314
Net Income	**$ 20,208**	$ 18,510	$ 19,994
Fully Diluted Income Per Share:			
Continuing operations	**$ 3.00**	$ 2.55	$ 2.41
Net income	**$ 3.00**	$ 2.55	$ 2.73
Primary Income Per Share:			
Continuing operations	**$ 3.03**	$ 2.58	$ 2.45
Net income	**$ 3.03**	$ 2.58	$ 2.78
Average Primary Shares Outstanding	**6,678**	7,163	7,202

The accompanying financial review is an integral part of this statement.

Consolidated Statement of Stockholders' Equity
(in thousands)

	Common Stock		Treasury Stock		Additional	Retained	Cumulative Translation	Unrealized Loss on Long-Term
	Shares	Amount	Shares	Amount	Capital	Earnings	Adjustment	Investments
Balance 12/31/78	6,288	$15,721	561	$6,564	$29,615	$52,099	$ 0	$ 0
Add (Deduct)								
Net income						19,994		
Debenture conversion	69	173			548			
Cash dividends ($0.86/share)						(6,206)		
Treasury stock purchased			33	629				
Stock options exercised			(12)	(187)		(99)		
Other, net					45			
Balance 12/31/79	6,357	15,894	582	7,006	30,208	65,788	0	0
Add (Deduct)								
Net income						18,510		
Debenture conversion	20	45			117			
Cash dividends ($0.94/share)						(6,768)		
Treasury stock purchased			568	9,699				
Stock options exercised			(9)	(155)		(91)		
25% stock dividend	1,589	3,978	151	—	17,343	(21,321)		
Other, net					46	(14)		
Balance 12/31/80	7,966	19,917	1,292	16,550	47,714	56,104	0	0
Add (Deduct)								
Net income						20,208		
Debenture conversion	27	65			151			
Cash dividends ($1.11/share)						(7,428)		
Cumulative translation adjustment							(567)	
Unrealized loss on long-term investments								(1,308)
Treasury stock purchased			52	1,019				
Stock options exercised			(8)	(162)		(106)		
Other, net					39			
Balance 12/31/81	**7,993**	**$19,982**	**1,336**	**$17,407**	**$47,904**	**$68,778**	**$ (567)**	**$(1,308)**

The accompanying financial review is an integral part of this statement.

Consolidated Statement of Changes in Financial Position
(in thousands)

For the years ended December 31	1981	1980	1979
Sources of Working Capital:			
Income from continuing operations	**$ 20,208**	$ 18,510	$ 17,680
Add (Deduct) items not affecting working capital:			
Depreciation and amortization	**6,182**	5,222	4,527
Equity in (earnings of) non-consolidated affiliates	**(644)**	(337)	(238)
Deferred income taxes, net	**1,336**	1,016	1,357
Working capital provided from continuing operations	**27,082**	24,411	23,326
Working capital provided from discontinued operations	**—**	—	7,718
Working capital provided from operations	**27,082**	24,411	31,044
Decrease in net realty assets	**998**	1,271	1,948
Increase in long-term debt	**2,580**	—	—
Subordinated debenture conversions	**217**	163	728
Net change in investment in affiliates	**545**	(20)	132
Other, net	**261**	(44)	476
Total provided	**31,683**	25,781	34,328
Use of Working Capital:			
Cash dividends	**7,428**	6,768	6,206
Additions to plant and equipment, net of retirements	**6,566**	5,521	5,456
Working capital used for acquisition	**4,365**	5,509	3,657
Reduction of long-term debt	**2,053**	495	960
Subordinated debenture conversions	**217**	163	728
Decrease in non-current pension liability	**699**	484	645
Decrease in mortgage loans payable	**579**	311	701
Treasury stock purchases	**1,019**	9,699	629
Increase in investments, notes receivable and deferred charges	**4,840**	10,069	—
Unrealized loss on long-term investments	**1,308**	—	—
Effect of exchange rate changes on working capital	**509**	—	—
Total used	**29,583**	39,019	18,982
Increase (Decrease) in working capital	**$ 2,100**	$(13,238)	$ 15,346
Changes Consist of Increase (Decrease) in:			
Cash and marketable securities	**$ (7,756)**	$(19,394)	$ 22,789
Receivables, net	**1,298**	(1,095)	3,851
Inventories	**6,648**	(900)	2,864
Prepaid expenses and deferred income tax benefits	**98**	(230)	1,948
Increase (Decrease) in current assets	**288**	(21,619)	31,452
Short-term loans, current maturities of long-term debt and customer deposits	**(224)**	(48)	842
Accounts payable and accrued liabilities	**(4,349)**	837	7,576
Income taxes	**2,761**	(9,170)	7,688
Increase (Decrease) in current liabilities	**(1,812)**	(8,381)	16,106
Increase (Decrease) in working capital	**$ 2,100**	$(13,238)	$ 15,346

The accompanying financial review is an integral part of this statement.

