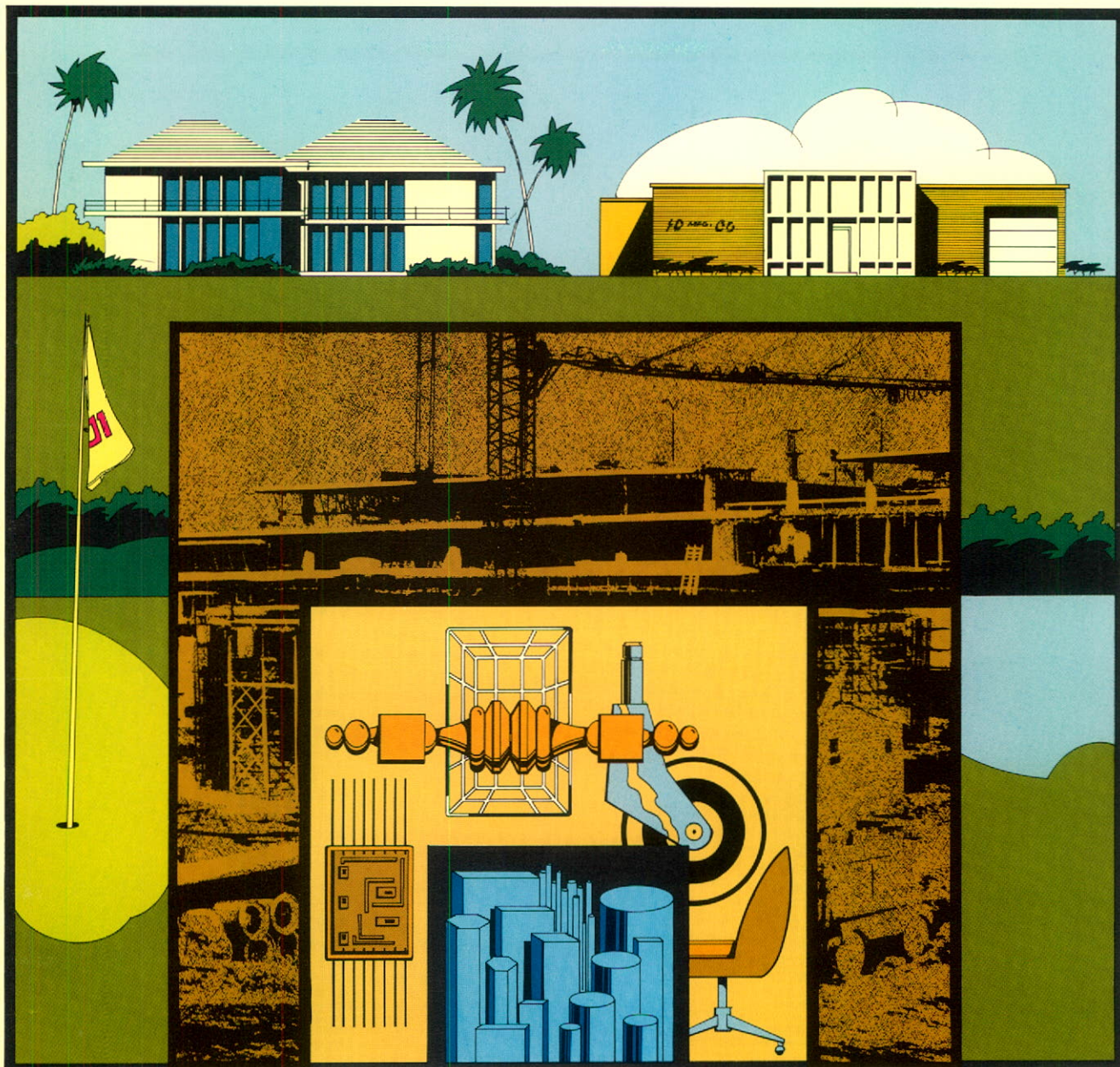


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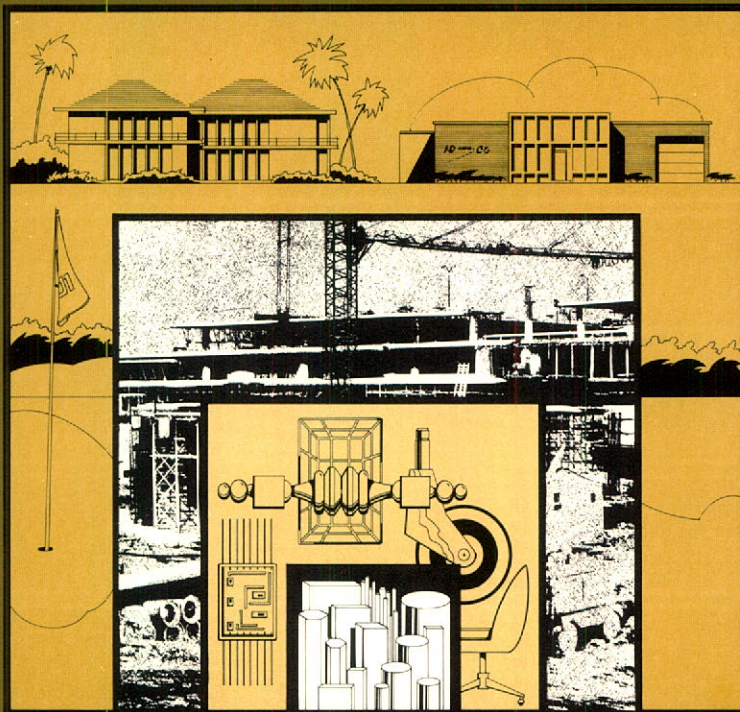
A DECADE OF DIVERSIFICATION

ANNUAL REPORT 1971

BLISS & LAUGHLIN INDUSTRIES

MANAGEMENT
LIBRARY
APR 4 1972
MCGILL UNIVERSITY

A DECADE OF DIVERSIFICATION



bli '77

1971 marks the tenth year of Bliss & Laughlin Industries's continuing program of diversification, the results of which are described in this Annual Report. Today, BLI's four lines of business are:

- *products for home and office furnishings,*
- *construction tools and equipment,*
- *cold finished steel bars, and*
- *residential and industrial land development.*

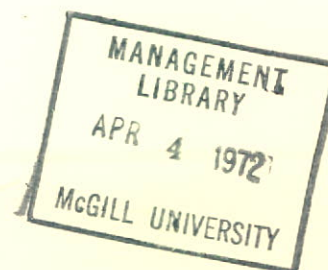
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FINANCIAL HIGHLIGHTS	1971	1970
Net sales and rental revenues	\$109,499,000	\$109,167,000
Net income	\$ 4,740,000	\$ 6,348,000
Net income per share	\$1.67	\$2.27
Cash dividends	\$ 2,838,000	\$ 2,794,000
Cash dividends per share	\$1.00	\$1.00
Shareholders' investment	\$ 48,610,000	\$ 45,821,000
Average shares outstanding	2,833,270	2,789,697
Number of shareholders	6,246	6,209
Number of employees	3,048	3,319

ANNUAL MEETING

The annual meeting of shareholders of Bliss & Laughlin Industries will be held at 10:30 A.M., Wednesday, May 3, 1972, at the executive offices, 122 West 22nd Street, Oak Brook, Illinois. You are cordially invited to attend.





TO BLI SHAREHOLDERS

While preparing to write this letter to you regarding 1971, I was interested to reread my messages of other years.

Each made an effort at predicting what the next year was going to be and, in general, proved accurate in at least one respect. That one thing is *change*. Each year I predicted change, and this at least proved to be consistently true.

1971 is no exception. For the year, our earnings are very gratifying, considering the spotty economy that seriously affected two of our important divisions.

In our caster division, the furniture business did not recover until late in the year, and then only modestly. Fortunately, other units in the Metal Products Group enjoyed record breaking volume and earnings, and they seem embarked upon another good year in 1972.

The steel industry received a great deal of national publicity during 1971. On July 23, five of our steel plants began a strike which was not solved by the basic steel agreement of August 1. A sixth plant struck on September 22.

Basically, the company has felt that

a fair sharing of the benefits accruing from a business enterprise is essential if that business is to continue as a successful venture. Stockholders, customers and employees, salaried and hourly, must share equitably from their efforts. To this end, the strike was finally satisfactorily settled at four plants in November and at a fifth plant in January, 1972.

