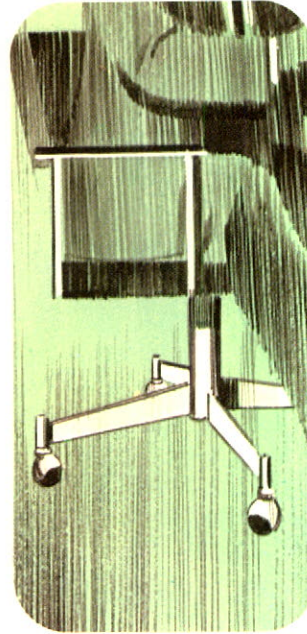


BLISS & LAUGHLIN industries



1966
ANNUAL REPORT

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ABOUT THIS REPORT

In 1961, Bliss & Laughlin Industries manufactured a single product – cold finished steel bars. Today, the company is a diversified corporation manufacturing a variety of products and serving many markets in the United States and abroad.

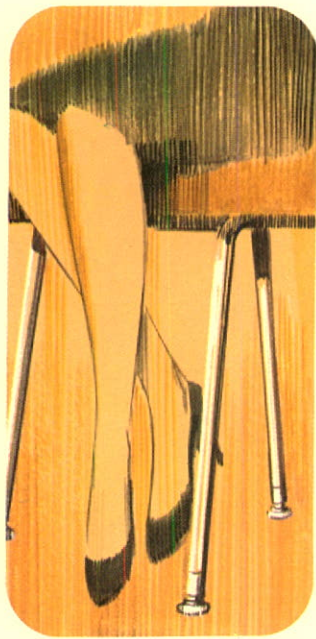
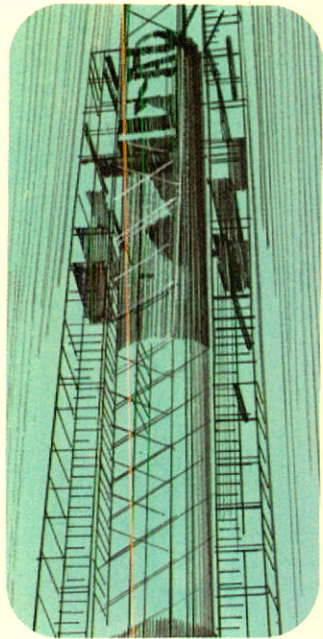
This annual report presents the results of Bliss & Laughlin's program of growth through diversification.

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ANNUAL MEETING OF SHAREHOLDERS

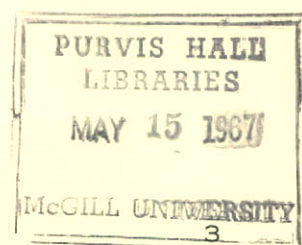
The annual meeting of shareholders of Bliss & Laughlin Industries will be held at 10:30 A.M. Wednesday, May 3, 1967 at the executive offices, 122 W. 22nd St., Oak Brook, Illinois. You are cordially invited to attend.



THE YEAR IN BRIEF

	1966	1965	
Net Sales and Rental Revenue	\$105,324,000	\$83,813,000	1966 Revenues 26 percent higher
Net Income	4,877,000	3,546,000	Earnings increase 37 percent
Net Income Per Share—			
As Previously Reported	4.26	3.12	Earnings per share increase 37 percent
Restated for 10% Stock Dividend*	3.87	2.84	
Cash Dividends	1,996,000	1,617,000	Dividends paid annually since 1936
Cash Dividends Per Share	1.75	1.60	Annual dividend rate now \$1.80
Shareholders' Investment	29,738,000	26,568,000	Up 12 percent
Shares Outstanding At End of Year	1,143,884	1,134,114	9,770 more shares outstanding
Number of Shareholders	5,639	5,787	
Number of Employees	2,573	2,232	People are our most important resource.

*On February 15, 1967, the Board of Directors declared a 10% stock dividend. The earnings per share above have been restated to show the effect of this stock dividend and to establish a comparative reference point for 1967 operations.





Portrait B. Renner

to our shareholders:

In 1966, its 75th year, your company achieved record revenues and earnings. For the first time its revenues exceeded \$100 million. To do this required all the resources of the whole corporation, its people, its suppliers, its banking friends and especially its customers in each field of its endeavor. The Directors have instructed me to express their great appreciation to all these fine folks for their loyal support and superb effort. I wish strongly to second this appreciation on management's part.

Besides excellent financial results, many other corporate objectives were attained. One was a corporate reorganization to effect a closer control over day-to-day administration, improved financial control and all the other factors involved in a growing, diversified company. The company basically is divided into three groups: Steel, Construction and Metal Products—each headed by a Group Vice President. The plants and operations in each group serve a common industry, product market line, or distribution system.

Among other corporate objectives attained in the year was a new plant in Kansas City, Kansas, for Goldblatt Tool Co. Both the manufacturing facilities and warehouse operations were enlarged to provide better customer service and the basis for increased sales.