Report of Independent Public Accountants

To the Stockholders and Board of Directors of
Bliss & Laughlin Industries Incorporated:

We have examined the consolidated balance sheet of BLISS & LAUGHLIN INDUSTRIES INCORPORATED (a Delaware corporation) AND SUBSIDIARIES as of December 31, 1981, 1980 and 1979 and the related consolidated statements of income, stockholders' equity and changes in financial position for each of the three years in the period ended December 31, 1981. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Bliss & Laughlin Industries Incorporated and Subsidiaries as of December 31, 1981, 1980, and 1979, and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1981, in conformity with generally accepted accounting principles applied on a consistent basis.

Arthur Andersen & Co.

Chicago, Illinois,
January 29, 1982.

Financial Review

For the years ended December 31, 1981, 1980 and 1979

Accounting policies have been presented in italics as part of the financial review dealing with each subject.

Principles of Consolidation
The consolidated financial statements include all wholly owned subsidiaries except BLI Mortgage Company. Investments in affiliates, which consist of BLK Steel Inc. (a 50% joint venture in 1980 and 1979), Andamios Atlas, S.A. (a 49% joint venture), and BLI Mortgage Company (100% owned, included in other realty assets) are stated at cost plus equity in undistributed earnings since acquisition. Separate financial statements for these affiliates and BLI Mortgage Company are not included in this report because they are not significant.

Effective December 31, 1981 the Company changed its method of accounting for the translation of its foreign subsidiaries to comply with the provisions of SFAS 52. Assets and liabilities in the consolidated balance sheet have been translated at the current rate of exchange at the balance sheet date. Revenues and expenses are translated at the average exchange rate for the year. Unrealized translation adjustments have been excluded from the results of operations and are reported as a separate component of Stockholders' Equity. The favorable effect of the change upon net income was $268,000 or $0.04 per share. The resulting translation loss included in net income for 1981 was $154,000.

In 1980 and prior years the Company translated the accounts of foreign subsidiaries and affiliates to U.S. dollars by following, in all material respects, the policy of translating monetary items at the approximate current rate of exchange at the end of the year, and nonmonetary items (inventory and fixed assets) at the rate of exchange in effect at the time the items were acquired. Income statement items, with the exception of cost of sales and depreciation expense, are translated at the average rate for the year. The resulting translation and exchange gains or losses included in income amounted to a loss of $99,000 in 1980, and a gain of $16,000 in 1979.

Discontinued Operations
On May 31, 1979 the Company sold the assets and certain liabilities of its Waco Division in a cash transaction, resulting in a net gain of $2,656,000. The gain and the prior operating results are reported separately from results of continuing operations in the consolidated statement of income. Revenues from Waco in 1979 were $6,796,000.

Pension Plans
Pension costs have been funded at a rate necessary to maintain the plans on an actuarially sound basis. Pension costs not expected to be funded within the next year are included as long-term obligations in the balance sheet. The provision is based on normal cost plus interest and amortization of unfunded past service cost over 30 years.

These plans provide benefits for substantially all employees. The provision for pension costs for continuing operations was $1,882,000 in 1981, $1,957,000 in 1980, and $2,412,000 in 1979. Changes in certain actuarial assumptions were made by the Company in 1980 and have the effect of increasing net income by $151,000. The effect of changes in actuarial assumptions in 1981 is insignificant.

A comparison of accumulated plan benefits and plan net assets for the Company's domestic defined benefit plans is presented below (in thousands):

January 1	1981	1980	1979
Actuarial present value of accumulated plan benefits:			
Vested	$19,456	$19,693	$17,749
Nonvested	2,022	1,268	1,115
	$21,478	$20,961	$18,864
Net assets available for benefits	$19,771	$16,497	$13,975
Accrued pension liabilities	3,517	4,383	4,431
	$23,288	$20,880	$18,406

The weighted average assumed rate of interest used in determining the actuarial present value of accumulated plan benefits was 6% for 1981, 1980 and 1979.

In 1981 the pension assets and liabilities of three frozen plans were sold to an independent company. The transaction resulted in an increase in net income of $346,000.

Income Taxes

The provision for income taxes is the estimated amount of income taxes payable currently and in the future on earnings for the year. Investment tax credit is reflected as a reduction of the current provision under the flow-through method of accounting.

Continuing Operations

The components of the provision are as follows (in thousands):

	1981	1980	1979
U.S. and foreign taxes currently payable	$ 9,219	$13,317	$14,528
Deferred taxes and (benefits), net	1,969	305	(144)
	11,188	13,622	14,384
State income taxes	2,033	2,105	2,073
Total provision	$13,221	$15,727	$16,457

The effective income tax rates for 1981, 1980 and 1979 were 39.6%, 45.9% and 48.2%, respectively. Significant items affecting the income tax rate were the utilization of investment tax credits of $451,000 in 1981, $367,000 in 1980 and $300,000 in 1979; capital gains benefits of $1,243,000 in 1981, $1,371,000 in 1980 and $222,000 in 1979; and state income taxes.

