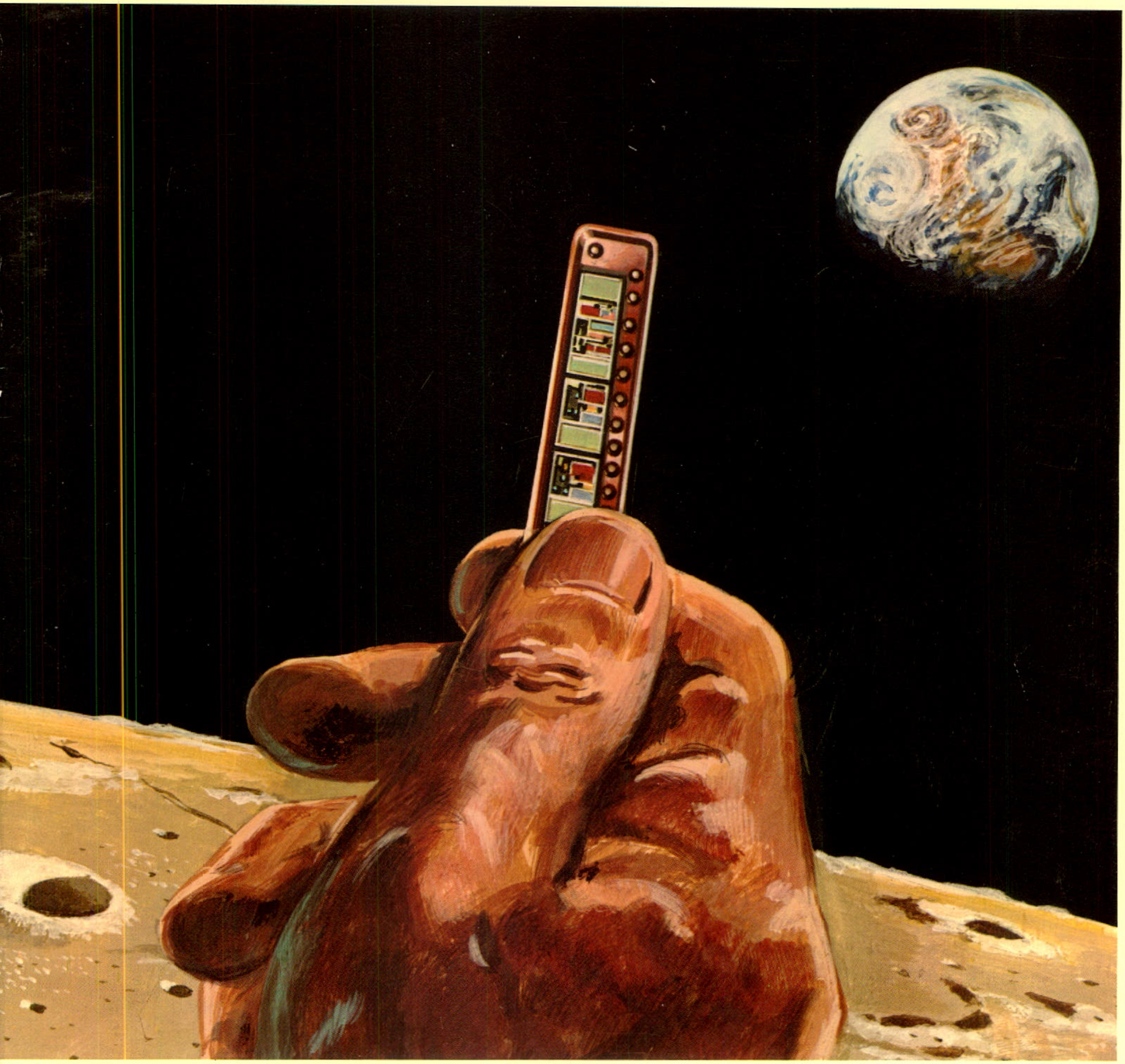
GROWTH THROUGH CHANGE



BLISS & LAUGHLIN industries

ANNUAL REPORT 1968

THE YEAR IN BRIEF

	1968	1967
Net Income	$ 5,733,000	$ 5,106,000
Net Income Per Share	2.20	2.02*
Net Sales and Rental Revenue	114,061,000	95,112,000
Cash Dividends	2,496,000	2,264,000
Cash Dividends Per Share	.975	.90*
Shareholders' Investment	37,672,000	32,676,000
Average Shares Outstanding	2,606,588	2,520,860*
Number of Shareholders	5,985	5,717
Number of Employees	2,743	2,428

*Adjusted for 100% stock distribution on May 29, 1968

ANNUAL MEETING OF SHAREHOLDERS

The annual meeting of shareholders of Bliss & Laughlin Industries will be held at 10:30 A.M., Wednesday, April 30, 1969, at the executive offices, 122 West 22nd Street, Oak Brook, Illinois. You are cordially invited to attend.

TO THE SHAREHOLDERS

Again in 1968 the company wrote new records into its corporate biography. These records in sales and earnings are shown elsewhere in this report and are recommended to you for study in detail. They resulted from two basic programs—internal growth and an active acquisition policy, the results of which have been reported to you as they occurred.

Basically, our acquisition policy is intended to build on our corporate groups so as to broaden market coverage, both geographically and in product lines. Of equal importance is the need to strengthen the earning capability of each group. We are achieving these twin goals soundly and surely. Our job continues.

The company's policy of internal growth is designed to maintain and increase our effective penetration of our various markets. This is being done in many ways. In the cold finished steel bar operations we seek constantly to improve quality and service to the customer and, at the same time, to maintain the broadest possible product line. In casters, chair controls and bases, continuing engineering design and mechanical improvements are being sought. Our tools for the whole construction industry are under constant scrutiny for design improvements to increase their effectiveness for doing the intended job.

Capital expenditures are being made, after very careful study, in all of our plants to embrace the most modern production techniques, thus assuring our customers highest quality and reducing our costs. These efforts are very important and never ending.

A manpower resources development program is currently underway, which is designed to make full use of all of our people's talents as well as to anticipate and plan for our future management requirements.

The company's return on shareholders' investment is high, 16.5 per cent, which is far above the national average.

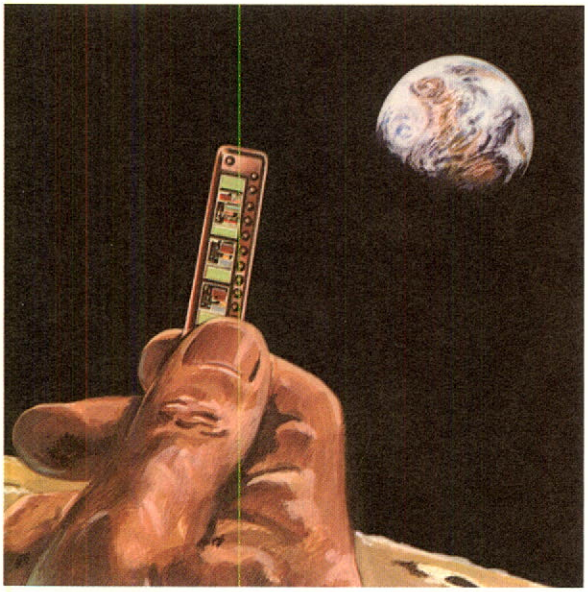
We do not believe volume sales or bigness, for their own sake, make a healthy or lasting contribution to the stockholder, the employee, or to the economy of our nation. We do believe earning capability to be a more worthwhile and lasting motive for a business enterprise. Only through earnings can a company grow and prosper in a healthy manner year after year. To this end we solicit the support of our shareholders, customers and employees. With this continuing support further growth and success is assured.

Cordially,

F. J. Robbins

F. J. Robbins, President

THE ADVANCING PACE



Tekform Products Co.

Bliss & Laughlin Industries' record 1968 performance is the result of management's 1961 decision to undertake a major diversification program for the company. Since then, the company's advancing pace has caused sales and revenues to increase two and one-half times, but more significantly, earnings to increase four times.