The steel company's Medina, Ohio, plant has been doubled in capacity and we will have full on-line operations at this facility in 1967. Market areas have been re-aligned to provide this plant with greater areas of service and increase other plants' opportunity to serve wider markets.

We are continuing the Industrial Engineering studies that are proving to be very helpful in better and more efficient use of our facilities. These efforts will be continued in ever-broadening scope.

The Stellar Molded Products Division of Faultless Caster Co. in Evansville, is now producing all but a small percentage of rubber and plastic caster wheel requirements. In chair controls and bases, Doerner Products Co., through Faultless Caster's distribution system, is making progress in penetrating the U.S. market and at the same time maintaining its position in the Canadian and foreign markets. Our caster business in Canada is increasing each year.

Ames taping tools continue to grow in acceptance and use both here and abroad, especially in Europe and the far Southeast.


There were many other corporate objectives achieved at each division during 1966, and each serves to strengthen the company for the years ahead.

Our plans are laid and objectives determined for 1967. Again, these plans and objectives will provide a modest increase in revenue and earnings which are conservative and attainable, but are, of course, subject to the activities of the government and the effect of those activities on our domestic economy and international situation. Our plans for capital expenditures in 1967 are modest and these will be strategically placed in the areas of your company where the best earnings results can be obtained. Waco Scaffold and Shoring Co. is planning to increase its manufacturing capacity at Cleveland, Ohio, which will allow them to increase the amount of scaffold and shoring available for the rental market.

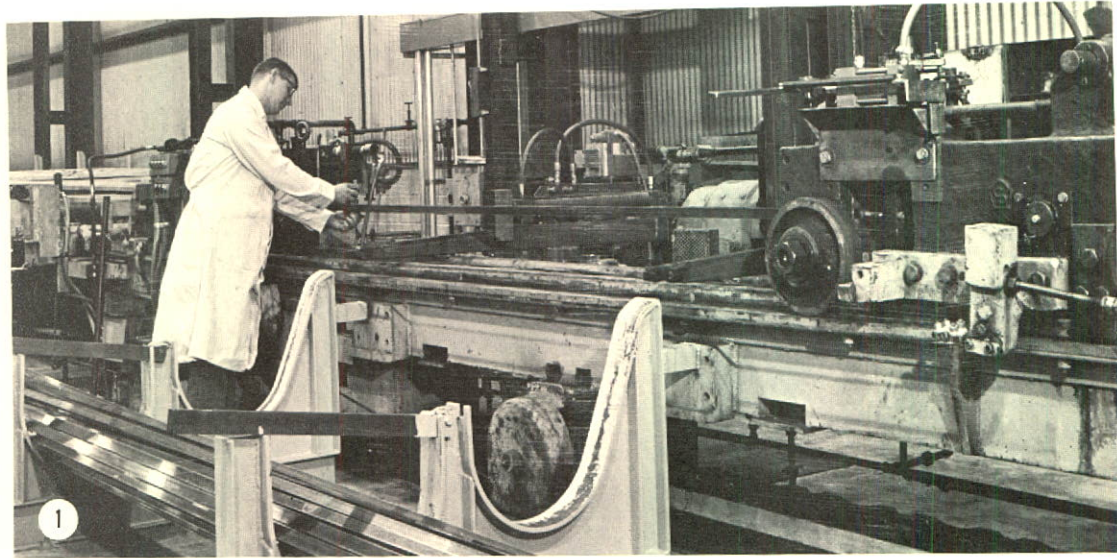
We plan to continue to pursue our acquisition program in the same conservative way as in the past. This will provide the company with the growth it should have externally. We are striving for carefully nourished internal improvement and growth as well. Together, these will in turn provide a broadened and secure earnings base.

Reflecting the excellent operating results in 1966 and conservative projections for modestly increased earnings in 1967, the Board of Directors, on February 15, 1967, declared a 10% stock dividend in addition to the regular quarterly cash dividend of 45 cents per share.