Taxes deferred, due mainly to the use of accelerated depreciation for tax purposes, and pension accruals different from current trust fund contributions, are classified as non-current liabilities. Deferred tax benefits related to working capital items are classified as a current asset, and those relating to realty operations are included in the realty assets. The source of these differences in 1981, 1980 and 1979 and the tax effect of each were as follows (in thousands):

	1981	1980	1979
Depreciation	$ 863	$458	$ 734
Pensions	221	157	308
Realty assets	60	363	315
All other, net	825	(673)	(1,501)
	$1,969	$305	$ (144)

Discontinued Operations

The effective tax rate for 1979 was less than the statutory rate primarily because portions of the Waco sale gain are taxed at lower capital gains tax rates. The primary source of deferred tax benefit related to the sale of Waco was the reversal of the accumulated excess of tax over book depreciation with a tax effect of $1,398,000.

Earnings Per share

Net income per share is computed using the weighted average number of shares of common stock outstanding during the respective years. Fully diluted net income per share is computed using the shares included in the net income per share calculation and assuming conversion of the Company's convertible subordinated debentures as of the beginning of the year. The dilutive effect of stock options is not significant.

Common Stock Dividend/Distribution

The Company made a 25% common stock dividend on July 1, 1980. The accounting treatment was to increase common stock by $3,978,000 and additional capital by $17,343,000 with a corresponding charge to retained earnings. Throughout this report, shares and per share amounts for 1980 and 1979 have been restated to reflect the dividend.

Inventories

Inventories are stated at the lower of first-in, first-out (FIFO) cost or market, except for certain inventories ($8,287,000, $8,183,000 and $10,498,000 at December 31, 1981, 1980 and 1979, respectively), which are stated at last-in, first-out (LIFO) cost, which is not in excess of market.

The replacement cost of LIFO inventories exceeds stated LIFO cost by $10,992,000, $10,057,000 and $11,455,000 at December 31, 1981, 1980 and 1979, respectively.

During 1980 the quantity of LIFO inventory was reduced, resulting in certain cost of sales being recorded at lower prior year costs. The effect of the reduction was to increase net income by approximately $1,200,000.

The cost elements included in inventories are material, labor and factory overhead.

The opening and closing inventories used in computing cost of sales for the years ended December 31, 1981, 1980, 1979 and 1978 are as follows (in thousands):

	12/31/81	12/31/80	12/31/79	12/31/78
Raw materials	**$16,555**	$16,628	$15,481	$13,677
Work in process	**9,618**	7,050	8,238	7,330
Finished goods	**23,169**	19,016	19,875	19,723
	$49,342	$42,694	$43,594	$40,730

Realty Operations

The Company's realty operations differ from the other operations in that they have a business cycle extending over several years, and the assets are held primarily for investment purposes. Accordingly, all the assets and liabilities of these operations are presented under separate realty captions.

Land and related costs are stated at the lower of cost or market. Realty sales are recorded when the buyer has a significant and continuing cash equity in the property. Real estate taxes and interest costs are expensed as they are incurred. Development costs are capitalized. Costs are allocated to the various parcels of individual projects based upon either the relative value method or specific identification of costs to parcels.

Included in the 1980 consolidated statement of income are revenues and cost of sales for land of $9,200,000 and $2,700,000, respectively. In 1981 and 1979 these amounts were not significant.

Intangible Assets

The excess of the purchase price over the fair market value of net assets of certain businesses acquired prior to November 1, 1970 in the amount of $2,690,000 is not being amortized because, in the opinion of management, it represents assets with continuing value. For certain other acquisitions any such excess is being amortized over the lesser of the period benefited or 40 years. The amortization charge for continuing operations was not material in 1981, 1980 or 1979.

Patents and other intangible assets are stated at their purchased cost and are amortized over their useful lives.

Plant and Equipment

Depreciation is provided over the following estimated useful lives:

Buildings	*10-45 years*
Machinery and equipment	*3-20 years*
Equipment leased to others	*5 years*

Depreciation on substantially all property except equipment leased to others is provided on the straight-line method for accounting purposes. For tax purposes, the double declining balance method of depreciation and the Internal Revenue Service asset depreciation range of lives are generally used for assets acquired prior to 1981; for 1981 acquisitions, the asset cost recovery guidelines are used.

Expenditures for minor renewals, current repairs and maintenance applicable to any class of property are charged to expense as incurred. Betterments of the property are capitalized. Replacements of major units are also capitalized and the replaced assets are retired.

In the case of minor property retirements, the original cost of the property items is removed from the plant and equipment accounts and the reserve for depreciation is charged with the original cost, less proceeds. Any gain or loss is amortized over the remaining life of the balance of the property items in the individual asset classification. In the case of major property retirements or abandonments, the original cost of the property items is removed from the plant and equipment accounts, the accumulated depreciation is removed from the related reserves, and the net gain or loss is reflected in income.