Today, Bliss & Laughlin Industries continues to be one of the leading producers of cold finished steel bars in North America; however, the total scope of its activities has been significantly expanded. Bliss & Laughlin Industries has broadened and strengthened its earnings base through the acquisition of companies which manufacture and market products for the construction, materials handling, furniture, appliance, chemical, food, aerospace and computer industries. These rapidly growing markets provide

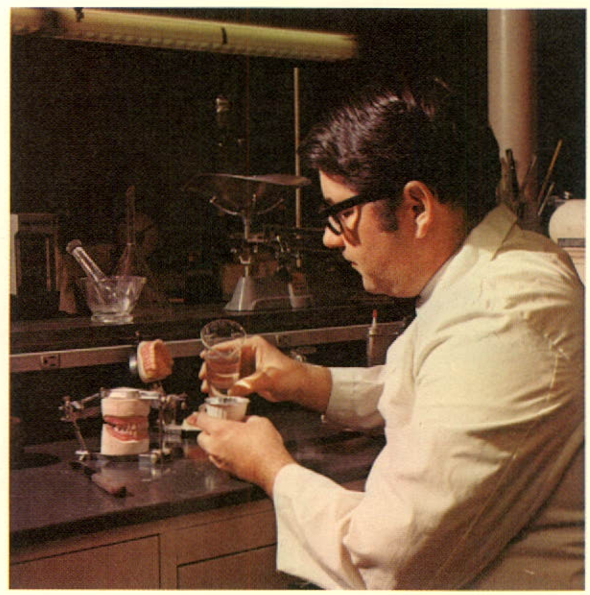
Nestaway Co.

Quickbeam

Bliss & Laughlin Industries a new foundation for future growth.

The acquisition program will continue in 1969. Acquisitions are being sought which, when coupled with the company's internal growth, will contribute to the momentum of Bliss & Laughlin Industries' advancing economic pace.

Management's goal for a high rate of return on shareholders' investment will continue to be the measure of all of Bliss & Laughlin Industries' programs. Thus, while the company's basic businesses have changed considerably over the last few years, the latticework of all of management's efforts has remained constant. Profitable progress will continue, then, to be the outgrowth of Bliss & Laughlin Industries' diversified activities.

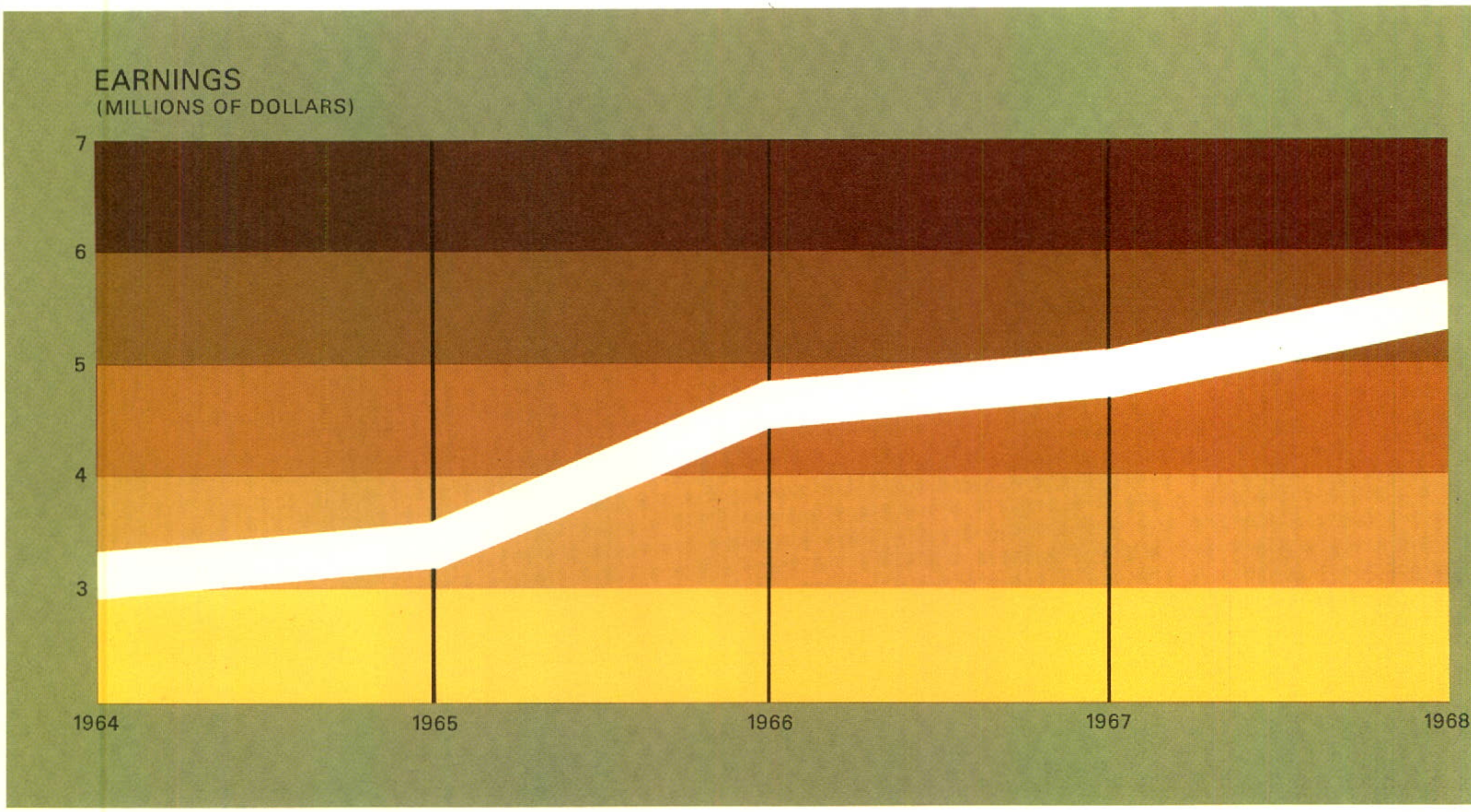


Poly-Synthetix Co.

Dyna-Lift Co.

Threaded Nails Co.

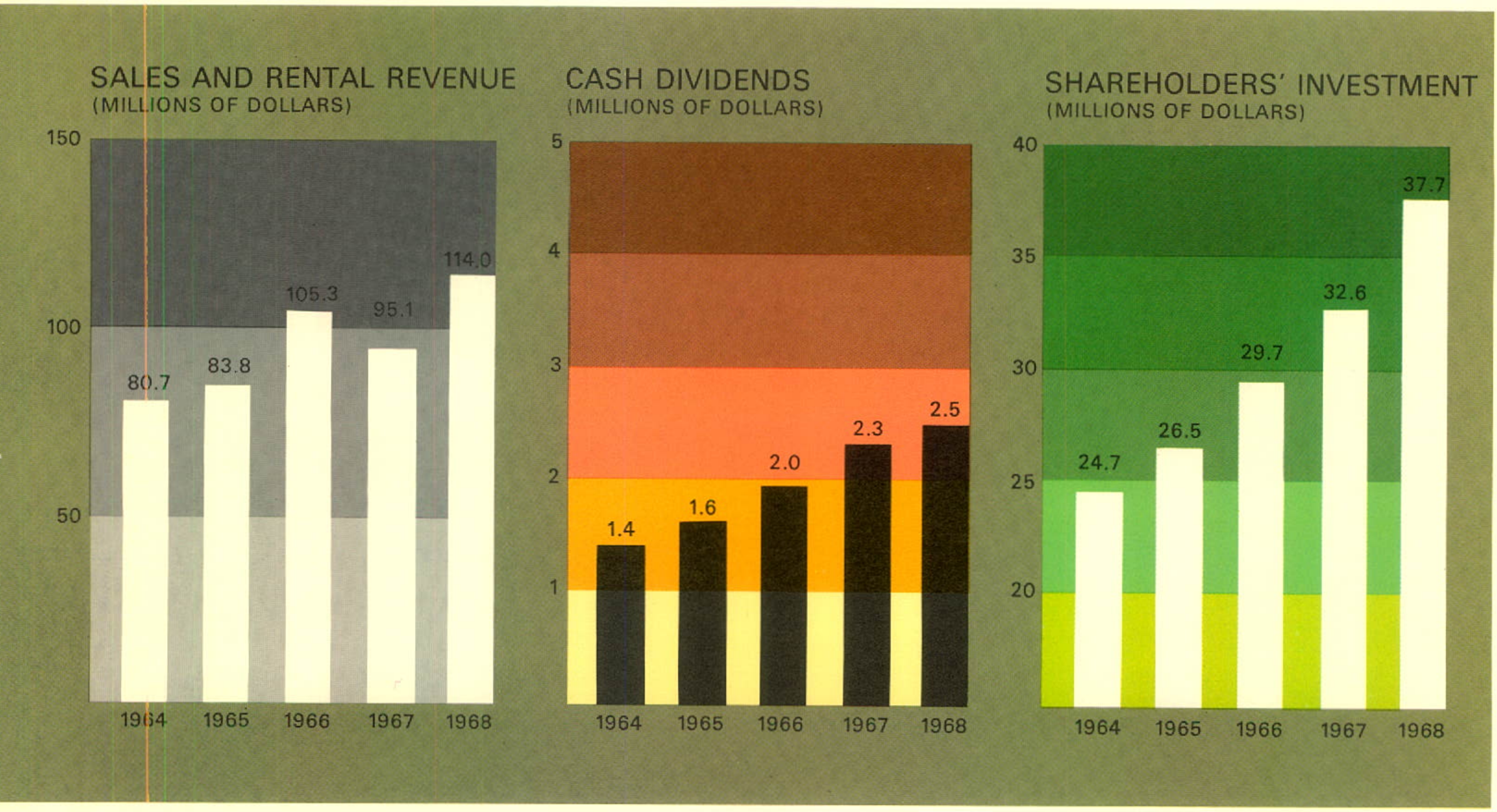
FINANCIAL REVIEW



Record sales and revenues and earnings were achieved by Bliss & Laughlin Industries for the year ended December 31, 1968. Sales and revenues increased 20 per cent to $114,061,000 over the $95,112,000 recorded in 1967. Earnings increased 12 per cent to $5,733,000, or $2.20 per share on 2,606,588 average common shares outstanding over 1967's record earnings of $5,106,000, or $2.02 per share on 2,520,860 average common shares outstanding. The per share figures have been adjusted to reflect a 100 per cent stock distribution made on May 29, 1968.