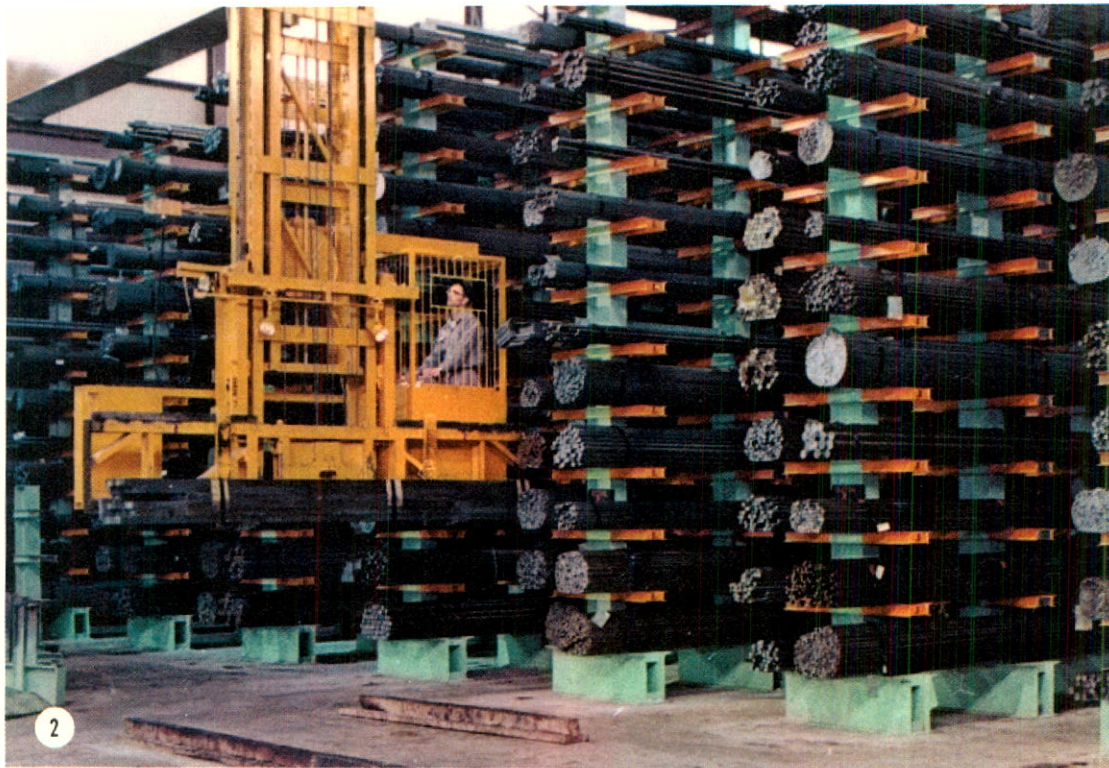
Let me repeat our appreciation of your support and all others who helped greatly in a successful 1966.

A handwritten signature in dark ink, appearing to read 'F. J. Robbins', written in a cursive style.

F. J. ROBBINS, President



STEEL GROUP

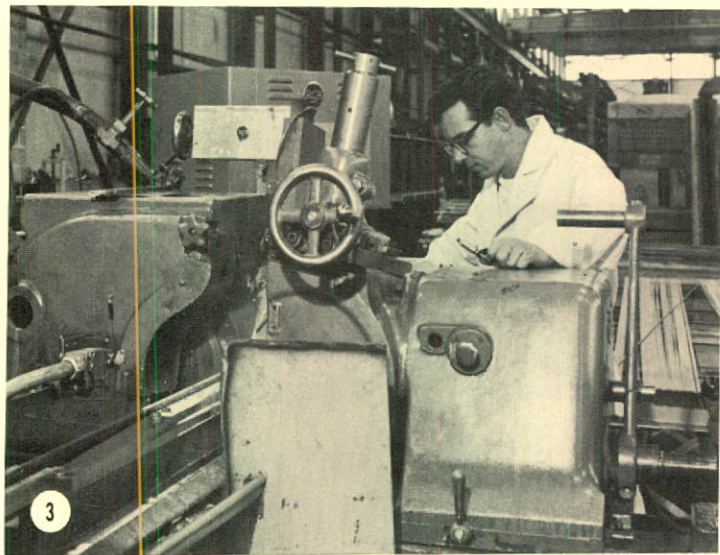


In 1966, our eight domestic cold finished steel bar mills achieved record penetration of the U.S. market. We have totally re-aligned certain market areas to enable us to serve customers faster and better.

Sales effort is being intensified in the Southeastern states with the opening of an additional sales office to serve this growing market.

Major improvements were made during the year in production equipment at the Medina, Ohio, mill—now our most modern and efficient mill.

We are now beginning to receive substantial benefits from an industrial engineering program which we have been working on for the last three years. This program is designed to improve production effi-