The Construction Group enjoyed a tremendous year, and each participant in its efforts is hereby congratulated. From all indications, they will repeat their success this coming year.

Land Development is now organized and poised to become a significant factor in the corporation's earning capability in 1972.

Two acquisitions were effected during 1971, and our diversification program must continue. Its importance to the corporation was illustrated vividly by our sustained earnings during a year when the steel company was on strike for so long—operating at a loss, in fact—and when our caster business was at such a low ebb.

Looking ahead to 1972, the economy is improving, albeit slowly, and while price and wage controls

are contrary to the principles on which our country has been successful, it is possible they may aid in controlling inflation. If temporary, they can be helpful. Our company will adapt itself to the circumstances as they develop.

Generally, I am not much given to looking backward, for I feel that history is only a foundation on which to build a future. The decade of the sixties was such a time for the company. We have been modestly successful, I think, in adapting to the changes as they unfolded. I suggest that the seventies are going to be a time of even greater change.

Therefore, once again I predict change—national and international, social and economic, corporate and individual—but I also predict Bliss & Laughlin Industries will meet the challenge from whatever quarter, and with its historic success.



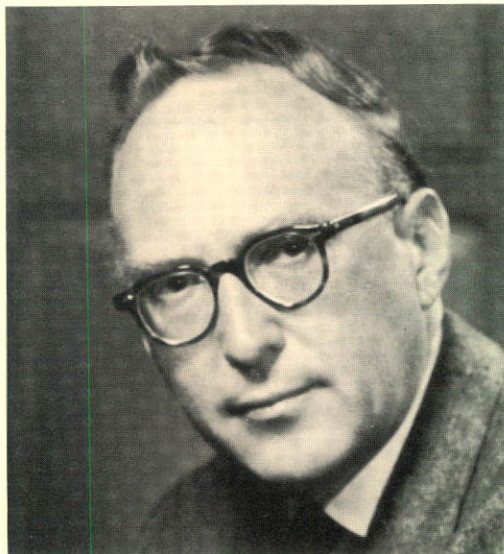
F. J. Robbins
Chairman

E. T. COLLINSWORTH JR. WELCOMED AS BLI PRESIDENT ON FEBRUARY 21, 1972

No stranger to BLI, Even T. Collinworth Jr. has been a Director since 1961, and a leader in the corporation's diversification program that has succeeded in doubling revenues and tripling earnings during the past decade.

Since 1964, Mr. Collinworth has been an executive of Armour & Company, most recently Executive Vice President and a Director, as well as Vice President—Administration and Corporate Development for the parent Greyhound Corporation.

A native of Knoxville, Tennessee, Mr. Collinworth has a B.S. in chemical engineering from the University of Tennessee and an M.B.A. from Harvard.



1961/1971

A DECADE OF DIVERSIFICATION AND GROWTH

An impressive record of growth and achievement has been written by Bliss & Laughlin Industries during the past ten years.

For its first 70 years, Bliss & Laughlin was a steel company, one of the country's leading producers and distributors of cold-finished steel bars. Today, BLI is still a leader in steel—plus a lot more.

The big change began in 1961. Management was determined to move BLI into new growth areas and to achieve above average earnings growth. Because only modest growth could be expected from the cold-finished steel bar business, the decision was made to diversify.

BLI began its diversification program in 1962 by acquiring companies in the construction tool field, and later in the furniture hardware field. Since then, it has expanded in both the construction and metal products markets, and more recently has moved into land development.

Diversification has been good for Bliss & Laughlin Industries and for the companies acquired. With BLI capital and marketing expertise to help them, these companies have expanded, some dramatically. And, in spite of 1971, the steel business has also shown steady growth during the decade.

The result is a strong company that's on the leading edge of a number of growth areas. It's also better able to weather temporary setbacks in one or more areas, as 1971 proved.

OUTLOOK Diversification has enabled the company to achieve and maintain impressive revenues and earnings levels in a relatively short period of time, as the "Ten-Year Financial Review" on Page 16 shows. BLI management is pledged to a continuing program of growth—through internal growth of present BLI businesses and by conservative compatible diversification.

1971

1970

1969

ADDISON
(land)

1968

DYNA-LIFT COMPANY
(mobile cranes)

1967

1966

1965

GOLDBLATT TOOL CO.
(tools & equipment
for trowel trades)

1964

1963

1962

1961

1891

MARCO PAPER PRODUCTS CO.
(construction tapes)

POLY-DYN, INC.
(cabinet doors)

INDUSTRIAL PARK
(development)

A.S.D. CORPORATION
(California land dev.)

TURTLE CREEK VILLAGE
(Florida land dev.)

NESTAWAY COMPANY
(coated metal products)

TEKFORM PRODUCTS COMPANY
(cases for electronic circuits)

THREADED NAILS COMPANY
(specialty fasteners)

DOERNER PRODUCTS CO., LTD.
(chair bases and controls)

WACO SCAFFOLD & SHORING CO.
(scaffolding & shoring)

FAULTLESS CASTER CORP.
(casters & decorative hardware)

AMES TAPING TOOL SYSTEMS CO.
(tools for drywall contractors)

BLISS & LAUGHLIN STEEL CO.
(cold-finished steel bars)

BLI CONSTRUCTION GROUP

1971 was an excellent year for the Construction Group, as a whole.

After a slow first two months, our business accelerated in the Spring and maintained a pace nearly 20% above 1970 through the rest of the year.

The hero was housing construction, which was very strong and helped produce record years for Ames drywall taping tool systems, and for Goldblatt tools and equipment for the trowel trades.

Waco's scaffolding and shoring business was affected by the slight drop in non-residential and non-building construction.

During 1971, we acquired Marco Paper Products Company. Marco is a leading supplier of construction tapes for the drywall industry and fits well with our Ames and Goldblatt divisions.

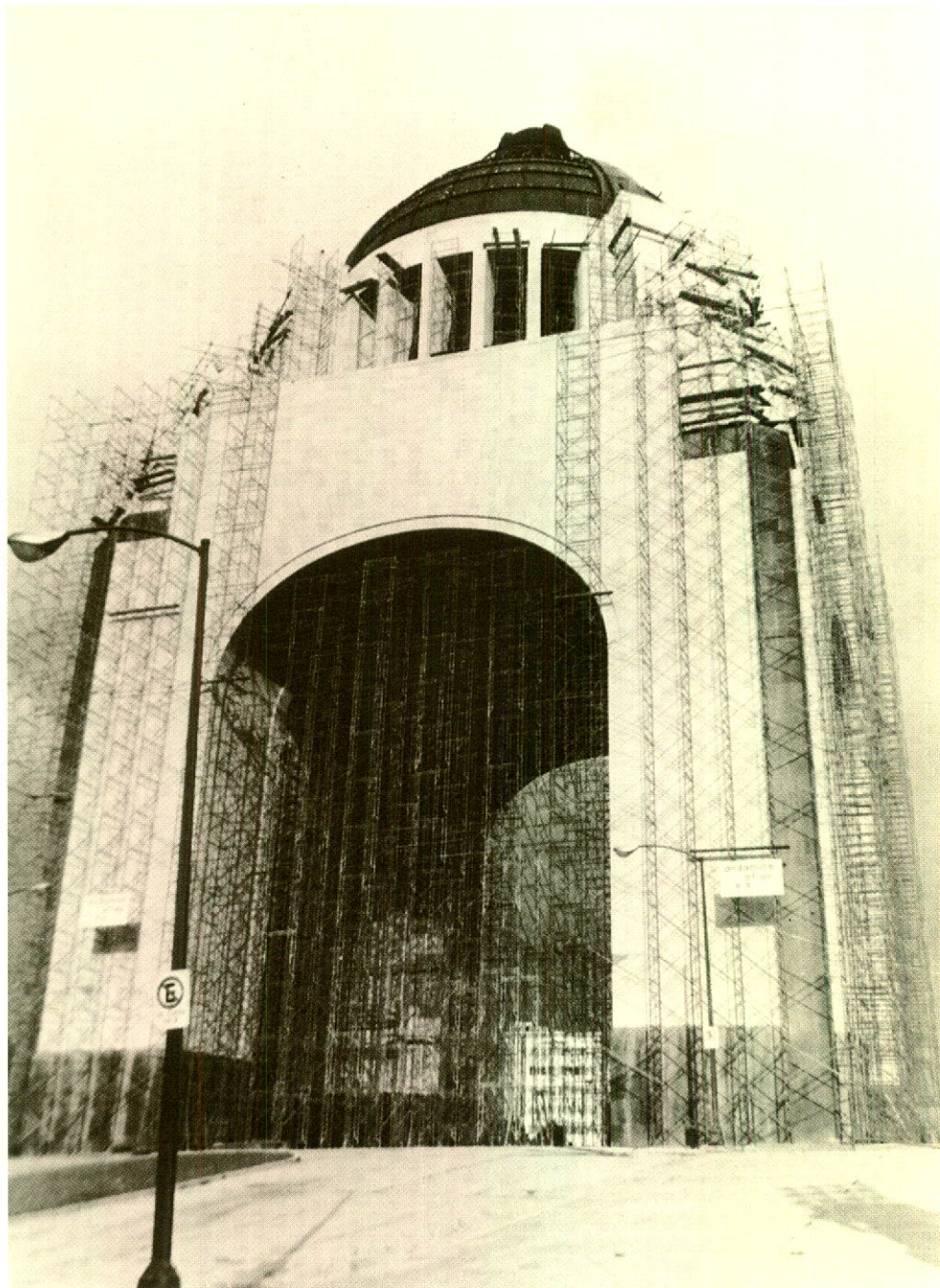
Outlook for 1972. Residential construction should continue strong, although it could tail off slightly in the second half. Add to that an expected resurgence of commercial and industrial building, and 1972 should be another banner year for the Construction Group.