The 10 per cent Federal Income Tax Surcharge lowered per share earnings by 19¢.

The performance of all operating companies was highly satisfactory for the year. The sales and earnings of the Steel Group exceeded those of any previous



year. Rental revenues, which are playing an increasingly important role in the company's earnings results, increased substantially in 1968 due to the excellent performance of the Construction Group. Likewise, the Metal Products Group experienced a good year. The companies which joined Bliss & Laughlin Industries in 1968 also performed very satisfactorily considering the short time they have been a part of the company.

In 1968, cash dividends on the common stock totalled $2,496,000, and on May 29, a 100 per cent stock distribution was made to shareholders. Shareholders have been paid a cash dividend every year since the company's listing on the New York Stock Exchange in 1939.

The balance of the record 1968 earnings, $3,237,000, was retained for the company's future internal growth.

BLISS & LAUGHLIN STEEL CO.

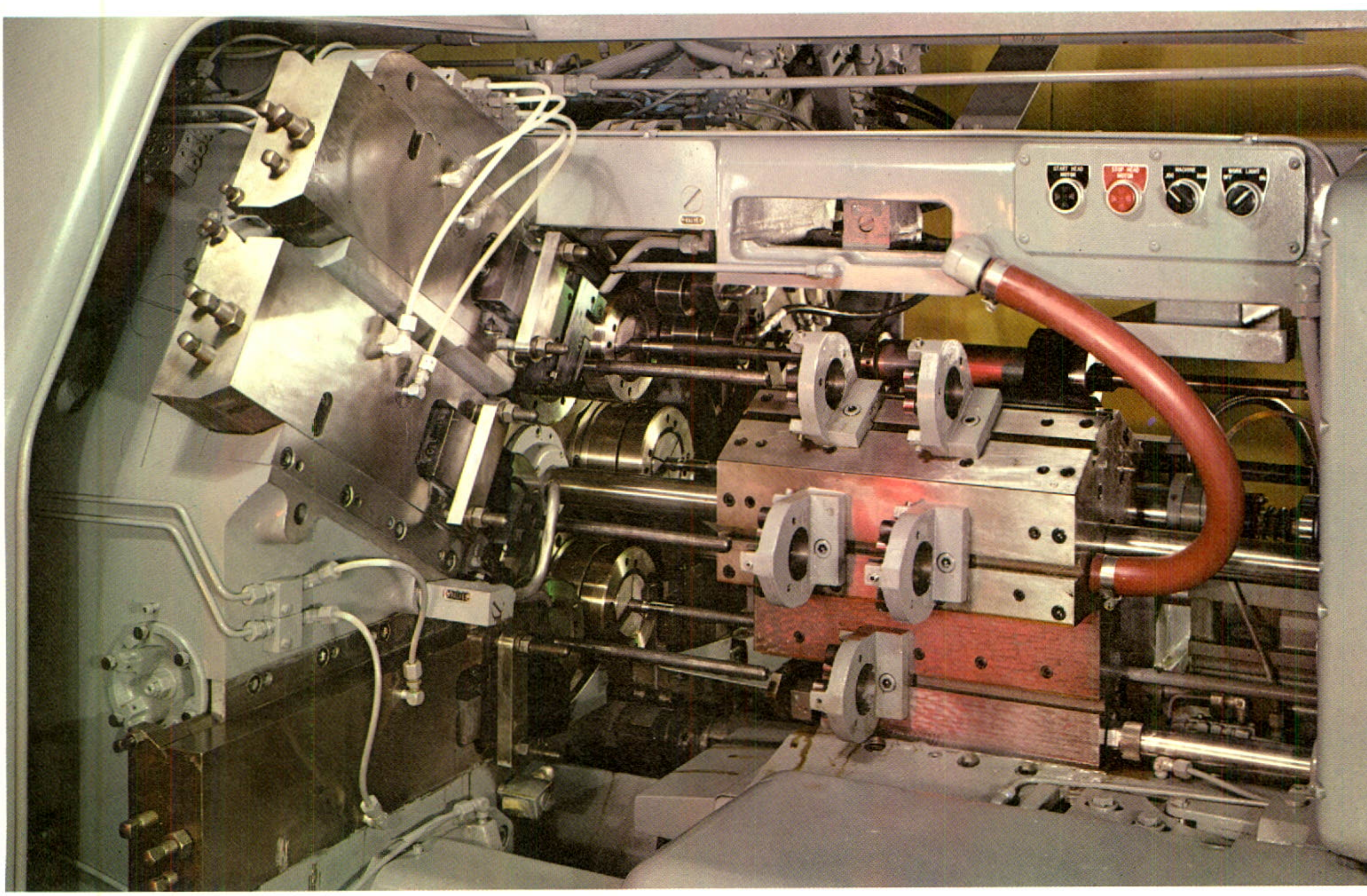
Eastern Division
Carl S. Hogberg
Vice President & General Manager

Central Division
Eugene G. Sheasby
Vice President & General Manager

Midwest Division
Robert B. Burris
Vice President & General Manager

Pacific Coast Division
Elven R. Davis
Vice President & General Manager

Bliss & Laughlin Latinoamericana, S.A., Mexico
Neil J. Chemaly
General Manager



Multiple-spindle automatics like this Greenlee machine turn cold finished steel bars into millions of parts for home and industrial products.

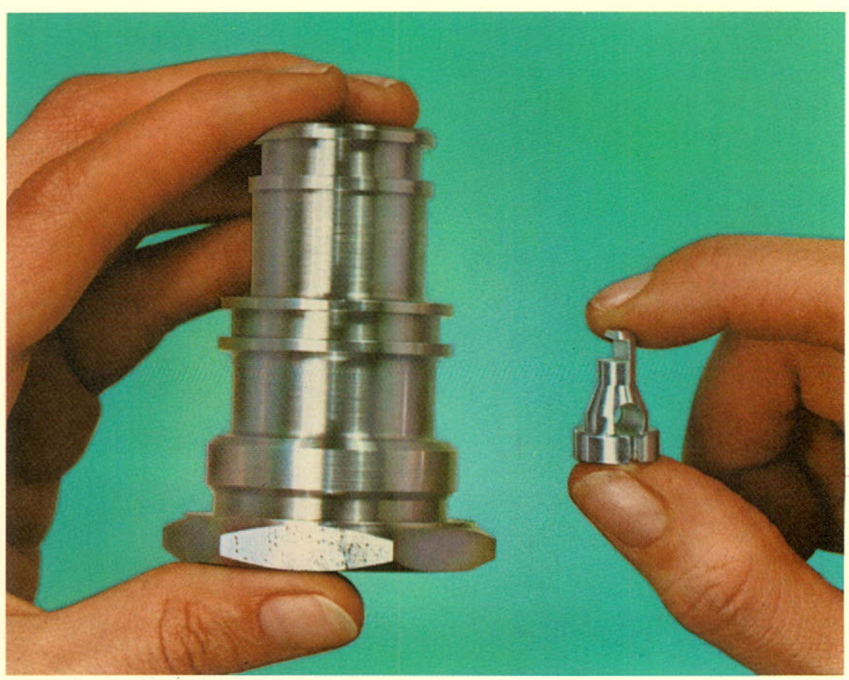
The 78-year old Bliss & Laughlin Steel Co. provides the strong foundation upon which the present diversified company has been built. It is one of the leading producers of cold finished steel bars in North America.