Changes in plant and equipment and equipment leased to others and related accumulated depreciation for the years ended December 31, 1981, 1980 and 1979 are summarized as follows (in thousands):

1981—Assets at Cost:	Balance 12/31/80	Additions at Cost	Transfers, Retirements or Sales	Other (1)	**Balance 12/31/81**
Land	$ 2,239	$ 173	$ —	$ 114	**$ 2,526**
Buildings	20,511	1,311	(9)	1,758	**23,571**
Machinery and equipment	55,186	5,126	(1,269)	2,719	**61,762**
Equipment leased to others	2,834	16	(179)	41	**2,712**
	$80,770	$6,626	$(1,457)	$ 4,632	**$90,571**

Accumulated Depreciation:	Balance 12/31/80	Provision Charged to Income	Transfers, Retirements or Sales	Other (1)	**Balance 12/31/81**
Buildings	$ 5,489	$ 735	$ (11)	$ 80	**$ 6,293**
Machinery and equipment	25,909	5,025	(1,156)	578	**30,356**
Equipment leased to others	2,306	176	(162)	19	**2,339**
	$33,704	$5,936	$(1,329)	$ 677	**$38,988**

1980—Assets at Cost:	Balance 12/31/79	Additions at Cost	Transfers, Retirements or Sales	Other (2)	Balance 12/31/80
Land	$ 1,924	$ 9	$ (1)	$ 307	$ 2,239
Buildings	16,513	1,132	(158)	3,024	20,511
Machinery and equipment	50,292	4,594	(1,941)	2,241	55,186
Equipment leased to others	3,046	12	(224)	—	2,834
	$71,775	$5,747	$(2,324)	$ 5,572	$80,770

Accumulated Depreciation:	Balance 12/31/79	Provision Charged to Income	Transfers, Retirements or Sales	Other	Balance 12/31/80
Buildings	$ 5,127	$ 495	$ (133)	$ —	$ 5,489
Machinery and equipment	23,483	4,121	(1,695)	—	25,909
Equipment leased to others	2,231	282	(207)	—	2,306
	$30,841	$4,898	$(2,035)	$ —	$33,704

1979—Assets at Cost:	Balance 12/31/78	Additions at Cost	Transfers, Retirements or Sales	Other (3)	Balance 12/31/79
Land	$ 2,007	$ 143	$ —	$ (226)	$ 1,924
Buildings	16,479	947	(6)	(907)	16,513
Machinery and equipment	45,111	4,658	(649)	1,172	50,292
Equipment leased to others	15,158	393	(602)	(11,903)	3,046
	$78,755	$6,141	$(1,257)	$(11,864)	$71,775

Accumulated Depreciation:	Balance 12/31/78	Provision Charged to Income (4)	Transfers, Retirements or Sales	Other (5)	Balance 12/31/79
Buildings	$ 5,384	$ 477	$ (6)	$ (728)	$ 5,127
Machinery and equipment	21,524	3,480	(942)	(579)	23,483
Equipment leased to others	11,260	779	(344)	(9,464)	2,231
	$38,168	$4,736	$(1,292)	$(10,771)	$30,841

(1) Primarily reflects assets acquired from BLK Steel Inc. and effects of SFAS 52.
(2) Primarily reflects assets acquired from Amprix Electronics, Inc.
(3) Primarily reflects the sale of the assets of the Waco Division—net of assets acquired from Metalart Buckle Co.
(4) Depreciation provision charged to income from discontinued operations, included here, was $425,000 for 1979.
(5) Primarily reflects the accumulated reserve for depreciation at the date of sale of the Waco Division assets.

Long-Term Debt, Convertible Subordinated Debentures and Mortgage Loans
Long-term debt was as follows (in thousands):

	1981	1980	1979
Long-term loan	**$20,000**	$20,000	$20,000
Obligations related to industrial revenue bonds	**10,051**	7,223	7,604
Convertible subordinated debentures	**509**	726	889
Other, with various interest rates (5¼% to 10%)	**1,392**	1,536	2,107
	31,952	29,485	30,600
Less current maturities	**2,877**	720	1,177
	$29,075	$28,765	$29,423

The above long-term debt has varying maturities including, in the aggregate, maturities of $2,877,000 in 1982, $3,004,000 in 1983, $2,999,000 in 1984, $3,016,000 in 1985 and $2,802,000 in 1986. The provisions of the loan agreements and the indenture for the 5¾% convertible subordinated debentures contain, among other things, restrictions on lease commitments, creation of mortgage indebtedness, payment of cash dividends and stock redemptions. In addition, the Company must maintain consolidated working capital of at least $45,000,000 and consolidated current assets of not less than 225% of consolidated current liabilities. At December 31, 1981 the Company had consolidated working capital of $69,010,000, and consolidated current assets were 330% of consolidated current liabilities. Under the terms of the most restrictive agreement, retained earnings of approximately $58,312,000 were not available for the payment of cash dividends. At December 31, 1981 the Company may, under certain restrictions, increase funded (long-term) borrowing by $33,380,000. The long-term loan, with an interest rate of 9⅜%, has annual installments due from 1982 to 1994. No compensating balances are required under this agreement.

The obligations related to industrial revenue bonds are due in installments through 1993, have various interest rates from 4% to 8½%, and are secured by buildings and machinery and equipment with a net book value of $8,620,000 at December 31, 1981.