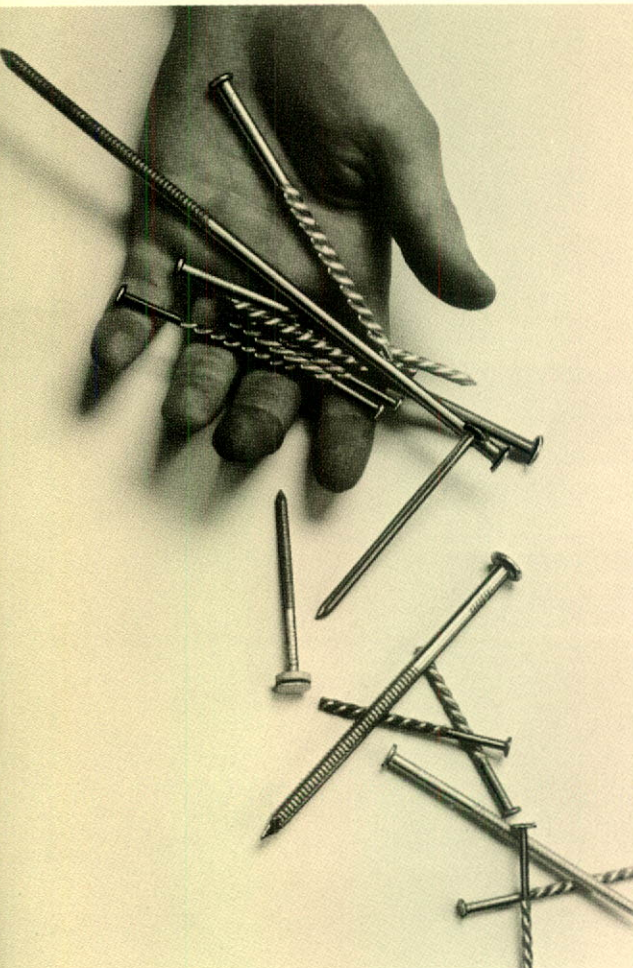
Frank W. Aughnay

A handwritten signature in cursive script that reads "Frank W. Aughnay".

Group Vice President



- Waco scaffolding at work on refurbishing of impressive Monument of the Revolution in Mexico City.
- Ames taping tool system and Marco tape join forces to speed drywall construction.
- Goldblatt trowels and power tools are choice of concrete and plastering contractors.
- Threaded Nails specialty fasteners come in a variety of sizes and shapes.
- Dyna-Lift mobile crane.



BLI METAL PRODUCTS GROUP

Like the U.S. economy, 1971 proved to be a tough, uphill year for the Metal Products Group.

However, by year end, the outlook was considerably improved. Because of stronger second half activity, two of our divisions were actually able to exceed their 1970 sales and post record earnings.

A great portion of our total business is related to industrial production, and this sector of the economy showed only modest and gradual improvement throughout the year. Nonetheless, most of our business had firmer backlogs and higher shipment activity at year's end.

Product-wise, we are stronger than ever. Doerner chair and furniture product lines have gained wide acceptance in the United States and Canada. Our trim plant, which struggled with start-up problems in 1971, will make a contribution in 1972.

Our materials handling lines of casters and wire products have been augmented by the Nestainer, a Nestaway innovation that offers exceptional portability, stackability and nestability. In electronic packaging, Tekform has expanded its standard lines for relays and integrated circuits.

1972 Outlook. We look for a good year. The strong housing market is creating increased demand for household furniture and appliances, two important market areas for our customers. Our industrial markets will be strengthened by the increased awareness of cost reduction opportunities through improved materials handling.

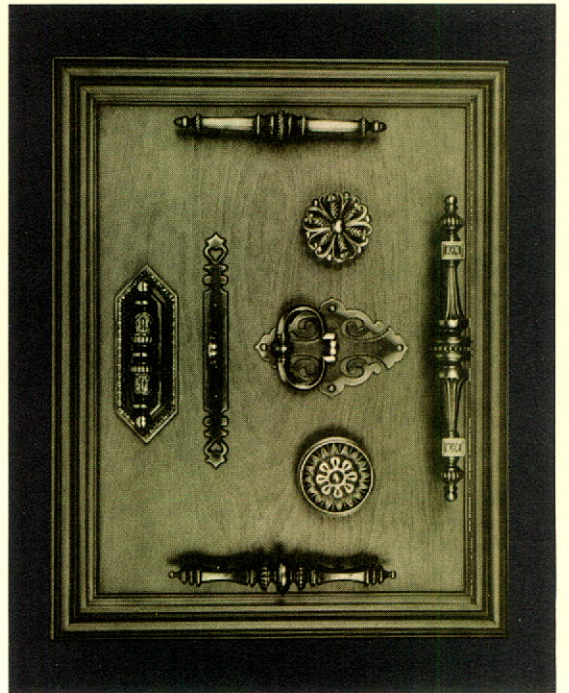
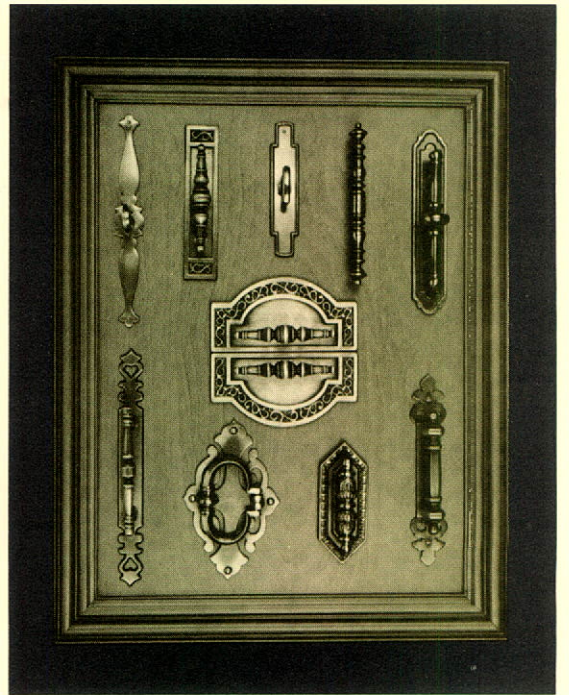
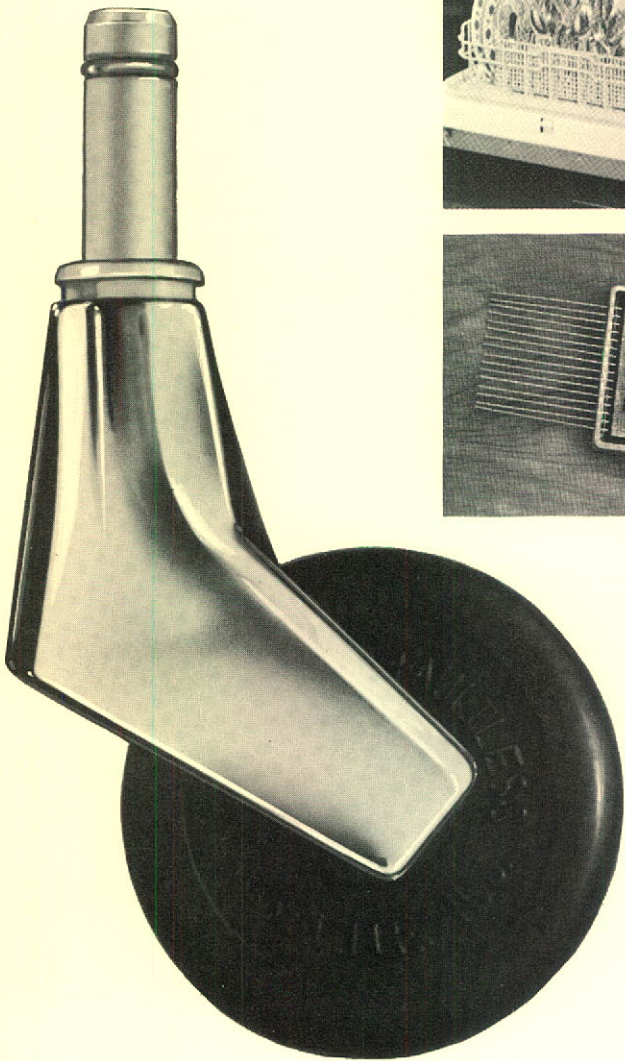
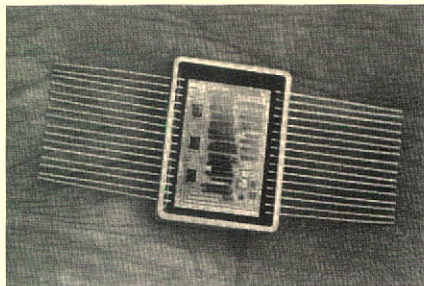