Virtually anything that moves incorporates cold finished steel bars. The Steel Company finds vast markets in the automotive, machine tool, farm equipment, road-building equipment, home appliance, office equipment, marine, aircraft, aerospace and electrical equipment industries. Typical applications range from automotive drive shafts to spark plug shells, from hydraulic lifts to socket wrenches, from earth-moving tractors to home barbecue units.

These bars are manufactured by such processes as cold drawing through dies, turning, grinding, straightening, polishing and heat-treating. They are produced in eight mills in the United States and one in Mexico, and are made in over 4,000 sizes and shapes—the greatest variety sold by any cold finished steel bar producer. Sales are made through the steel company's own sales organization by distributing directly to large consumers and through independent steel service centers. Bliss & Laughlin Steel Co. has twenty-five sales offices located in principal manufacturing areas of the United States.

The Steel Company services the rapidly expanding Latin American market through its subsidiary, Bliss & Laughlin Latinoamericana, S.A., which is located in Mexico City. This cold finished steel bar production facility is a joint venture with Altos Hornos de Mexico, S.A., the largest integrated steel company in Mexico. The subsidiary has so greatly outpaced original projections, that after two years of operation, sales and earnings were at levels projected for its fifth year of activity. An expansion program is currently in progress to meet the growing Latin American market.

In 1968 the Steel Company's management continued its efforts to further automate and improve production facilities.



AMES TAPING TOOL SYSTEMS CO.

Stanley Ames
Vice President & General Manager

Ames manufactures and rents a complete line of automated tools for use in the taping and finishing of gypsum drywall for residential, high-rise apartment, municipal, hospital, office and industrial buildings. These tools are more efficient and faster than the conventional hand methods used to finish and tape drywall joints. Ames is now the leading producer of these tools in the world. It leases tools to drywall contractors in the United States and Canada, and to independent distributors in eleven foreign countries.

For every 1000 square feet of occupied space, ½ linear mile of tape is needed to finish the joints between the gypsum drywall boards. Consequently, the growth trend in drywall construction is of particular significance to Ames. This trend should be bolstered by Congressional allocation of funds for the rebuilding and rehabilitation of our metropolitan areas, since it is anticipated that much of this reconstruction will be accomplished with drywall.

As the use of drywall construction becomes increasingly popular throughout the world, Ames' overseas markets continue to show promising growth.

Drywall installers all over the world now use Ames taping tool systems to save time on the job.

GOLDBLATT TOOL CO.

Donald C. Place
Vice President & General Manager

Goldblatt's well known catalog, which lists more than 1,200 products for the "trowel trades" has gained the company a national reputation in the construction industry. Over one million of these catalogs are mailed annually to skilled journeymen and dealer-distributors throughout the United States and Canada. During 1968 Goldblatt increased the number of its dealer-distributors, permitting even wider distribution of its products.

This display rack is part of Goldblatt's marketing program of reaching tradesmen throughout the country.

WACO SCAFFOLD AND SHORING CO.

Donald B. Moritz
Vice President & General Manager

Andamios Atlas, S.A., Mexico
Sergio Portal
General Manager

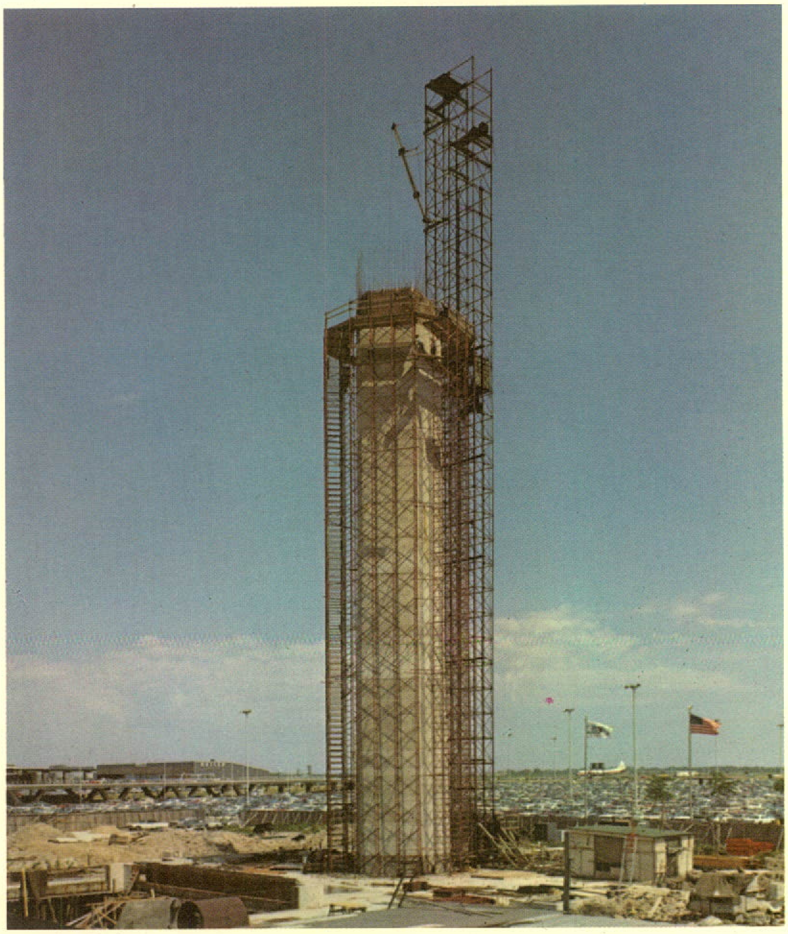
Waco manufactures a broad line of sectional tubular steel scaffolding and shoring principally for rental to the new construction, building maintenance and repair industries. Those building trades that require elevated working platforms are the largest users of Waco's scaffolding. Other uses for scaffolding are platforms for speakers, staging and TV camera coverage of special events. Waco also manufactures a special line of "Hi-Load" shoring for use in heavy construction projects such as airport buildings, nuclear power plants, university and school construction, and bridge construction.

Waco's patented innovations in scaffolding and shoring have been especially designed to help contractors combat rising construction costs. Special "Speedlock" and "Speedset" devices permit workmen to make adjustments in the scaffolding or shoring in a matter of seconds. Another unique innovation is Waco's ground assembled shoring techniques which are finding wide application by building contractors in the country because of their time and cost saving advantages.

Horizontal shoring, which is used as "beams" in many new construction and repair applications, was added to Waco's product line through the acquisition of the horizontal shoring inventory of the American Pecco Corporation. This acquisition has enabled Waco to service the markets in all the major metropolitan areas of the United States. Waco is now in a strong position to take advantage of the increased construction activity which is predicted for the years to come.

Waco's Mexico subsidiary, Andamios Atlas, S.A., services the expanding Mexican market. This subsidiary provided much of the scaffolding, shoring and TV towers for the 1968 Olympics held in Mexico City.

These bleachers were fabricated by Andamios Atlas for the Olympic Games in Mexico City, 1968.