The convertible subordinated debentures, 5¾%, due in 1987, are subordinated to all borrowings of the Company and are convertible into common stock at any time prior to maturity at the rate of 119.23 shares for each $1,000 bond. Annual sinking fund payments of $1,200,000 for redemption of the debentures are required, but may be satisfied by delivering converted or treasury debentures which amounted to $14,491,000 at December 31, 1981. The debentures may be called at any time at prices decreasing from 101% of face value currently to 100% in 1986.

Mortgage loans classified under the realty caption are secured by real estate held for investment purposes with a net book value of $5,971,000 at December 31, 1981. The loans bear various interest rates from 5% to 8½% and have varying maturities through 1989, including $112,000 in 1982, $105,000 in 1983, $103,000 in 1984, $103,000 in 1985 and $61,000 in 1986.

In 1980, the Company had available a $2,516,000 U.S. ($3,000,000 Canadian) line of credit against which $2,218,000 U.S. ($2,645,000 Canadian) was borrowed as of December 31, 1980. This borrowing bore a weighted average interest rate of 14.6%. No compensating balances were required.

Commitments and Contingent Liabilities

Minimum rental commitments under all noncancellable leases are as follows (in thousands):

	Operating Leases	Capital Leases	
	Primarily Real Estate	Primarily Machinery and Equipment	Total
1982	$ 921	$ 607	$1,528
1983	674	517	1,191
1984	447	423	870
1985	278	209	487
1986	191	86	277
1987-1991	691	—	691
1992-1996	224	—	224
1997-2001	84	—	84
After 2001	—	—	—
	$3,510	$1,842	$5,352
Less: Amount representing interest		578	
Net present value		$1,264	

In 1981, 1980 and 1979 the Company capitalized certain long-term leases. In 1981, $964,000 is included in long-term debt with the remaining $300,000 included in short-term obligations. The income effect of the capitalization is insignificant.

Stock Options

In 1981 the stockholders approved an Executive Incentive Plan whereby awards may be granted to officers and executive personnel of the Company in one or more of the following forms: Stock Options, Stock Appreciation Rights, Restrictive Stock Awards and Performance Units. The maximum number of common stock shares available under the plan is 250,000. Stock Options are granted at 100% of market value on the day preceding the date of grant, are exercisable at the rate of 33⅓% a year beginning with the first year, and expire 10 years from the date of grant. Certain options may also include a Stock Appreciation Right, whereby the holder may surrender his unexercised Stock Option and receive shares of common stock having a fair market value equal to the excess of the fair market value of one share over the option price per share specified in the option multiplied by the number of options surrendered. Restrictive Stock Awards may also be granted, whereby the grantee receives shares of stock in his name subject to restrictions in regard to disposal of the shares, termination of employment and performance of services. Upon the lapsing of the restrictions, the shares become the property of the grantee unconditionally. Finally, the Company may grant one or more Performance Units to any key employee. These Performance Units shall have a stated value as determined by the market price of one share of stock on the day preceding the grant. The value of the Performance Units will be earned if the Company attains a Performance Target as determined by the Committee. No awards have been granted under the current plan.

In 1975 the stockholders approved a stock option plan whereby 506,250 shares of common stock were reserved for granting options to key employees at 100% of fair market value at date of grant. Options are exercisable at the rate of 33⅓% a year beginning one year from date of grant and expire 10 years from date of grant.

Certain options may include a Stock Appreciation Right, which entitles an optionee to receive from the Company common stock (and/or cash, at the election of the Company) equivalent in value to any appreciation in value of an exercisable option. The right to grant further options under the 1975 plan ended on February 4, 1980. At that time 37,183 options were available for grant.

In 1981 no options were granted. Also, 67,983 options became exercisable. During the year 7,756 options were exercised, and 11,567 options were terminated. At December 31, 1981 options for 294,830 were outstanding, with an aggregate option price of $3,367,000 and an aggregate market value of $5,528,000.

In 1980 options for 84,607 shares were granted at $15.30 per share, or a total price of $1,294,000. Also, 44,995 options became exercisable. During the year options for 9,677 shares were exercised, and no options were terminated.

During 1979 options for 87,248 and 19,375 shares were granted at $12.80 and $16.00 per share, respectively, or a total price of $1,427,000. Also, 11,020 options became exercisable. During 1979 options for 15,275 shares were exercised, and no options were terminated.

	1981	1980	1979
Options Available for Future Grant:			
Beginning of year	—	121,790	228,413
Granted	—	(84,607)	(106,623)
Terminations	—	(37,183)	—
End of year	—	—	121,790
Options Granted and Outstanding:			
Beginning of year	**314,153**	239,223	147,875
Granted	—	84,607	106,623
Exercised	**(7,756)**	(9,677)	(15,275)
Terminations	**(11,567)**	—	—
End of year	**294,830**	314,153	239,223

The accounting procedure for the Stock Appreciation Rights is to charge income for the increase in the market price of the Company's common stock over the option price.

Included in options outstanding were 105,750 shares with Stock Appreciation Rights.