Joseph W. Rose

Joseph W. Rose
Group Vice President



- Doerner chair controls and bases combine with Faultless casters for stylish furniture.
- Faultless decorative hardware accents the natural-look beauty of Poly-Dyn cabinets.
- Nestaway coated metal racks add convenience and durability to today's dishwashers.
- Tekform cases provide positive protection for microminiature electronic circuits.



BLI STEEL GROUP

1971 was a difficult year for the Steel Group.

The sluggishness and uncertainty that had characterized the 1970 economy carried over into 1971. Imports also presented some problems.

During the Third Quarter, six of our eight domestic steel plants went out on strike. They remained out for more than three months. By early January, 1972, satisfactory three-year labor contracts had been reached at five of the plants, and negotiations were continuing at the sixth.

How does 1972 look for steel? We're modestly optimistic. Prime market indicators—automotive, appliances, machine tools—appear somewhat favorable. Thus, we expect some improvement in demand for cold finished steel bars.

And, we are in excellent position to meet the demand. Many of the labor problems we had in 1971 are behind us. Acquisition of a 5-acre site adjacent to our Harvey plant has provided lower cost storage and handling of inventory. Also, it will enable us to rearrange production lines and equipment for lower cost operations.

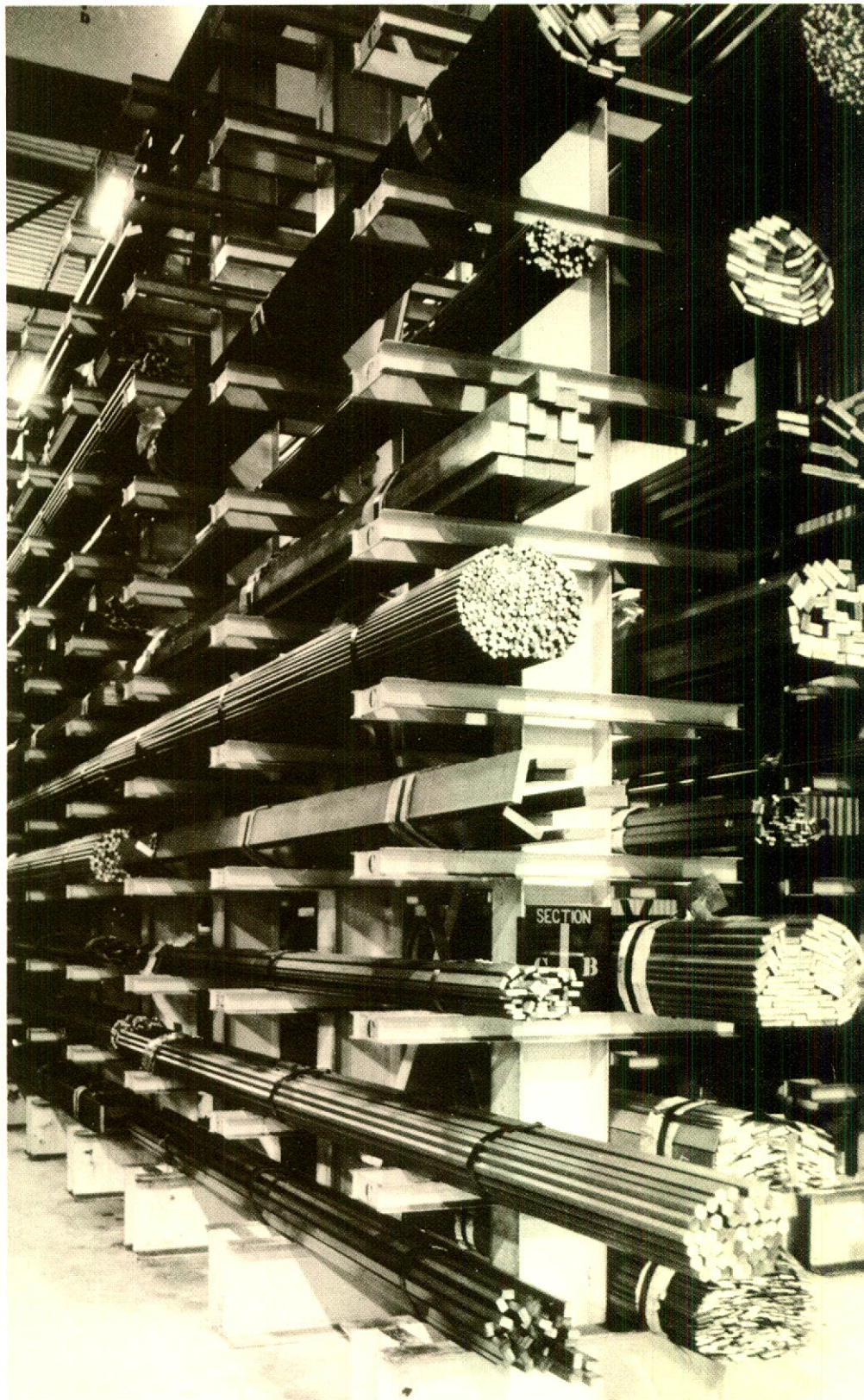
During 1972, we shall have in operation a new computer-activated order and inventory system that will permit us to serve customer's needs better and faster than ever before.

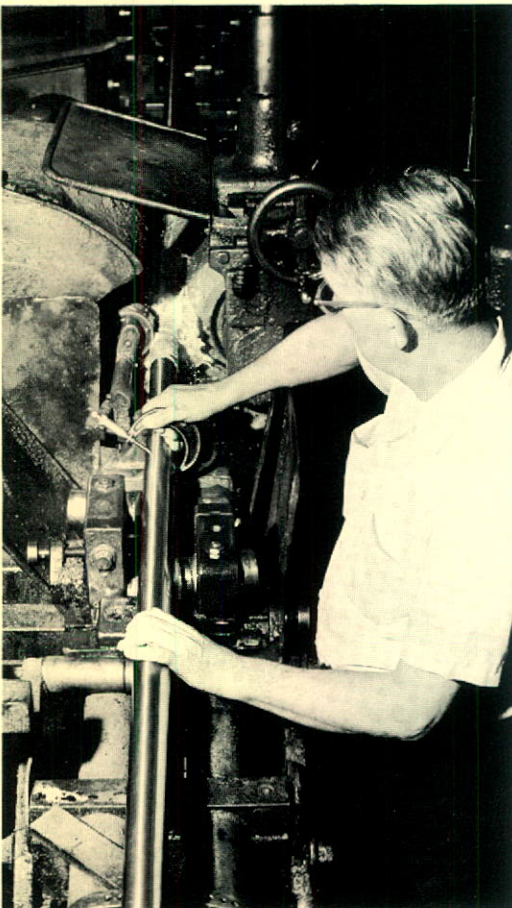


Eugene G. Sheasby

Eugene G. Sheasby

Group Vice President





□ *Consistent quality has been the hallmark of Bliss & Laughlin cold finished steel bars for over 80 years. Processing includes removal of iron scale from the purchased hot rolled bars, followed by careful cold drawing to exacting size, concentricity and mechanical property specifications. Progressive micrometer readings and "spark" tests are two of many quality control checks employed.*

New computer-activated order and inventory system will begin operation in 1972.