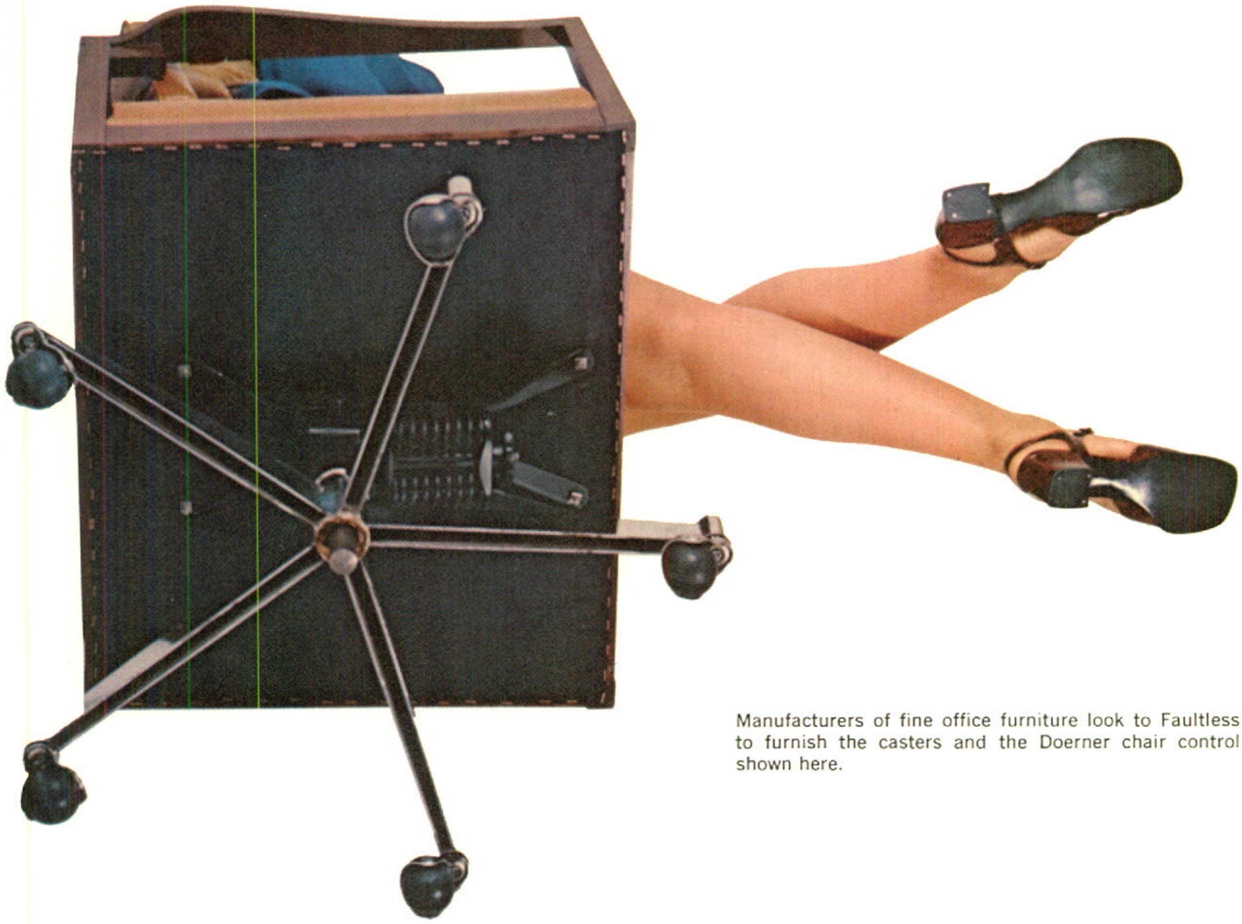


Chances are you can see Waco scaffolding and shoring on any major construction job. The control tower at Chicago's O'Hare Field, for example.

FAULTLESS CASTER CO.

J. R. Stallings
General Manager

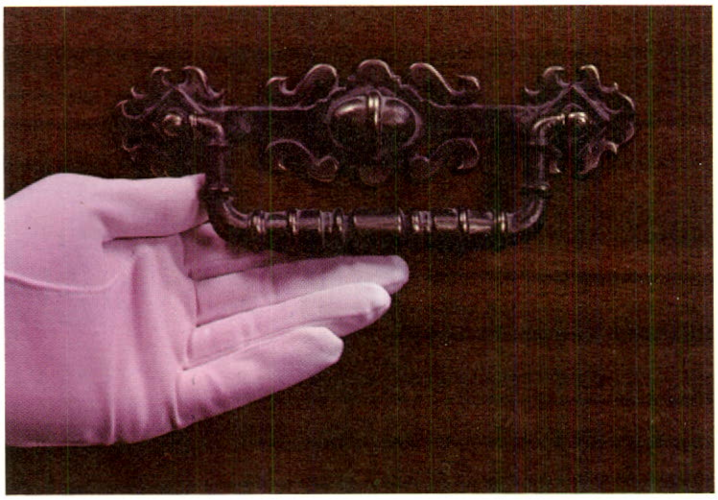
Faultless Casters Limited, Canada
A. Hamilton Johnson
Vice President & General Manager



Manufacturers of fine office furniture look to Faultless to furnish the casters and the Doerner chair control shown here.

Faultless, one of the largest manufacturers of industrial and furniture casters in the world, has casters which range in size from those found on tea carts to those found on crew access stands and bomb loading racks for aircraft. These casters find volume markets in the hospital, office equipment and materials handling fields. Faultless's distinctive line of furniture trim and chair glides is being used in increasing amounts each year by the quality furniture manufacturers of the country.

Faultless distributes its products to hundreds of dealers and suppliers from distribution points strategically located throughout the United States. At the consumer level, the products are sold by national retailers, as well as by hardware chains and other retail outlets. Faultless participates in the rapidly growing Mexican economy through the manufacture and distribution of its products by the Bliss & Laughlin Industries' facilities near Mexico City. In



Take a look at your bedroom and dining room furniture. The drawer pulls may have been manufactured by Faultless.

Canada, Faultless Casters Limited, which moved into a new leased facility in 1968, assembles, warehouses and distributes Faultless products to the growing Canadian market. Other world markets are served by sixty-five manufacturers' representatives.

Faultless undertook several important programs in 1968. A computer program was expanded to help management analyze and forecast cost reduction measures and production scheduling. A value analysis program was also implemented to study the Faultless product line to determine the most efficient product design for the customers' needs. A research and development program was initiated in 1968. It is designed to help Faultless expand its present markets, and to develop new products and markets, as well. The program should introduce several new products to Faultless customers in 1969 which will contribute further to Faultless' increasing sales.

A familiar sight in any industrial plant are the many types of job-functioned Faultless industrial casters.

DOERNER PRODUCTS CO. LIMITED

Frank Doerner
Vice President & General Manager

High quality and stylish office chair controls and chair bases are manufactured by Doerner. The chair controls permit the seat and the back of the chair to be adjusted to the individual's personal needs and comforts. Doerner uses Faultless casters for its chair bases.

In Canada, Doerner manufactures and distributes its products through its Canadian facilities, which were expanded in 1968 through the leasing of additional plant space. In the United States, Doerner's products are manufactured at the Faultless Caster Co.'s facilities, and distributed through Faultless' distribution system in the United States and Mexico.

Recognizing the growing demand for new hair stylist salons in Canada, Doerner introduced in 1968 a new hydraulic chair control which has found wide acceptance by hair stylists and barbers.

Doerner chair bases and controls are produced in many styles for a broad range of office furniture.

1968 ACQUISITIONS

During 1968, Bliss & Laughlin Industries made a number of acquisitions which further broadened the company's earnings base and diversified its markets.

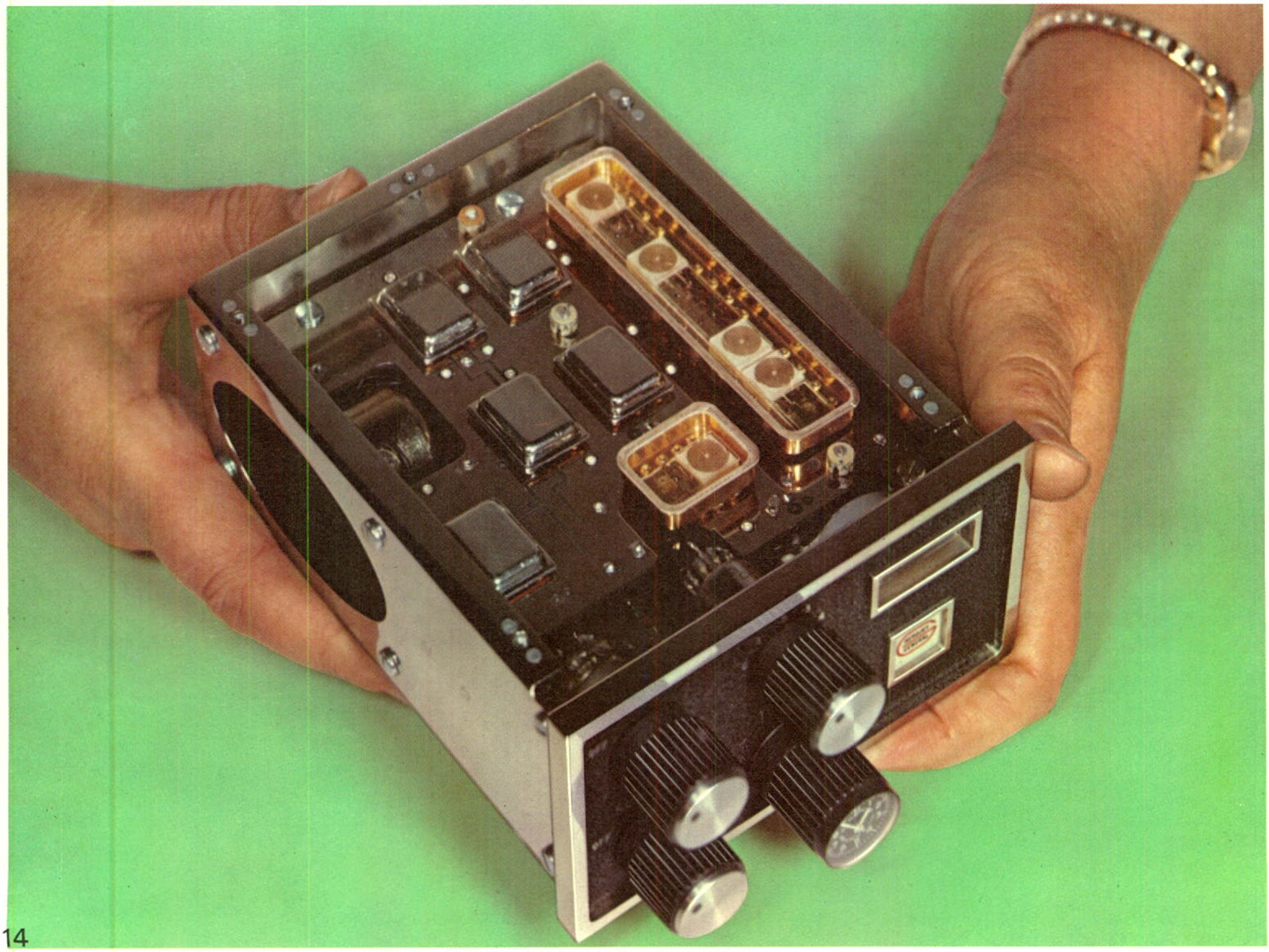
TEKFORM PRODUCTS CO.