Management Incentive Compensation Plan
The plan, administered by a Board of Directors' committee composed of outside directors, provides additional compensation to officers and key employees based upon income and return on stockholders' equity.

The amount charged to income from continuing operations pursuant to the plan was $490,000 in 1981, $462,000 in 1980 and $623,000 for 1979.

Acquisitions
On April 20, 1981 the Company acquired for cash the remaining 50% stock ownership of BLK Steel Inc. BLK has been integrated into the Steel Group.

On December 5, 1980 the company acquired for cash Amprix Electronics, Inc., Dallas, Texas. Amprix is a leading producer of electronic components for the automotive aftermarket. The purchase method of accounting was used, and Amprix' results of operations are included in the consolidated financial statements from the date of acquisition.

On January 5, 1979 the Company acquired for cash the Metalart Buckle Company, Providence, Rhode Island. Metalart is a leading producer of die cast metal buckles and manufactures a line of women's metal belts. The purchase method of accounting was used, and Metalart's results are included in the Company's consolidated financial statements from date of acquisition.

Marketable Securities and Other Security Investments
Marketable securities are carried on the balance sheet at cost, which approximates market. Equity investments are carried at the lower of cost or market. Stockholders' equity is adjusted whenever the aggregate market value of the equity investments falls below the cost of these investments and management believes the decline is temporary. In 1981 the Company recognized a temporary impairment on long-term investments of $1,308,000, which is recorded as a component of stockholders' equity. Additionally, a permanent decline of $323,000 was charged to other income. During the year management continued its program of purchasing equity securities for investment purposes. Following is a table summarizing the securities (dollars in thousands):

Name of Issuer and Title of Each Issue	Number of Shares or Units	Cost of All Issues	Market Value Of All Issues at 12/31/81	Amount Shown on Balance Sheet
Investments:				
Miscellaneous common stock, 8 issues	614,224	$14,886	$13,255	$13,255
Marketable Securities:				
Time deposits, 13.625% to 13.75%, due 1/6/82 to 1/27/82	2	3,000	3,000	3,000
Commercial paper, 12.70% to 13.50%, due 1/4/82 to 1/27/82	7	8,806	8,806	8,806
Subtotal		11,806	11,806	11,806
Total securities		$26,692	$25,061	$25,061

Allowance for Doubtful Accounts
Changes for the years ended December 31, 1981, 1980 and 1979 are summarized as follows (in thousands):

	1981	1980	1979
Balance beginning of year	**$1,899**	$1,506	$1,363
Additions, charged to income	**835**	1,552	975
Deductions, write-off of uncollectable accounts	**(1,042)**	(1,170)	(575)
Other	**(126)(1)**	11	(257)(2)
Balance end of year	**$1,566**	$1,899	$1,506

(1) Reflects addition of BLK Steel Inc.
(2) Primarily reflects the allowance at the date of the sale of Waco Division–net allowance acquired from Metalart Buckle Co.

Line of Business Information
The Company operates principally in three industries: steel, metal products and construction tools. Operations in the Steel Group involve the manufacture and sale of cold-finished steel bars. Operations in the Metal Products Group involve the manufacture and sale of a wide range of products, such as industrial and furniture casters, material handling systems, coated wire baskets for automatic dishwashers, industrial sewing machines for bag closures, precision miniature packages for the microelectronics industry, metal accessories for the apparel trade, and automotive electronic components.

The Construction Tools Group manufactures and sells or leases construction tools and paper tape for finishing gypsum drywall board joints, and tools and equipment for other construction trades. This group also markets, via catalogs, tool kits, laboratory supplies and equipment, and safety products.

Assets employed are those assets used within each group to produce income. Corporate assets consist primarily of cash, marketable securities, common stock investments, corporate office property, and realty assets which are held for investment purposes.

Income Information (in thousands):	**1981**	1980	1979	1978	1977
Net Revenues from Unaffiliated Customers					
Steel Group	**$ 92,686**	$ 80,209	$112,825	$ 93,375	$ 79,790
Metal Products Group	**106,759**	94,603	96,405	74,547	57,412
Construction Tools Group	**73,187**	72,529	76,115	67,060	51,431
Corporate, Land, other and eliminations	**1,000**	9,218	2,147	5,490	1,183
Total	**$273,632**	$256,559	$287,492	$240,472	$189,816
Income From Continuing Operations Before Income Taxes					
Steel Group	**$ 3,525**	$ 2,636	$ 5,875	$ 3,704	$ 4,875
Metal Products Group	**9,897**	8,047	11,592	9,017	6,738
Construction Tools Group	**17,926**	18,569	21,619	19,151	15,337
Corporate, Land, other and eliminations	**439**	7,256	1,035	319	241
	31,787	36,508	40,121	32,191	27,191
General corporate (expense) income	**4,656**	772	(3,283)	(2,445)	(2,551)
Interest expense	**(3,014)**	(3,043)	(2,701)	(2,894)	(2,759)
Total	**$ 33,429**	$ 34,237	$ 34,137	$ 26,852	$ 21,881