BLI LAND DEVELOPMENT

1971 was a milestone year for BLI Land Development.

We have four developments in various stages of maturity, with several beginning to generate earnings in 1971.

Addison Industrial Park, located in a very convenient Chicago suburban area, aroused considerable interest during the latter months of 1971. By year end, a number of sites had been sold, and several buildings were under construction.

Turtle Creek, our residential development that's on choice acreage just a few miles from Palm Beach, Florida, has caught the eyes of many who yearn for a more temperate climate and of Floridians who long for "Florida like it used to be." Many condominium units are sold and occupied. Also, a number of homes are completed on the property surrounding the golf course.

During 1971, we finished initial preparation of our Wildwood Ranch planned community in San Bernardino County, California. Models will be erected early in 1972.

Rolling, wooded Carmel Valley, our other major property in Southern California, is in the initial stage of development. Located within the San Diego city limits and only a mile from the Pacific Ocean, it will become a model community with both residential and commercial areas.

In addition to these four developments, we are actively considering several attractive properties in other areas of the country.

Frank W. Aughnay



Group Vice President

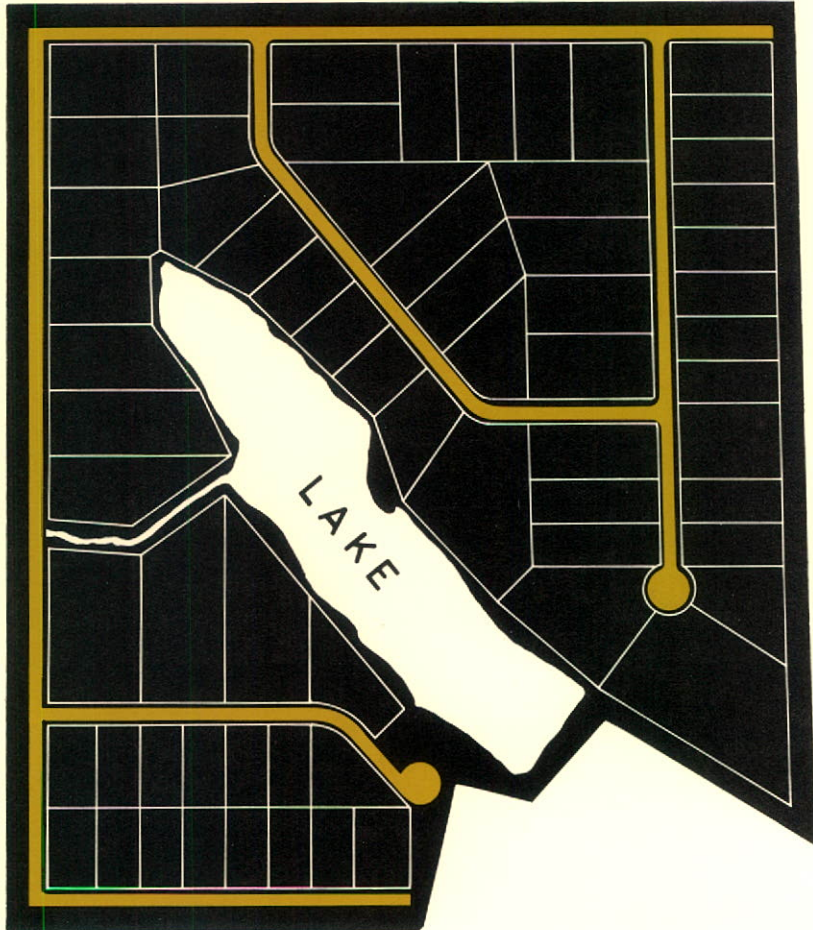


□ *Turtle Creek residential development provides a year-round haven for fun-and-sun seekers near Palm Beach, Florida.*

□ *A.S.D. Corporation is developing planned communities in San Bernardino County and San Diego that respect the natural beauty of the land.*

□ *Addison Industrial Park offers an ideal location plus unique lakeside lots to firms moving into the Chicago area.*





TEN-YEAR FINANCIAL REVIEW

ANNUAL RESULTS (000 omitted)

Net Sales and Rental Revenue	
Depreciation and Amortization	
Income Before Taxes	
Provision for Income Taxes	
Net Income	
Cash Dividends	

1971

1970

1969

\$109,499	\$109,167	\$128,566
3,894	3,728	3,444
8,440	8,761(a)	13,793
3,700	3,900(a)	6,900
4,740	6,348(b)	6,893
2,838	2,794	2,712

FINANCIAL POSITION (000 omitted)

Working Capital	
Plant and Equipment, Net	
Long-Term Notes Payable	
Mortgage Loans	
Convertible Subordinated Debentures	
Shareholders' Investment	

\$ 26,579	\$ 22,529	\$ 21,086
28,520	28,742	25,077
13,763	13,765	5,046
11,244	7,224	6,749
7,735	8,821	10,211
48,610	45,821	41,845

FINANCIAL HIGHLIGHTS

Earnings Per Share	
Dividends Per Share	
Income Before Taxes to Revenues	
Return on Average Shareholders' Investment	

\$ 1.67	\$ 2.27(b)	\$ 2.52
\$ 1.00	\$ 1.00	\$ 1.00
7.7%	8.0%	10.7%
10.0%	14.5%	17.4%

STATISTICS

Average Shares Outstanding	
Number of Shareholders	
Number of Employees	

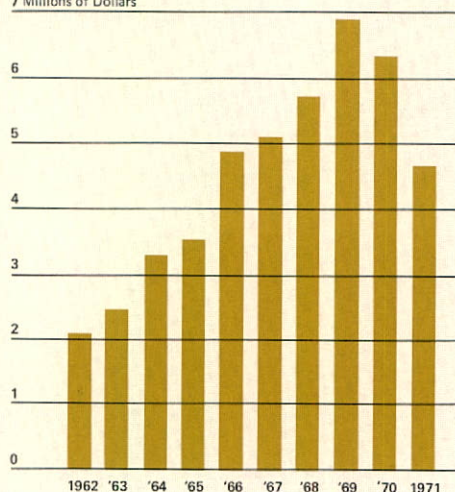
2,833,270	2,789,697	2,736,163
6,246	6,209	6,090
3,048	3,319	3,286

(a) Results of Continuing Operations.

(b) Includes Income from and Gain on Sale of Bank Subsidiary.