Karl Sator
Vice President & General Manager

The acquisition of Tekform Products Co. of Anaheim, California has moved Bliss & Laughlin Industries into a more technically sophisticated industry. Tekform manufactures precision metal cases which enclose microminiature electronic components and integrated circuitry used primarily by the computer and aerospace industries. Tekform's engineers design the case configuration needed to house the customer's component or circuit and then build the cases to the close tolerances required. The wires are joined to the case using glass-to-metal seals, and the case is gold or nickel plated to a precision thickness.

In order to help meet the rising demand for its sophisticated products and technical capabilities, Tekform recently installed another atmospheric furnace, and plating and press equipment.

Tekform "packages" for microelectronic circuits are used in all types of communications equipment.
Photo of avionic receiver: Courtesy Aerojet—General Corporation Electronics Division.

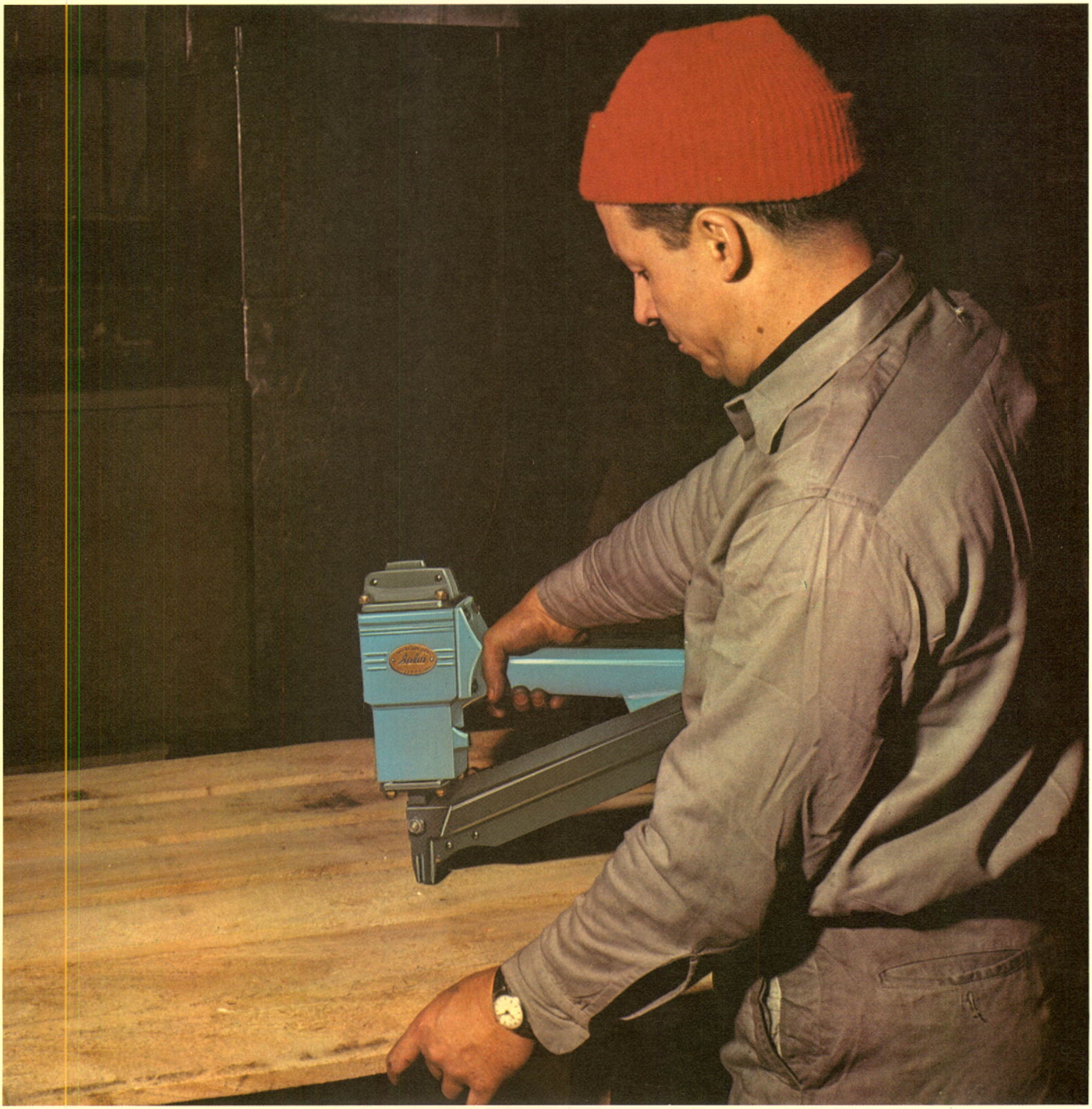


THREADED NAILS CO.

John R. Schrepferman
General Manager

Threaded Nails Co. of Skokie, Illinois, and its two affiliated companies, Dixie Threaded Nails Co. and Products Incorporated, were acquired to provide Bliss & Laughlin Industries an entry into the rapidly expanding power nailing equipment market. These companies manufacture and market a quality line of specialized threaded nail fasteners, which are particularly adaptable to automatic nailing equipment. Their products consist of helix angle drive screw nails, ring shank nails, rachet shank nails and fluted nails.

These specialty nail fasteners are used extensively by pallet manufacturers and by other manufacturers where speed of assembly and superior holding characteristics are required.



NESTAWAY CO.

William C. Neumann
Vice President & General Manager

Three operations, Mid-West Metallic Products, Coated Metallic Products and Nestaway, Limited, were acquired in the metal working field and have been combined into one profit center under the name "Nestaway." Two modern plants, one at Cleveland and one at Beaver Dam, Kentucky, manufacture vinyl-coated wire racks and baskets for automatic dishwashers and plated racks and baskets for refrigerators, stoves, freezers and other home appliances. The markets for these appliances, particularly dishwashers, offer one of the largest growth areas today.

The patented "Nestaway Materials Handling System" uses wire and plastic baskets which can be stacked or "nested" when empty, and permits easy access to the stored product when filled, thus saving both valuable space and labor. This efficient method for the handling, storing and delivery of a wide variety of products is presently finding extensive application in the baking and food industries. The large market for industrial materials handling and product storage is also expected to find broad use for Nestaway's products.

POLY-SYNTHETIX CO.

Dr. Gilbert Gavlin
General Manager

The acquisition of Poly-Synthetix Co. of Chicago, Illinois, is the result of Bliss & Laughlin Industries' intent to establish a research and development program in the growing plastic and organic chemical industries. Poly-Synthetix has developed a unique process to synthesize an organic monomer which is used in the manufacture of plastics, paints and other industrial chemical products. This acquisition is designed to provide Bliss & Laughlin Industries the opportunity to expand into the manufacture of special purpose plastic materials and industrial organic chemicals for a wide range of industries.

Photo: Courtesy Coe Laboratories, Inc.

DYNA-LIFT CO.

R. P. Gaylord
General Manager

Located in Los Angeles, California, Dyna-Lift recently developed a crane especially designed for sign erection and maintenance. This 100 foot crane features 360 degree continuous rotation and a number of other features which make it one of the most practical all-around cranes in the industry. The crane is presently being test marketed in California, and future plans call for a nation-wide marketing effort.