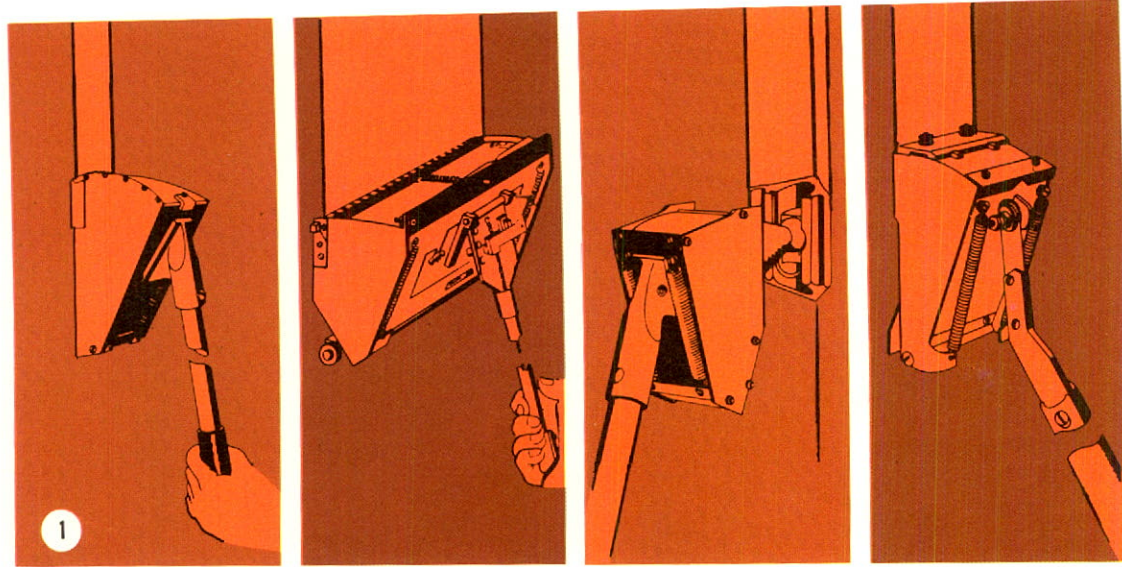


ciency and automate certain production processes.

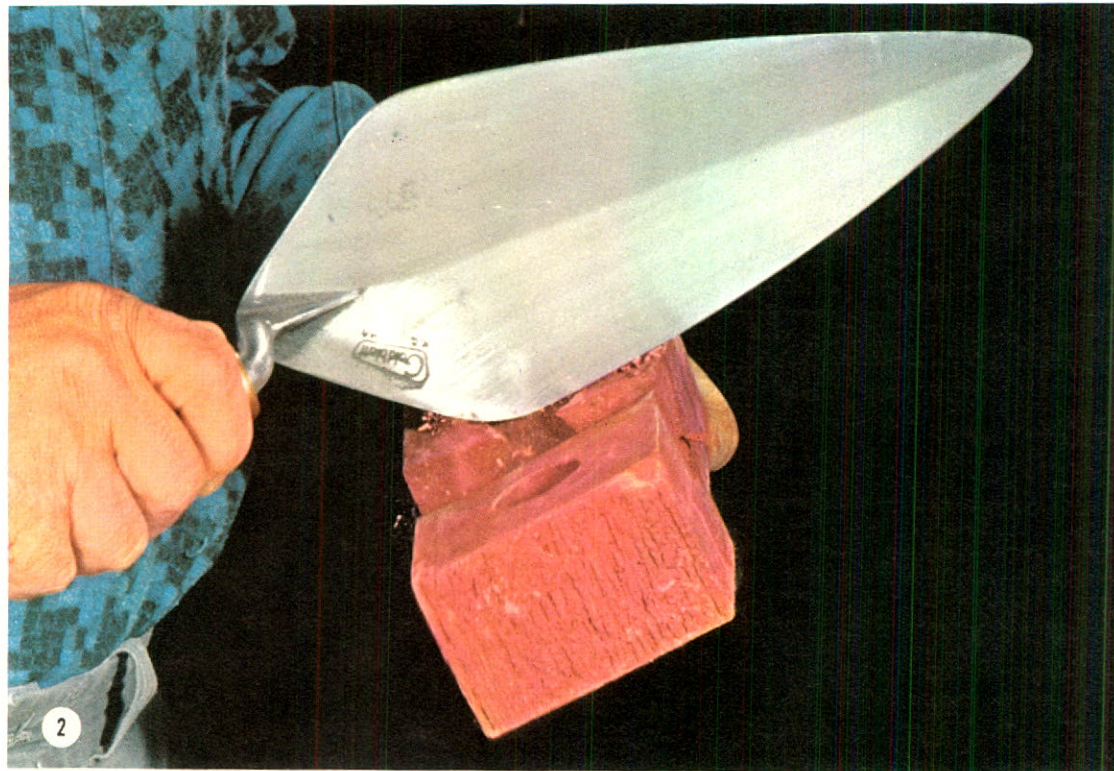
All of these things prepare us for further growth in 1967.

Our mill near Mexico City has become the major supplier of cold finished bars in this Latin American market. The operation is proceeding well ahead of our forecasts and shows splendid future potential.

1. Checking bar dimensions on a drawbench.
2. A specially-built crane removes a load of flat stock from the racks at the Medina mill.
3. Centerless grinding operation on bar stock.
4. The Medina mill – now one of America's most modern cold finishing plants.
5. Welding rod ends for continuous drawing.



CONSTRUCTION GROUP



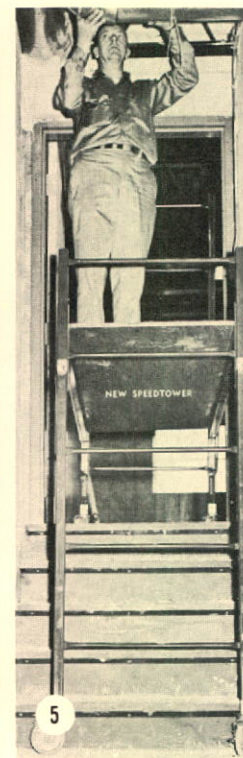
The operations of the construction group were expanded in 1966 and promises continued growth.