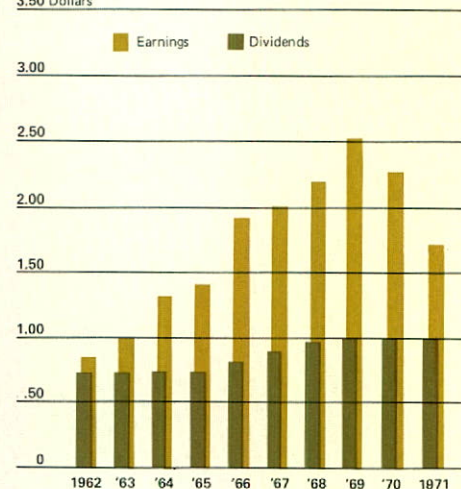
net income

7 Millions of Dollars



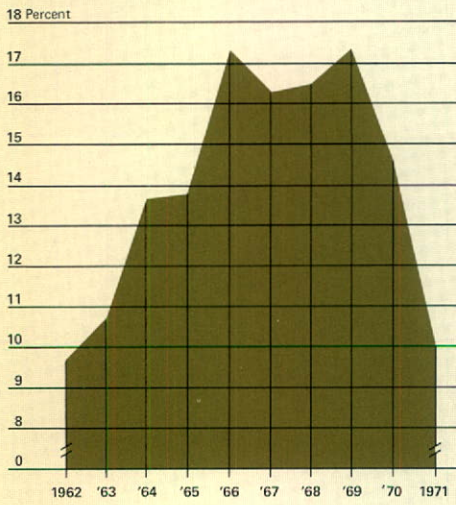
earnings and dividends per share

3.50 Dollars

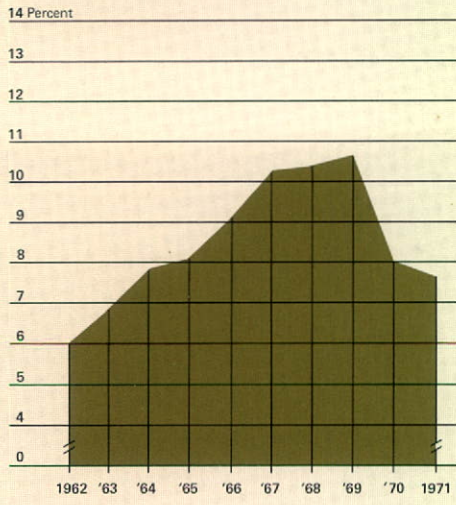


1968	1967	1966	1965	1964	1963	1962
\$114,061	\$ 95,112	\$105,324	\$ 83,813	\$ 80,748	\$ 73,546	\$ 71,197
3,289	2,290	2,143	1,945	1,811	1,662	1,271
11,833	9,756	9,627	6,796	6,264	5,060	4,296
6,100	4,650	4,750	3,250	2,968	2,597	2,175
5,733	5,106	4,877	3,546	3,296	2,463	2,121
2,496	2,264	1,996	1,617	1,400	1,394	1,392
\$ 24,586	\$ 22,332	\$ 18,443	\$ 18,557	\$ 16,025	\$ 16,124	\$ 16,244
22,743	15,234	14,545	12,017	10,914	10,353	9,308
5,575	6,161	7,637	8,094	4,619	5,372	6,127
—	—	—	—	—	—	—
12,531	13,983	—	—	—	—	—
37,672	32,676	29,738	26,568	24,744	23,220	22,267
\$ 2.20	\$ 2.02	\$ 1.93	\$ 1.42	\$ 1.33	\$.99	\$.85
\$.975	\$.90	\$.80	\$.73	\$.73	\$.73	\$.73
10.4%	10.3%	9.1%	8.1%	7.8%	6.9%	6.0%
16.5%	16.3%	17.3%	13.8%	13.7%	10.8%	9.7%
2,606,588	2,520,860	2,516,544	2,495,050	2,475,498	2,483,758	2,481,426
5,985	5,717	5,639	5,787	6,067	6,175	6,193
2,743	2,428	2,573	2,232	1,936	1,926	1,926

earnings on shareholders' investment



income before taxes to revenues



CONSOLIDATED STATEMENT OF INCOME

	For the years ended December 31	<u>1971</u>	<u>1970</u>
Net Sales and Rental Revenue		\$109,498,887	\$109,167,315
Costs and Expenses:			
Cost of sales and rentals		\$ 83,233,177	\$ 83,172,051
Selling, general and administrative expenses		16,108,926	16,262,877
Other expenses, net		1,716,580	971,084
		<u>\$101,058,683</u>	<u>\$100,406,012</u>
Income Before Income Taxes		\$ 8,440,204	\$ 8,761,303
Provision for Income Taxes (Note 7)		3,700,000	3,900,000
Income from Continuing Operations		\$ 4,740,204	\$ 4,861,303
Income from Bank Subsidiary (acquired and sold in 1970) less related interest and income taxes		<u>—</u>	<u>787,786</u>
Income Before Extraordinary Item		\$ 4,740,204	\$ 5,649,089
Extraordinary Item—Gain on Sale of Bank Subsidiary, net of applicable income tax of \$280,000		<u>—</u>	<u>698,802</u>
Net Income		<u>\$ 4,740,204</u>	<u>\$ 6,347,891</u>
Net Income Per Share:			
Income from continuing operations		\$1.67	\$1.74
Income from bank subsidiary		<u>—</u>	<u>.28</u>
Income before extraordinary item		\$1.67	\$2.02
Extraordinary item		<u>—</u>	<u>.25</u>
Net Income		<u>\$1.67</u>	<u>\$2.27</u>
Fully Diluted Net Income Per Share, assuming conversion of the Company's convertible subordinated debentures as of the beginning of the year			
Income from continuing operations		\$1.54	\$1.58
Income from bank subsidiary		<u>—</u>	<u>.25</u>
Income before extraordinary item		\$1.54	\$1.83
Extraordinary item		<u>—</u>	<u>.22</u>
Net Income		<u>\$1.54</u>	<u>\$2.05</u>

The accompanying notes to consolidated financial statements are an integral part of this statement.

CONSOLIDATED BALANCE SHEET

assets

	December 31	1971	1970
CURRENT ASSETS:			
Cash (including certificates of deposit).....		\$ 3,601,900	\$ 4,523,253
Receivables, less reserve		13,112,075	12,715,018
Inventories, principally at the lower of average cost or market.....		26,755,741	25,949,683
Prepaid expenses		874,939	705,505
Total current assets		<u>\$ 44,344,655</u>	<u>\$ 43,893,459</u>
REALTY (Note 2):			
Land and related costs		\$ 16,655,827	\$ 9,502,826
Receivables		780,621	328,601
Other		598,836	399,090
		<u>\$ 18,035,284</u>	<u>\$ 10,230,517</u>
OTHER ASSETS:			
Notes receivable, deferred charges, and investments, at cost (Note 8)...		\$ 1,109,309	\$ 7,853,004
Investments in affiliated companies and non-consolidated subsidiary (Note 1)		1,806,925	1,638,930
Intangible assets arising from acquisitions (\$947,000 being amortized) ..		5,778,040	4,678,726
Patents, at cost less amortization		1,467,294	1,610,554
		<u>\$ 10,161,568</u>	<u>\$ 15,781,214</u>
PLANT AND EQUIPMENT, at cost (Note 3):			
Land		\$ 1,402,128	\$ 1,398,707
Buildings		10,520,834	10,752,741
Machinery and equipment		24,787,969	23,197,927
Equipment rented to others		16,167,986	15,686,150
Reserves for depreciation		(24,358,776)	(22,293,979)
		<u>\$ 28,520,141</u>	<u>\$ 28,741,546</u>
		<u>\$101,061,648</u>	<u>\$ 98,646,736</u>
liabilities			
CURRENT LIABILITIES:			
Short-term bank loans		\$ 4,550,000	\$ 7,050,000
Current portion of long-term notes payable.....		1,274,545	1,150,029
Accounts payable and accrued liabilities		10,992,251	12,341,442
Federal income taxes		948,808	822,736
Total current liabilities		<u>\$ 17,765,604</u>	<u>\$ 21,364,207</u>
REALTY (Note 2):			
Mortgage loans		\$ 11,243,898	\$ 7,224,220
Other		244,229	351,284
		<u>\$ 11,488,127</u>	<u>\$ 7,575,504</u>
DEFERRED FEDERAL INCOME TAXES (Note 7).....		<u>\$ 1,700,000</u>	<u>\$ 1,300,000</u>
LONG-TERM NOTES PAYABLE, less current maturities (Note 3).....		<u>\$ 13,763,191</u>	<u>\$ 13,765,242</u>
CONVERTIBLE SUBORDINATED DEBENTURES, 5¾% due in 1987 (Notes 3 and 5).....		<u>\$ 7,735,000</u>	<u>\$ 8,821,000</u>
SHAREHOLDERS' INVESTMENT (Notes 3, 5 and 6):			
Capital stock:			
Preferred stock, no par value; authorized 1,000,000 shares; no shares issued		\$ —	\$ —
Common stock \$2.50 par value; authorized 5,000,000 shares; issued 2,887,797 shares in 1971 and 2,834,898 shares in 1970.....		7,219,491	7,087,245
Additional capital		7,413,526	6,477,849
Retained earnings		35,099,750	33,197,930
Treasury stock, at cost, 40,149 shares in 1971 and 32,949 shares in 1970.....		(1,123,041)	(942,241)
		<u>\$ 48,609,726</u>	<u>\$ 45,820,783</u>
		<u>\$101,061,648</u>	<u>\$ 98,646,736</u>