CONSOLIDATED STATEMENT OF INCOME

For the years ended December 31	1968	1967
NET SALES AND RENTAL REVENUE	$114,061,149	$ 95,112,308
COST AND EXPENSES:		
Cost of sales and rentals	$ 88,310,171	$ 74,603,992
Selling, general and administrative expenses	13,299,470	10,488,698
Other expenses, net	618,063	263,720
	$102,227,704	$ 85,356,410
INCOME BEFORE INCOME TAXES	$ 11,833,445	$ 9,755,898
PROVISION FOR INCOME TAXES	6,100,000	4,650,000
NET INCOME	$ 5,733,445	$ 5,105,898
NET INCOME PER SHARE	$ 2.20	$ 2.02

(Fully diluted net income per share, $1.87 in 1968, Note 5)

CONSOLIDATED STATEMENT of SOURCE and APPLICATION of FUNDS

For the years ended December 31	1968	1967
Source of Funds:		
Net income	$ 5,733,445	$ 5,105,898
Provision for depreciation (principally straight line method) and amortization	3,288,808	2,289,568
Net increase in long-term debt	–	12,233,238
Marketable securities held for acquisitions and expansion	10,100,000	(10,100,000)
Other, net	44,372	(26,949)
	$ 19,166,625	$ 9,501,755
Application of Funds:		
Net additions to plant and equipment:		
Regular	$ 3,662,771	$ 2,771,586
Through companies acquired	6,931,000	–
Cash dividends	2,496,306	2,263,849
Decrease in long-term debt, net of $1,452,000 debenture conversions	585,358	–
Investment in foreign subsidiaries	70,860	576,685
Intangible assets arising from acquisitions	3,166,676	–
	$ 16,912,971	$ 5,612,120
Increase in working capital	$ 2,253,654	$ 3,889,635
Working Capital:		
Beginning of year	22,332,155	18,442,520
End of year	$ 24,585,809	$ 22,332,155

The accompanying notes are an integral part of the financial statements

CONSOLIDATED BALANCE SHEET December 31

ASSETS

	1968	1967
Current Assets:		
Cash	$ 2,415,772	$ 1,194,238
Marketable securities, at cost which approximates market	488,900	2,282,766
Receivables, less reserve	11,223,355	8,791,285
Inventories, principally at the lower of average cost or market	23,994,114	20,718,687
Prepaid expenses	717,034	397,304
Total current assets	$ 38,839,175	$ 33,384,280
Marketable Securities Held for Acquisitions and Expansion, at cost which approximates market	$ —	$ 10,100,000
Other Assets:		
Investment in foreign subsidiaries, at cost plus equity in undistributed earnings since acquisition	$ 1,510,008	$ 1,439,148
Notes receivable and deferred charges	893,126	681,201
Intangible assets arising from acquisitions	5,357,938	2,191,262
Patents, at cost, less amortization of $1,344,159 in 1968 and $1,138,610 in 1967	1,387,693	1,382,047
	$ 9,148,765	$ 5,693,658
Plant and Equipment, at cost:		
Land	$ 1,345,040	$ 1,054,629
Buildings	9,025,758	7,216,842
Machinery and equipment	19,620,205	16,019,747
Equipment rented to others	10,466,211	5,244,318
Reserves for depreciation	(17,713,845)	(14,301,656)
	$ 22,743,369	$ 15,233,880
	$ 70,731,309	$ 64,411,818

LIABILITIES

	1968	1967
Current Liabilities:		
Short-term bank loans	$ 2,000,000	$ —
Current portion of long-term debt	1,503,720	1,466,000
Accounts payable and accrued liabilities	8,207,959	7,896,031
Federal income taxes	2,541,687	1,690,094
Total current liabilities	$ 14,253,366	$ 11,052,125
Long-Term Debt (Note 2)	$ 18,106,142	$ 20,143,500
Deferred Federal Income Taxes	$ 700,000	$ 540,000
Shareholders' Investment:		
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 2,656,281 shares in 1968 and 1,261,948 shares in 1967 (Note 4)	6,640,702	3,154,870
Additional capital (Note 4)	3,570,516	5,489,691
Retained earnings (Note 2)	27,556,992	24,081,361
Treasury stock, at cost, 5,271 shares in 1968 and 1,518 shares in 1967	(96,409)	(49,729)
	$ 37,671,801	$ 32,676,193
	$ 70,731,309	$ 64,411,818

CONSOLIDATED STATEMENTS of ADDITIONAL CAPITAL and RETAINED EARNINGS

For the years ended December 31	1968	1967
Additional Capital:		
Balance at beginning of year	$ 5,489,691	$ 1,560,501
Add (Deduct):		
Market value in excess of par value of common stock issued in payment of 10% common stock dividend	–	3,884,487
Principal amount of convertible debentures in excess of par value of common stock issued upon conversion (Note 4)	1,248,477	–
Par value of common stock issued in 100% common stock distribution, transferred to common stock account (Note 4)	(3,154,870)	–
Other, net	(12,782)	44,703
Balance at end of year	$ 3,570,516	$ 5,489,691
Retained Earnings:		
Balance at beginning of year	$ 24,081,361	$ 25,410,604
Retained earnings of pooled companies (Note 1)	466,396	–
	$ 24,547,757	$ 25,410,604
Add (Deduct):		
Net income	5,733,445	5,105,898
Cash dividends paid ($.975 per share in 1968 and $.90 per share in 1967, restated to reflect the 100% stock distribution on May 29, 1968) (Note 4)	(2,496,306)	(2,263,849)
10% common stock dividend	–	(4,171,292)
Portion of cost in excess of par value of treasury shares issued for company acquired (Note 1 and 4)	(227,904)	–
Balance at end of year (Note 2)	$ 27,556,992	$ 24,081,361

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. During 1968 the Company purchased the business and net assets of several companies for $9,775,000. The results of operations of these companies have been included in the accompanying consolidated financial statements from their respective dates of acquisition.

   In 1968 the Company also acquired the business and net assets of two companies for 70,825 shares of common stock. These transactions were accounted for on a pooling-of-interest basis and the results of their operations have been included in the accompanying consolidated financial statements for the full year ended December 31, 1968. The consolidated financial statements for the year ended December 31, 1967 have not been restated to include the results of operations or financial position of the pooled companies as these amounts were not significant. Had the 1967 consolidated financial statements been restated the change in earnings per share would have been less than 1%.

   The accompanying consolidated financial statements include all U.S. and Canadian subsidiaries. Investments in other foreign subsidiaries are stated at cost plus equity in undistributed earnings since acquisition. All significant intercompany accounts and transactions have been eliminated. The accounts of foreign subsidiaries have been included at their U.S. dollar equivalent.

Notes to Consolidated Financial Statements (continued)

2. At year end, long-term debt was as follows:

	1968	1967
Long-term notes payable:		
5% term loan, due $625,000 annually through 1973	$ 3,125,000	$ 3,750,000
5% term loan, final installment due in 1969	500,000	1,000,000
5¾% notes, due $138,000 annually through 1975 and $75,500 in 1976	1,041,500	1,179,500
Other, with various interest rates, annual installment amounts and maturity dates	895,362	777,000
Plant and equipment purchase obligations:		
4% due $40,000 annually through 1990	880,000	920,000
5% to 5½% due $14,000 to $48,000 annually through 1991	637,000	—
Convertible subordinated debentures 5¾% due in 1987	12,531,000	13,983,000
	$ 19,609,862	$ 21,609,500
Less current maturities	1,503,720	1,466,000
	$ 18,106,142	$ 20,143,500

The most restrictive provisions of the loan agreements and the indenture for the 5¾% convertible subordinated debentures require, among other things, that the Company maintain consolidated working capital of at least $13,500,000 and restrict the use of funds for the payment of cash dividends or reacquisition of the Company's capital stock. At December 31, 1968, $8,463,490 of retained earnings was free of such restrictions and consolidated working capital was $24,585,809.

At December 31, 1968, the Company has reserved 603,493 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. The debentures may be called at any time at prices decreasing from 105.45% of face value currently to 100% in 1987. At December 31, 1968, 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.

3. The Company and subsidiaries provide pension benefits for substantially all employees under various plans. The provision for pension costs was $829,574 in 1968 ($820,444 in 1967) and includes annual amortization of prior service costs over an average period of 17 years. The Company's policy is to fund pension costs. At December 31, 1968, the aggregate total of the pension funds was in excess of the actuarially computed value of vested benefits for all plans.

4. A stock distribution was authorized by the Board of Directors and stockholders whereby each stockholder of record on May 10, 1968 received one additional share of common stock for each share already held on that date. This resulted in issuing 1,261,948 shares of common stock and a transfer of $3,154,870 from additional capital to common stock.