Greatly increased production efficiency and improved customer service are now possible from Goldblatt Tool Co.'s new manufacturing and warehouse distribution center in Kansas City, Kansas.

New world wide applications for Ames Taping

Tools were discovered this year and this division anticipates improved revenues. For example, the number of Ames tools in use in Europe doubled in 1966.

The Dresden Nuclear Power Plant in Dresden, Illinois, the new Allstate Insurance general offices, Skokie, Illinois, and 12 interchanges on the Minne-

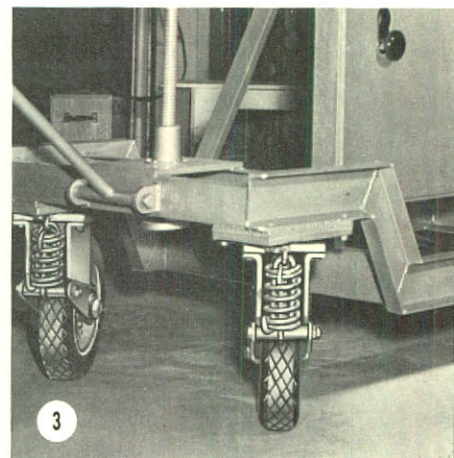
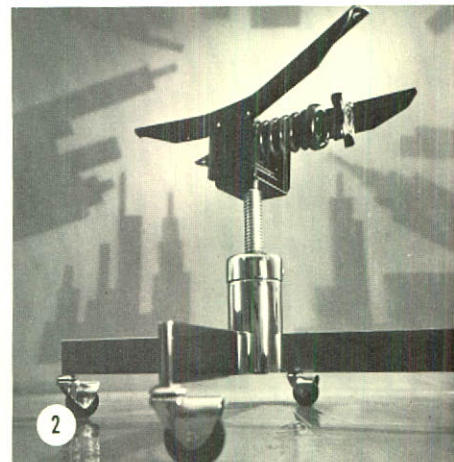
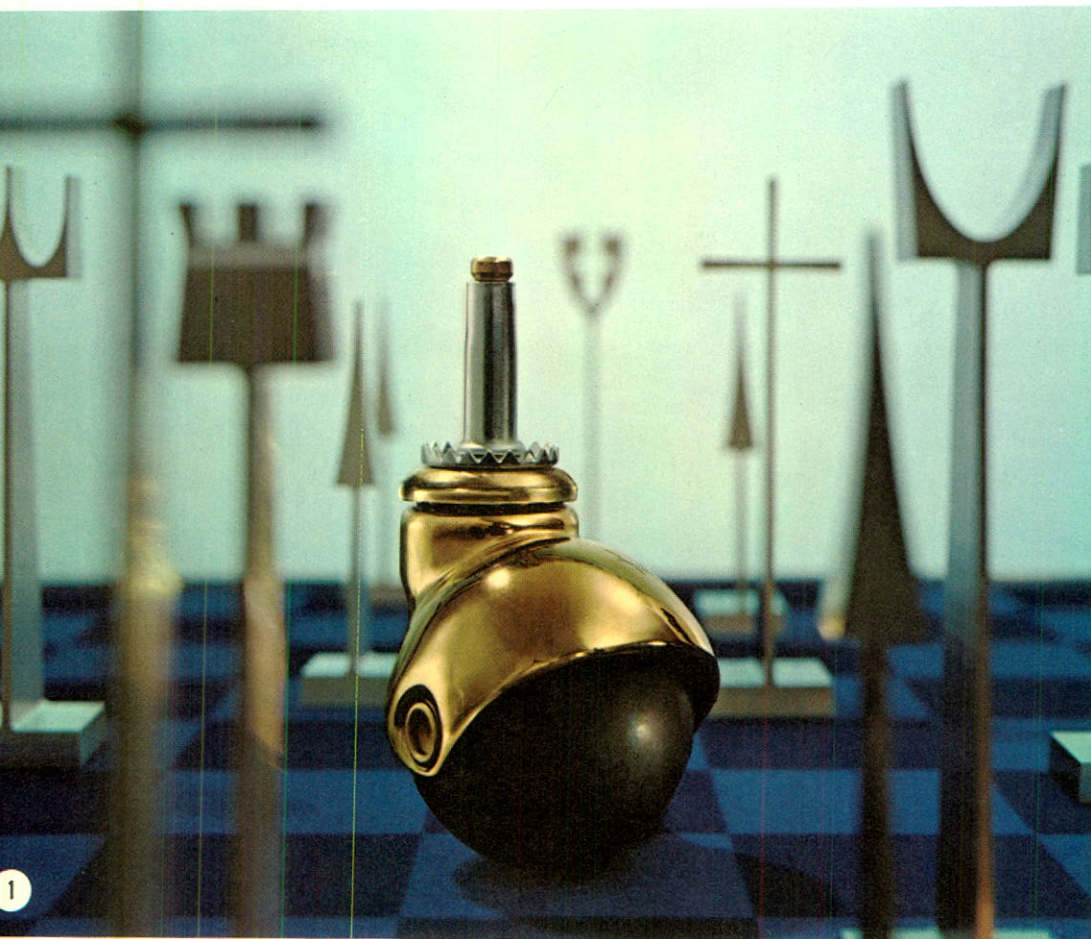