The accompanying notes to consolidated financial statements are an integral part of this statement.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the years ended December 31

	1971	1970
SOURCES OF WORKING CAPITAL:		
Income before extraordinary item	\$ 4,740,204	\$ 5,649,089
Depreciation (principally straight line) and amortization, not requiring outlay of working capital in current period	3,893,914	3,727,733
Working capital provided from operations for the period, exclusive of extraordinary item	\$ 8,634,118	\$ 9,376,822
Extraordinary credit—Gain on sale of bank subsidiary, net of applicable income tax of \$280,000	—	698,802
Sales of notes receivable and investments	6,575,700	—
Sales and retirements of plant and equipment	1,266,785	493,653
Increase in long-term notes payable	1,203,358	9,975,000
Common stock issued for debenture conversions	1,086,000	1,390,000
Other	299,107	582,930
Total provided	<u>\$19,065,068</u>	<u>\$22,517,207</u>
USES OF WORKING CAPITAL:		
Realty:		
Additions to land and related costs	\$ 8,502,507	\$ 1,881,950
Cost of real estate sold	(1,349,506)	(153,226)
Additions to mortgage loans, net	(4,019,678)	(296,281)
Other	758,821	592,210
Realty, net	<u>\$ 3,892,144</u>	<u>\$ 2,024,653</u>
Additions to notes receivable, deferred charges and investments ..	—	5,324,539
Increase in intangible assets arising from acquisitions	1,114,476	37,492
Additions to plant and equipment	4,698,056	7,627,950
Payments of long-term notes payable	1,205,409	1,255,962
Debenture conversions	1,086,000	1,390,000
Cash dividends	2,838,384	2,794,494
Purchase of treasury stock	180,800	1,058,768
	<u>\$15,015,269</u>	<u>\$21,513,858</u>
Increase in working capital	<u>\$ 4,049,799</u>	<u>\$ 1,003,349</u>
CHANGES CONSIST OF INCREASE (DECREASE) IN:		
Cash	\$ (921,353)	\$ 2,812,474
Receivables, less reserve	397,057	(1,859,980)
Inventories	806,058	(656,402)
Prepaid expenses	169,434	64,223
Increase in current assets	<u>\$ 451,196</u>	<u>\$ 360,315</u>
Short-term bank loans	\$ (2,500,000)	\$ 2,550,000
Current portion of long-term notes payable	124,516	282,198
Accounts payable and accrued liabilities	(1,349,191)	(1,448,556)
Federal income taxes	126,072	(2,026,676)
(Decrease) in current liabilities	<u>\$ (3,598,603)</u>	<u>\$ (643,034)</u>
Increase in working capital	<u>\$ 4,049,799</u>	<u>\$ 1,003,349</u>

The accompanying notes to consolidated financial statements are an integral part of this statement.

CONSOLIDATED STATEMENTS OF ADDITIONAL CAPITAL AND RETAINED EARNINGS

	For the years ended December 31	<u>1971</u>	<u>1970</u>
ADDITIONAL CAPITAL:			
Balance at beginning of year		\$ 6,477,849	\$ 5,304,109
Add (Deduct):			
Principal amount of convertible debentures in excess of par value of common stock issued upon conversion (Note 3) . .		955,315	1,222,740
Other, Net		<u>(19,638)</u>	<u>(49,000)</u>
Balance at end of year		<u>\$ 7,413,526</u>	<u>\$ 6,477,849</u>
RETAINED EARNINGS:			
Balance at beginning of year		\$33,197,930	\$29,644,533
Add (Deduct)			
Net income		4,740,204	6,347,891
Cash dividends paid (\$1.00 per share in 1971 and 1970)		<u>(2,838,384)</u>	<u>(2,794,494)</u>
Balance at end of year (Note 5)		<u>\$35,099,750</u>	<u>\$33,197,930</u>

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO THE SHAREHOLDERS AND
BOARD OF DIRECTORS,
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, 1970, and December 31, 1971, and the related consolidated statements of income, additional capital, retained earnings, and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and

accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Bliss & Laughlin Industries Incorporated and Subsidiaries as of December 31, 1970, and December 31, 1971, and the results of their operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

ARTHUR ANDERSEN & CO.

Chicago, Illinois
February 1, 1972

NOTES TO FINANCIAL STATEMENTS

1. The accompanying consolidated financial statements include all subsidiaries except BLI Mortgage Company. Investments in other affiliates and BLI Mortgage Company are stated at cost plus equity in undistributed earnings since acquisition.

2. The Company's realty operations differ from its other operations in that they carry a higher ratio of debt to investment and have a business cycle extending over several years. Accordingly, all the assets and liabilities of these operations are presented under separate "Realty" captions, and the 1970 balance sheet and statement of changes in financial position have been restated to reflect this presentation. The Company's net investment in its realty operations at December 31, 1971 was \$6,547,157.

Mortgage loans are secured by real estate held for resale. The loans bear various interest rates from 5% to 8½%; \$3,672,313 of the loans mature in 1972.

3. At year end, long-term notes payable were as follows:

	1971	1970
Term loan, due in 1975	<u>\$ 8,419,300</u>	<u>\$8,119,300</u>
Obligations applicable to facilities financed through municipal industrial revenue bonds, various interest rates (4% to 8½%)	3,938,608	3,496,255
Other with various interest rates (5% to 8%)	<u>2,679,828</u>	<u>3,299,716</u>
	<u>\$15,037,736</u>	<u>\$14,915,271</u>
Less current maturities	<u>(1,274,545)</u>	<u>(1,150,029)</u>
	<u>\$13,763,191</u>	<u>\$13,765,242</u>

The above term loan, repayable in 30,000,000 Deutschmarks, was translated into United States dollar equivalents at the official exchange rate in effect at the time the loan was made. The Deutschmark increased in value in relation to the United States dollar under the floating exchange rate system adopted in 1971. As a result, the amount of the liability contingently increased \$1,188,000 as of December 31, 1971 from that amount reported as of

December 31, 1970. This unrealized increase is being amortized over the remaining life of the term loan and, accordingly, a charge of \$300,000, before Federal income taxes, has been included in the accompanying consolidated statement of income for the year ended December 31, 1971. The term loan has an effective interest rate of 8.9% before considering the \$300,000 annual amortization and other effects of the floating exchange rate.

The above long-term notes payable have varying maturities including, in the aggregate, maturities of \$1,157,658 in 1973 and \$385,696 in 1974.

The provisions of the loan agreements and the indenture for the 5¾% convertible subordinated debentures require, among other things, that the Company restrict the use of funds for the payment of cash dividends or reacquisition of the Company's capital stock. At December 31, 1971, \$17,300,000 of retained earnings was free of such restriction. In addition, the Company must maintain consolidated working capital of at least \$15,000,000. At December 31, 1971, consolidated working capital was \$26,579,051.

At December 31, 1971, the Company has reserved 372,518 shares of unissued common stock for conversion of the debentures. Annual sinking fund payments of \$1,200,000 for redemption of the debentures are required commencing in 1978, but may be satisfied by delivering converted or treasury debentures which amounted to \$7,265,000 at December 31, 1971. The debentures may be called at any time at prices decreasing from 104.54% of face value currently to 100% in 1987. At December 31, 1971, debentures in the principal amount of \$1,017,000 were held in the treasury and have been applied as a reduction of long-term debt.

4. The Company and subsidiaries provide pension benefits for substantially all employees under various plans. The provision for pension costs was \$1,321,000 in 1971 (\$1,057,000 in 1970) and includes normal costs and interest on prior service costs.

The Company's policy is to fund pension costs. At December 31, 1971, the aggregate total of the pension funds was in excess of the actuarially computed value of vested benefits for all plans.

5. The Company issued 52,274 shares of previously unissued common stock in connection with conversions of the 5¾% convertible subordinated debentures and acquired 7,200 shares of treasury stock in 1971.

6. At December 31, 1971, 41,000 unissued shares of common stock were reserved for issuance upon the exercise of outstanding stock options at \$18.75 per share, and an additional 108,375 unissued shares were reserved as of that date for granting additional options under the Company's qualified stock option plan. During the year, no options were granted, options for 625 shares were exercised, and options for 16,375 shares were terminated.