   In addition the company issued 62,500 shares of previously unissued common stock and 8,325 shares of treasury stock for the business and net assets of two companies in 1968 and 69,885 common shares in connection with the conversion of the 5¾% convertible subordinated debentures.

5. Fully diluted net income per share is based on the assumption that the Company's convertible subordinate debentures were converted as of the beginning of the year, in accordance with Opinion No. 9 of the Accounting Principles Board of the American Institute of Certified Public Accountants.

COMPARATIVE FINANCIAL DATA

(In thousands of dollars except per share amounts and statistics)

FOR THE YEAR	1968	1967	1966	1965	1964
Net Sales and Rental Revenue	$114,061	$95,112	$105,324	$83,813	$80,748
Depreciation and Amortization	3,289	2,290	2,143	1,945	1,811
Income Before Income Taxes . .	11,833	9,756	9,627	6,796	6,264
Provision for Income Taxes . . .	6,100	4,650	4,750	3,250	2,968
Net Income	5,733	5,106	4,877	3,546	3,296
Net Income Per Share	2.20	2.02	1.93	1.42	1.33
Cash Dividends	2,496	2,264	1,996	1,617	1,400
Cash Dividends Per Share	.975	.90	.80	.72	.72
FINANCIAL POSITION AT YEAR END					
Working Capital	$24,586	$22,332	$ 18,443	$18,557	$16,025
Plant and Equipment, Net	22,743	15,234	14,545	12,017	10,914
Long-Term Debt	18,106	20,144	7,637	8,094	4,619
Shareholders' Investment	37,672	32,676	29,738	26,568	24,744
STATISTICS					
Average Shares Outstanding . .	2,606,588	2,520,860	2,516,544	2,495,050	2,475,498
Number of Shareholders	5,985	5,717	5,639	5,787	6,067
Number of Employees	2,743	2,428	2,573	2,232	1,936

The number of shares outstanding and the net income per share have been restated to reflect a 100% stock distribution on May 29, 1968.

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, 1968, and the related consolidated statements of income, additional capital, retained earnings, and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously examined and reported on the consolidated financial statements for the preceding year.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of income, additional capital, retained earnings, and source and application of funds present fairly the financial position of Bliss & Laughlin Industries Incorporated and Subsidiaries as of December 31, 1968, and the results of their operations and source and application of funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

Chicago, Illinois
February 4, 1969

OPERATING DIVISIONS AND SUBSIDIARIES

STEEL GROUP

Bliss & Laughlin Steel Co.
Oak Brook, Illinois
Cold Finished Steel Bars

Bliss & Laughlin Latinoamericana, S.A.
Mexico City, Mexico
Cold Finished Steel Bars

Threaded Nails Co.
Skokie, Illinois
Specialty Fasteners

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

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

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

METAL PRODUCTS GROUP

Faultless Caster Co.
Evansville, Indiana
Industrial and Furniture Casters
Furniture Hardware

Faultless Casters Limited
Stratford, Ontario, Canada
Industrial and Furniture Casters

Doerner Products Co., Limited
Waterloo, Ontario, Canada
Chair Controls and Chair Bases

Bliss & Laughlin Latinoamericana, S.A.
Mexico City, Mexico
Industrial and Furniture Casters and Chair Controls

Tekform Products Co.
Anaheim, California
Cases for Microminiature Electronic Circuits

Nestaway Co.
Cleveland, Ohio
Handling Systems and Coated Metal Products

OFFICERS

F. J. Robbins
President and Chief Executive Officer

Richard K. Klink
Vice President, Secretary and Treasurer

Frank W. Aughnay
Vice President, Construction Group

John C. Hansen
Vice President, Steel Group

Joseph W. Rose
Vice President, Metal Products Group

Walter C. Cannon
Assistant Secretary

DIRECTORS

Henry P. Albrecht
President, Gale Realty, Inc.
formerly President, Waco-Porter Corp.

Berford Brittain, Jr.
Senior Vice President, Continental Illinois National Bank and Trust Company of Chicago

Even T. Collinsworth, Jr.
Group Vice President, Armour & Company

James W. Coultrap
Chairman, Miehle-Goss-Dexter, Incorporated

Paul R. Doelz
Chairman, Dain, Kalman & Quail, Incorporated

G. Findley Griffiths
Chairman and Chief Executive Officer
Interlake Steel Corporation

C. Arnold Kalman
Vice President, Booz, Allen & Hamilton, Incorporated

F. J. Robbins
President and Chief Executive Officer
Bliss & Laughlin Industries

Keith Shay
Partner, Schiff Hardin Waite Dorschel & Britton

EXECUTIVE COMMITTEE

C. Arnold Kalman, Chairman — Paul R. Doelz — F. J. Robbins — Keith Shay

TRANSFER AGENTS

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

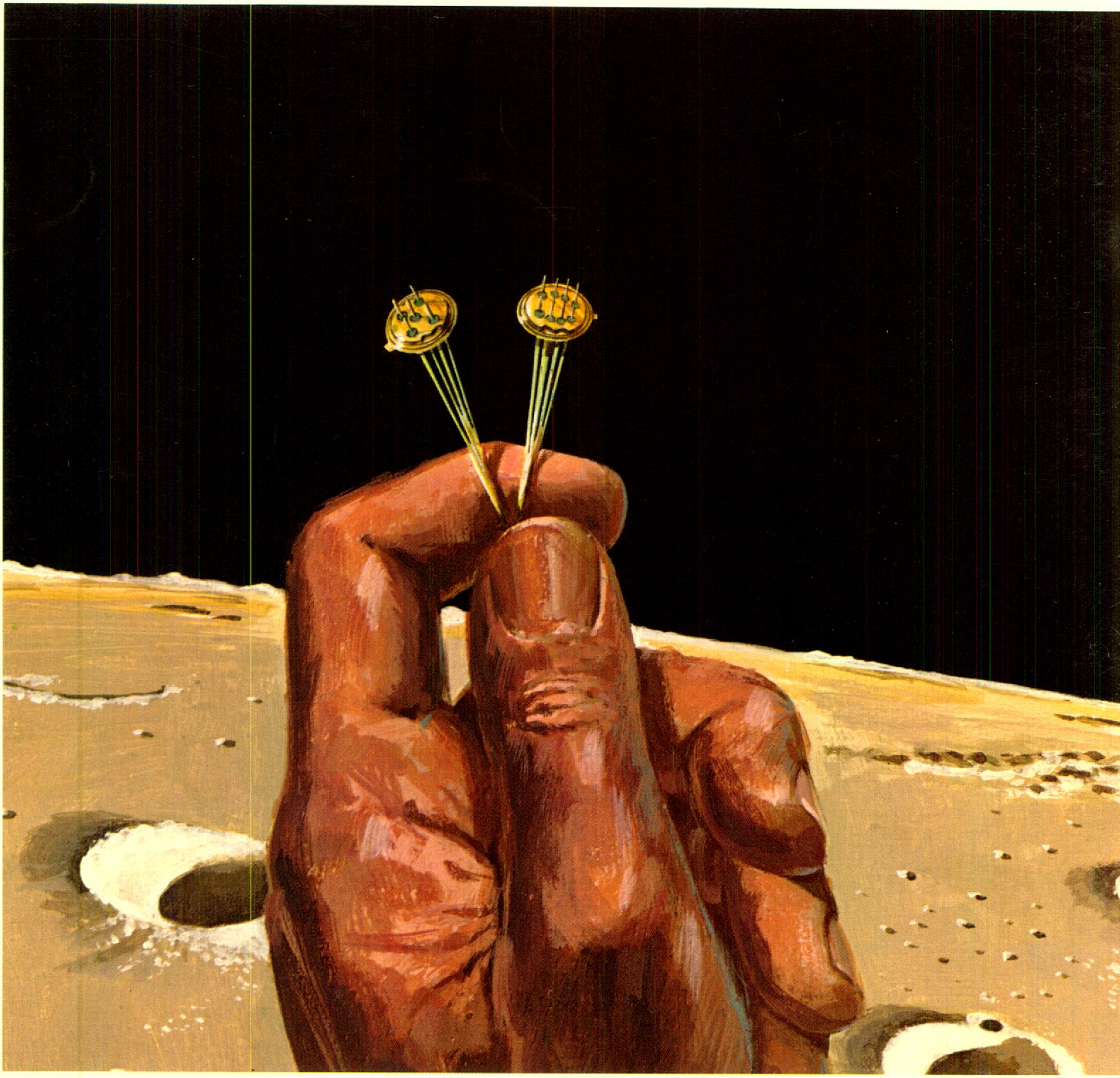
REGISTRARS

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)

GROWTH THROUGH CHANGE



BLISS & LAUGHLIN industries

ANNUAL REPORT 1968