apolis-St. Paul expressway are only a few examples of the large number of varied scaffold and shoring jobs handled by our Waco Division in 1966.

We expect that increased investment in rental equipment inventories at Waco, made to meet customer demand, will provide increased revenue and earnings in 1967.

1. The demonstrable efficiency of Ames Taping Tools finds increasing acceptance in the building trades throughout the world.
2. The Goldblatt trademark on construction tools is a hallmark of quality.
3. The new Goldblatt plant in Kansas City, Kansas.
4. A Waco shoring job at the Milwaukee post office.
5. Waco Speedtowers are ideal for light construction and maintenance needs.

METAL PRODUCTS GROUP

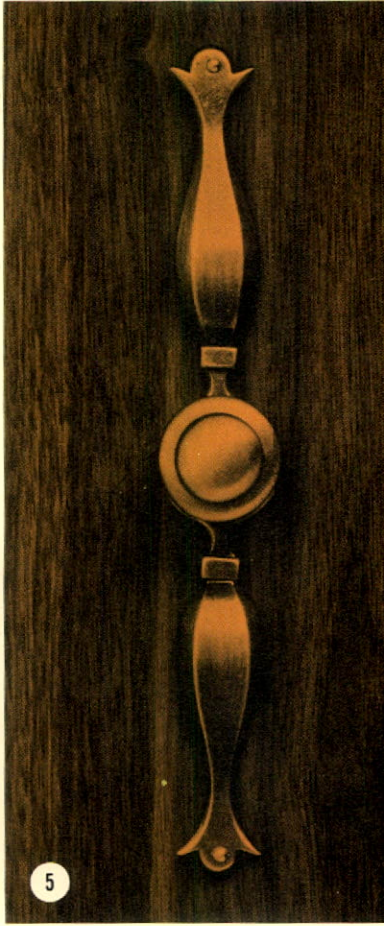


Many events led to the considerable improvements in sales and earnings of the Metal Products Group. The growing need for easy movement of refrigerators, office furniture, and industrial equipment, created larger markets for Faultless casters.

Doerner chair controls are now widely sold in the United States for the first time. Acceptance of their superior designs and quality continues to grow.

Faultless decorative furniture trim sales are up substantially reflecting the unique, eye-catching designs of the new Faultless line and the trend toward greater use of metal trim to highlight furniture styling.

Capital expenditures were made in 1966 to enlarge certain facilities to serve our growing markets better. Other expenditures were made to introduce



new products and expand product lines to satisfy changing customer requirements.

International sales for the Metal Products Group were developed and promise continued growth. Already well established with chair controls and casters in Canada, this Group will service the Mexican market in 1967 from a new plant located adjacent to the cold finished bar mill near Mexico City.

1. One of ten thousand types of Faultless furniture casters.
2. Doerner chair controls will be manufactured in the U.S. and Canada.
3. Heavy-duty casters find many industrial applications.
4. High style in furniture hardware compliments this elegant chest.
5. An increased use of metal hardware is found in today's furniture designs.