7. Provision for income taxes consists of:

	<u>1971</u>	<u>1970</u>
Currently payable	\$3,450,000	\$3,450,000
Less investment credit	(150,000)	
Deferred (related to depreciation)	<u>400,000</u>	<u>450,000</u>
	<u>\$3,700,000</u>	<u>\$3,900,000</u>

The Company recognizes the entire investment credit in the year it is claimed.

8. The Company sold with recourse during 1971 a note receivable of \$5,295,543 and is contingently liable to the holder of the note for that amount at December 31, 1971. The note is due in varying installments with a final maturity of December 1, 1980. The note bears interest at the prime rate and is secured by a subordinated security interest.

The Company is also contingently liable at December 31, 1971, as guarantor of short-term bank loans of \$604,533 of its unconsolidated subsidiary, BLI Mortgage Company.

CORPORATE OFFICERS



F. J. Robbins
Chairman



Even T. Collinworth, Jr.
President, effective February 21, 1972



Ralph W. Jindrich
Vice President
Corporate Services



Richard K. Klink
Vice President,
Secretary and
Treasurer, and

Walter C. Cannon
Asst. Secretary

Frank W. Aughnay
Vice President—Construction Group

Joseph W. Rose
Vice President—Metal Products Group

Eugene G. Sheasby
Vice President—Steel Group

DIRECTORS

Henry P. Albrecht
President Gale Realty, Inc.

G. Findley Griffiths
Director
Interlake, Inc.

F. J. Robbins
Chairman
Bliss & Laughlin Industries

Even T. Collinworth, Jr.
President*
Bliss & Laughlin Industries
*effective February 21, 1972

C. Arnold Kalman
Senior Vice President
Booz, Allen & Hamilton, Inc.

Keith Shay
Partner, Schiff Hardin
Waite Dorschel & Britton

Roland A. Erickson
Financial Consultant

Marvin G. Mitchell
President
Chicago Bridge & Iron Co.

EXECUTIVE COMMITTEE

C. Arnold Kalman,
Chairman

F. J. Robbins

Keith Shay

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

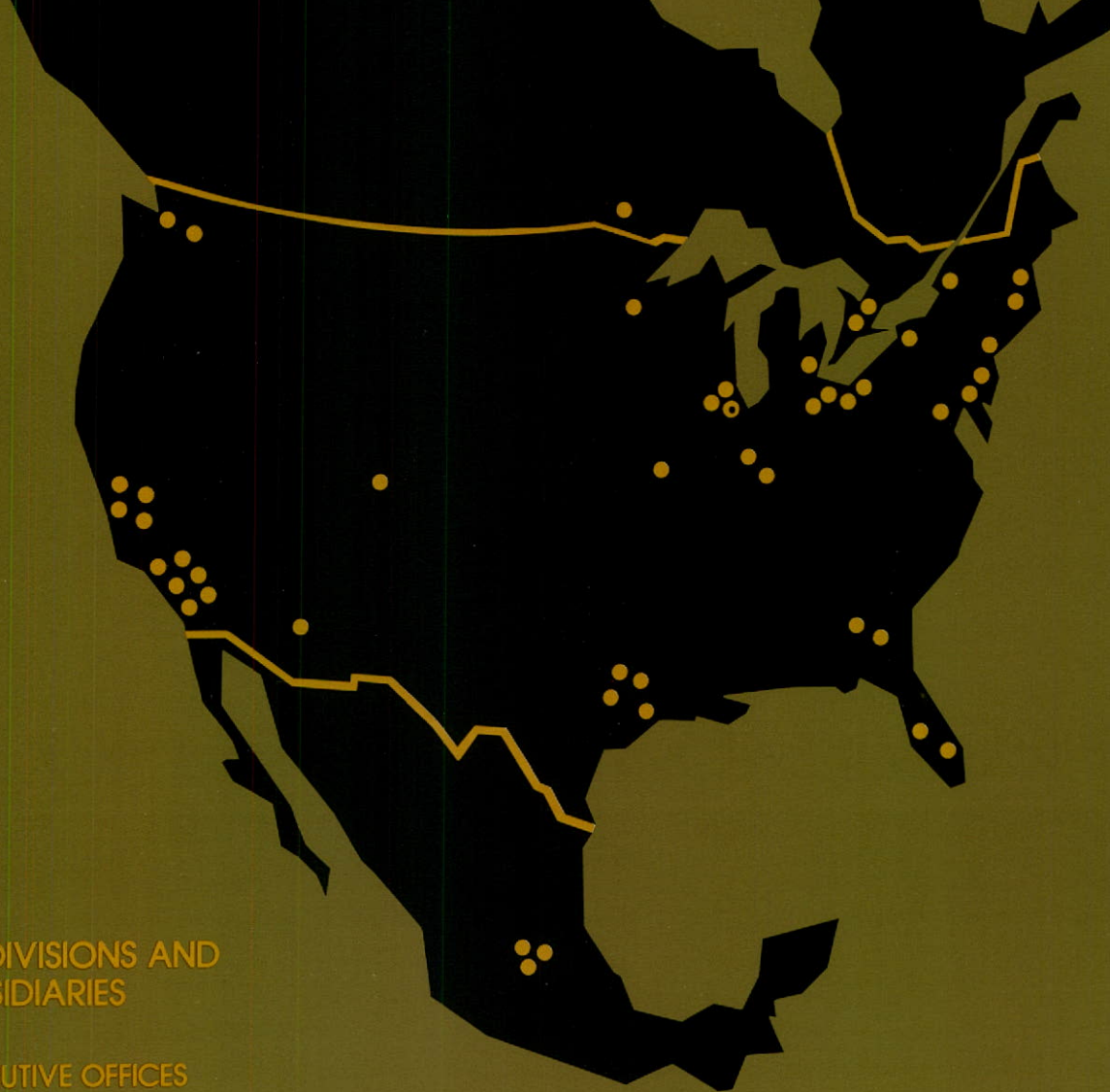
Bankers Trust Company,
New York, New York

COMMON STOCK LISTINGS

New York Stock Exchange

Midwest Stock Exchange

(Stock Exchange Symbol—BLI)



BLI DIVISIONS AND SUBSIDIARIES

EXECUTIVE OFFICES

Bliss & Laughlin Industries
Oak Brook, Illinois

CONSTRUCTION GROUP

Ames Taping Tool Systems Co.
Belmont, California
Taping tools and products for drywall construction

Dyna-Lift Co.
Los Angeles, California
Mobile cranes

Goldblatt Tool Co.
Kansas City, Kansas
Tools and equipment for construction industry

Marco Paper Products Co.
San Rafael, California
Construction tapes

Threaded Nails Co.
Skokie, Illinois
Specialty fasteners

Waco Scaffold & Shoring Co.
Schiller Park, Illinois
Scaffolding and shoring

Andamios Atlas, S.A.
Mexico City, Mexico
Scaffolding and shoring

METAL PRODUCTS GROUP

Doerner Products Co., Ltd.
Waterloo, Ontario, Canada
Chair bases and controls

Faultless Division
Evansville, Indiana
Furniture and industrial casters, decorative hardware and plastics

Faultless Casters Ltd.
Stratford, Ontario, Canada
Furniture and industrial casters

Nestaway Division
Cleveland, Ohio
Coated metal products and handling systems

Poly-Dyn, Inc.
Denver, Colorado
Cabinet doors

Tekform Products Co.
Anaheim, California
Cases for microminiature electronic circuits

Bliss & Laughlin Latinoamericana, S.A.
Mexico City, Mexico
Furniture and industrial casters and chair controls

STEEL GROUP

Bliss & Laughlin Steel Co.
Harvey, Illinois
Cold-finished steel bars

Central Division
Detroit, Michigan
Medina, Ohio

Eastern Division
Buffalo, New York
Mansfield, Massachusetts

Midwest Division
Harvey, Illinois
Houston, Texas

Pacific Coast Division
Los Angeles, California
Seattle, Washington

Bliss & Laughlin Latinoamericana, S.A.
Mexico City, Mexico

LAND DEVELOPMENT

Addison Industrial Park, Inc.
Addison, Illinois

A.S.D. Corporation
Pasadena, California

Turtle Creek
Jupiter-Tequesta, Florida



BLISS & LAUGHLIN industries

122 West 22nd Street / Oak Brook, Illinois 60521 / (312) 654-3350