Asset Information (in thousands):				
Assets Employed				
Steel Group	**$ 31,701**	$ 26,183	$ 30,739	$ 31,901
Metal Products Group	**77,555**	70,207	63,057	48,382
Construction Tools Group	**30,129**	28,383	29,041	36,951
Corporate, Land, other and eliminations	**43,593**	50,121	59,014	36,622
Total	**$182,978**	$174,894	$181,851	$153,856
Depreciation and Amortization				
Steel Group	**$ 1,415**	$ 1,151	$ 1,121	$ 806
Metal Products Group	**3,881**	3,212	2,552	1,956
Construction Tools Group	**741**	730	734	632
Corporate, Land, other and eliminations	**145**	129	120	116
Total	**$ 6,182**	$ 5,222	$ 4,527	$ 3,510
Capital Expenditures				
Steel Group	**$ 707**	$ 278	$ 283	$ 2,793
Metal Products Group	**4,625**	4,507	3,904	4,034
Construction Tools Group	**961**	707	814	757
Corporate, Land, other and eliminations	**273**	29	455	3,201
Total	**$ 6,566**	$ 5,521	$ 5,456	$ 10,785

All data presented above pertains only to continuing operations. Information previously reported for prior years has been restated to a comparable basis. Sales between industry segments are not material.

Quarterly Financial Summary (Unaudited)
(in thousands, except per share amounts)

	1981 For the Three Months Ended				
	3/31	6/30	9/30	12/31**	Total
Net revenues	$71,782	$74,863	$70,144	$56,843	$273,632
Gross profit	15,081	16,930	15,461	14,105	61,577
Income from continuing operations before taxes	6,648	12,771	6,162	7,848	33,429
Provisions for income taxes	3,117	5,852	2,283	1,969	13,221
Income from continuing operations	3,531	6,919	3,879	5,879	20,208
Income from discontinued operations	—	—	—	—	—
Net income	$ 3,531	$ 6,919	$ 3,879	$ 5,879	$ 20,208
Per Share Data					
Income Per Fully Diluted Share:					
Continuing operations	$ .52	$ 1.03	$ .57	$ .88	$ 3.00
Discontinued operations	—	—	—	—	—
Net income	$ .52	$ 1.03	$ .57	$ .88	$ 3.00
Income Per Primary Share:					
Continuing operations	$ .53	$ 1.03	$ .58	$ .89	$ 3.03
Discontinued operations	—	—	—	—	—
Net income	$ .53	$ 1.03	$ .58	$ .89	$ 3.03
Average primary shares outstanding	6,680	6,684	6,681	6,674	6,678
Average fully diluted shares outstanding	6,760	6,757	6,746	6,730	6,748
Interest add back	4	5	4	4	17

**All information is restated to reflect the sale of the Waco Division as a discontinued operation.*
***The results include $268,000 of favorable effects of change in foreign currency translation procedures; prior quarters are not restated as effects are not significant.*

Supplementary Income Statement Information
Supplementary income statement information from continuing operations for the years ended December 31, 1981, 1980 and 1979 is as follows (in thousands):

	Charged to Costs and Expenses		
	1981	1980	1979
Maintenance and repairs	$ 5,340	$ 5,104	$ 5,853
Advertising	5,743	5,630	5,150

1980 For the Three Months Ended					1979* For the Three Months Ended				
3/31	6/30	9/30	12/31	Total	3/31	6/30	9/30	12/31	Total
$73,404	$64,045	$60,904	$58,206	$256,559	$73,864	$73,940	$70,522	$69,166	$287,492
17,642	16,293	14,572	16,639	65,146	15,568	18,165	17,134	16,533	67,400
9,168	8,293	6,920	9,856	34,237	6,554	9,822	8,758	9,003	34,137
4,494	3,800	3,086	4,347	15,727	3,155	4,429	4,193	4,680	16,457
4,674	4,493	3,834	5,509	18,510	3,399	5,393	4,565	4,323	17,680
—	—	—	—	—	18	1,897	399	—	2,314
$ 4,674	$ 4,493	$ 3,834	$ 5,509	$ 18,510	$ 3,417	$ 7,290	$ 4,964	$ 4,323	$ 19,994
$ .64	$ .62	$ .52	$ .77	$ 2.55	$ .47	$ .73	$ .62	$ .59	$ 2.41
—	—	—	—	—	—	.26	.06	—	.32
$ .64	$ .62	$ .52	$ .77	$ 2.55	$ .47	$ .99	$ .68	$ .59	$ 2.73
$ .65	$ .62	$ .53	$ .78	$ 2.58	$ .47	$ .75	$ .64	$ .59	$ 2.45
—	—	—	—	—	.01	.26	.06	—	.33
$ .65	$ .62	$ .53	$ .78	$ 2.58	$ .48	$ 1.01	$ .70	$ .59	$ 2.78
7,210	7,203	7,197	7,134	7,163	7,179	7,208	7,212	7,217	7,202
7,314	7,310	7,291	7,224	7,259	7,354	7,355	7,341	7,332	7,345
6	7	5	8	26	9	8	9	6	32