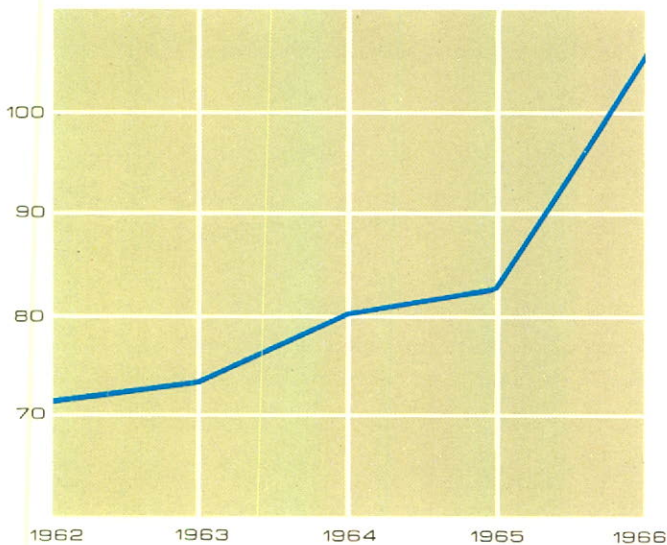


PROFITABLE GROWTH THROUGH DIVERSIFICATION

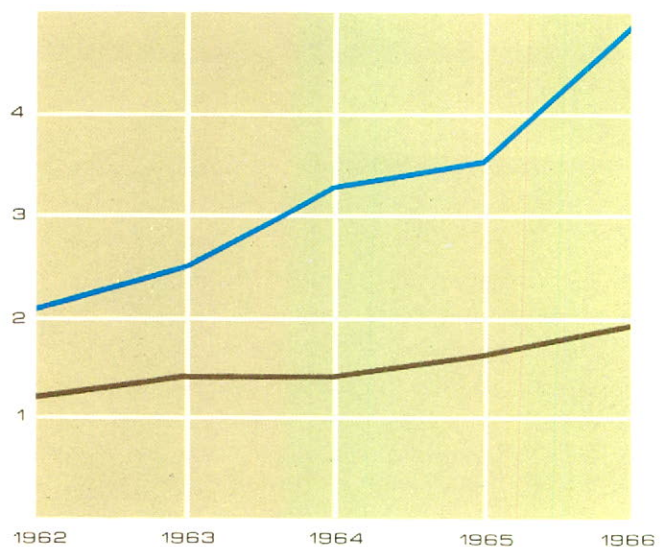
Bliss & Laughlin Industries is the leading producer of cold finished steel bars and has been in the business for over 75 years. Until five years ago, this was our only product. Cold finished steel bars are, and will continue to be an important part of our operations. However, an urgent need to broaden our earnings base and provide for healthy and substantial corporate growth indicated the need for diversification into different markets through acquisitions.

Now, while continuing to grow in the cold finished steel bar market, we provide the construction industry with tools and scaffold and shoring. We also manufacture industrial and furniture casters, furniture hardware and office chair controls and chair bases. We have entered these new markets since 1962.

SALES AND REVENUE
(MILLIONS OF DOLLARS)



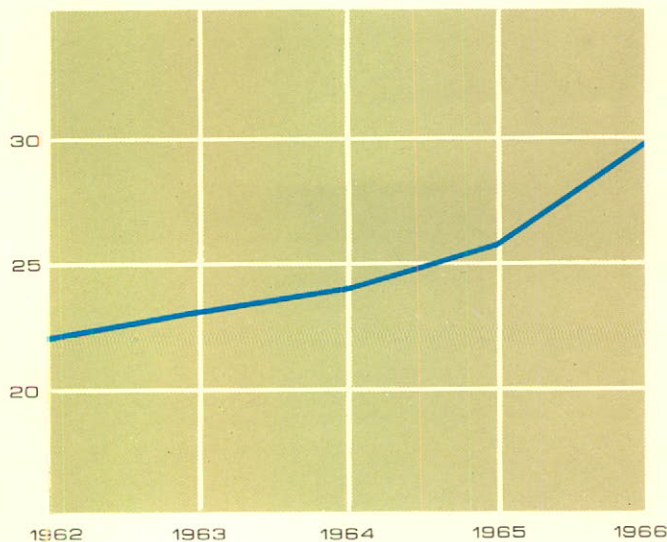
EARNINGS DIVIDENDS
(MILLIONS OF DOLLARS)



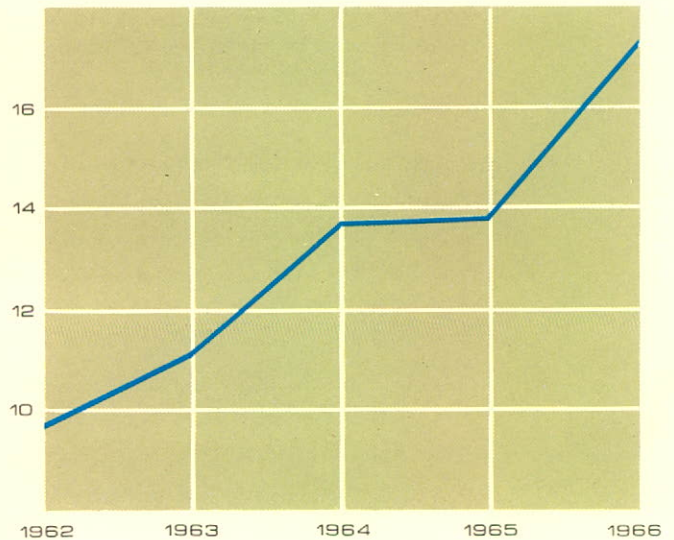
In 1961, before our diversification program, we reported sales of \$45,800,000 and earnings of \$1,438,000. In 1966, we report sales and rental revenue of \$105,324,000 and earnings of \$4,877,000, an increase of 130% and 239% respectively. The charts on these pages and the accompanying financial statements illustrate the substantial and profitable growth which has been achieved by our original steel operations and our diversification program. Attention was devoted in 1966 to absorbing and consolidating our newly acquired businesses.