Board of Directors

Henry P. Albrecht (A,C,N)
President,
Gale Realty, Inc.
Real estate investment company

Harold G. Bernthal (C)
President & Chief Operating Officer,
American Hospital Supply Corporation
Manufacturer of health care products

E. T. Collinsworth, Jr. (E)
President & Chief Executive Officer,
Bliss & Laughlin Industries Incorporated

Stanley E. G. Hillman (C,N)
Retired Vice Chairman of the Board,
IC Industries, Inc.
Diversified company engaged in transportation, consumer products and other businesses

C. Arnold Kalman (E)
Senior Vice President,
Booz, Allen & Hamilton, Inc.
Management consultants

Marvin G. Mitchell (A,N)
Retired Chairman & Chief Executive Officer,
CBI Industries, Inc.
Contracting firm engaged in construction of metal plate structures and related systems

Robert T. Powers
Chairman of the Board,
Nalco Chemical Company
Specialty chemical company

John B. Schwemm
President,
R. R. Donnelley & Sons Company
Commercial printing company

Keith Shay (E)
Partner,
Schiff Hardin & Waite
Law firm

Gordon R. Worley (A)
Executive Vice President-Finance,
Montgomery Ward & Co., Incorporated
National retailer of general merchandise

Committees of the Board of Directors
(A) Audit
(C) Compensation
(E) Executive
(N) Nominating

Corporate Officers

Frank W. Aughnay
Executive Vice President

Norma J. Bark
Assistant Secretary

E. T. Collinsworth, Jr.
President & Chief Executive Officer

T. P. Crigler
Financial Vice President & Treasurer

Donald R. Hart
Assistant General Counsel & Assistant Secretary

Robert C. Hoffman
Corporate Controller, Assistant Treasurer & Assistant Secretary

Donald B. Moritz
Vice President, Construction Tools Group

Gregory H. Parker
Vice President, Steel Group

Joseph W. Rose
Vice President, Metal Products Group

Dennis W. Sheehan
Vice President Administration, General Counsel & Secretary

Transfer Agents
Continental Illinois National Bank and Trust Company, Chicago, Illinois
Morgan Guaranty Trust Company, New York, New York

Registrars
Harris Trust and Savings Bank, Chicago, Illinois
Bradford Trust Company, New York, New York

Common Stock Listing
New York Stock Exchange (Stock Exchange Symbol–BLI)

Divisions and Managers

Ames Taping Tool Systems Co.
Eugene R. Johnson,
Vice President & General Manager

Amprix Electronics Co.
Gary C. Davies,
General Manager

Andamios Atlas, S.A.
(49% owned)
Jorge de Arechavala,
General Manager

Bliss & Laughlin Steel Co.
Gregory H. Parker,
Group Vice President

Direct Safety Company
Richard K. Gilbert,
Marketing Manager

Faultless Division
Willard P. Stetzelberger,
Vice President & General Manager

Faultless-Doerner Manufacturing Inc.
Vernon H. Anthony,
General Manager

Dave Fischbein Co.
Robert J. Robinson,
Vice President & General Manager

Goldblatt Tool Co.
Donald C. Place,
Vice President & General Manager

Jensen Tools Inc.
Uma Nandan,
Vice President & General Manager

Markson Science, Inc.
Kenneth E. Stine,
General Manager

Metalart Buckle Co.
W. P. Stetzelberger,
Vice President & General Manager

Nestaway Division
Harold O. Hayes, Jr.,
Vice President & General Manager

Tekform Products Co.
Ronald C. Chalman,
Vice President & General Manager

Annual Meeting

The annual meeting of stockholders of Bliss & Laughlin Industries will be held at 10:30 A.M., local time, Wednesday, May 5, 1982, at the executive offices of the Company, 122 West 22nd Street, Oak Brook, Illinois. You are cordially invited to attend.

Executive Offices:
Bliss & Laughlin Industries Incorporated
122 West 22nd Street
Oak Brook, Illinois 60521
Telephone 312/654-3350
TWX 910/651-0211

Form 10-K
A copy of the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission for the year 1981 will be furnished without charge to stockholders upon written request to:

Miss Norma J. Bark
Assistant Secretary
Bliss & Laughlin Industries
122 West 22nd Street
Oak Brook, Illinois 60521

Bliss & Laughlin is an equal opportunity employer.

Quarterly Data
Bliss & Laughlin's common stock is listed on the New York Stock Exchange (ticker symbol BLI). The table below sets forth quarterly data relating to the Company's common stock prices and cash dividends per share for the past two years:

	Prices Per Share				**Cash Dividends Per Share**	
	1981		1980			
Quarter	**High**	**Low**	High	Low	**1981**	1980
First	**$18.75**	**$14.50**	$16.40	$12.00	**$.25**	$.22
Second	**21.50**	**18.25**	16.40	12.90	**.2875**	.22
Third	**22.38**	**17.25**	17.38	15.00	**.2875**	.25
Fourth	**19.13**	**17.50**	15.88	14.25	**.2875**	.25