As to the future, we intend to continue a sensible, modest acquisition program involving businesses having at least as good an earnings potential as those who joined us in the last five years. We are also expanding our present operations internally to develop their maximum growth and earnings.

SHAREHOLDERS' INVESTMENT
(MILLIONS OF DOLLARS)



RETURN ON AVERAGE
SHAREHOLDERS' INVESTMENT
(PERCENT)





CONSOLIDATED STATEMENT OF INCOME

For the years ended December 31	1966	1965
NET SALES AND RENTAL REVENUE.....	\$105,324,107	\$ 83,813,243
COSTS AND EXPENSES:		
Cost of sales and rentals.....	\$ 84,224,469	\$ 67,043,199
Selling, general and administrative expenses.....	11,202,482	9,621,918
Other expenses, net	270,607	352,057
	<u>\$ 95,697,558</u>	<u>\$ 77,017,174</u>
NET INCOME BEFORE INCOME TAXES	\$ 9,626,549	\$ 6,796,069
PROVISION FOR INCOME TAXES	4,750,000	3,250,000
NET INCOME.....	<u>\$ 4,876,549</u>	<u>\$ 3,546,069</u>

CONSOLIDATED STATEMENT OF SOURCE AND DISPOSITION OF FUNDS

For the years ended December 31	1966	1965
SOURCE OF FUNDS:		
Net income	\$ 4,876,549	\$ 3,546,069
Provision for depreciation and amortization.....	2,143,351	1,944,885
Increase in long-term debt.....	—	3,475,916
Sale of shares under stock option plan (Note 3) and stock purchase plan.....	159,266	214,400
	<u>\$ 7,179,166</u>	<u>\$ 9,181,270</u>
DISPOSITION OF FUNDS:		
Net additions to plant and equipment.....	\$ 4,456,901	\$ 2,837,338
Intangible assets arising from acquisitions.....	—	2,191,262
Cash dividends	1,996,235	1,616,589
Investment in foreign subsidiary.....	380,524	—
Decrease in long-term debt.....	457,642	—
Other, net	2,210	4,382
	<u>\$ 7,293,512</u>	<u>\$ 6,649,571</u>
Increase (decrease) in working capital.....	\$ (114,346)	\$ 2,531,699
WORKING CAPITAL:		
Beginning of year.....	<u>18,556,866</u>	<u>16,025,167</u>
End of year	<u>\$ 18,442,520</u>	<u>\$ 18,556,866</u>

The accompanying notes are an integral part of the financial statements

CONSOLIDATED BALANCE SHEET December 31

ASSETS	1966	1965
Current Assets:		
Cash, including certificates of deposit and U.S. Treasury bills of \$701,561 in 1966 and \$1,390,000 in 1965.....	\$ 3,891,912	\$ 3,112,895
Receivables, less reserve.....	10,044,467	7,925,489
Inventories, at the lower of average cost or market.....	19,819,804	19,629,643
Prepaid expenses.....	314,205	259,438
Total current assets.....	<u>\$ 34,070,388</u>	<u>\$ 30,927,465</u>
Other Assets:		
Investment in foreign subsidiary, at equity in net assets.....	\$ 862,463	\$ 481,939
Notes receivable and deferred charges.....	194,816	87,192
Intangible assets arising from acquisitions.....	2,191,262	2,191,262
Patents, at cost, less amortization of \$931,244 in 1966 and \$717,761 in 1965.....	1,589,413	1,802,529
	<u>\$ 4,837,954</u>	<u>\$ 4,562,922</u>
Plant and Equipment, at cost:		
Land.....	\$ 1,099,289	\$ 699,749
Buildings.....	7,101,943	5,852,968
Machinery and equipment.....	19,297,888	17,158,895
Reserves for depreciation.....	(12,954,624)	(11,694,149)
	<u>\$ 14,544,496</u>	<u>\$ 12,017,463</u>
	<u>\$ 53,452,838</u>	<u>\$ 47,507,850</u>
LIABILITIES		
Current Liabilities:		
Short-term bank loans.....	\$ —	\$ 1,550,000
Current portion of long-term debt.....	1,466,000	928,120
Accounts payable.....	8,706,485	5,639,307
Accrued liabilities.....	2,530,975	1,786,586
Income taxes payable.....	2,924,408	2,466,586
Total current liabilities.....	<u>\$ 15,627,868</u>	<u>\$ 12,370,599</u>
Long-Term Debt (Note 2).....	<u>\$ 7,636,798</u>	<u>\$ 8,094,440</u>
Deferred Federal Income Taxes.....	<u>\$ 450,000</u>	<u>\$ 475,000</u>
Shareholders' Investment:		
Capital stock:		
Common stock, \$2.50 par value; authorized 2,000,000 shares; issued 1,147,226 shares in 1966 and 1,142,456 shares in 1965 (Note 3).....	\$ 2,868,065	\$ 2,856,140
Preferred stock, no par value; authorized 500,000 shares; no shares issued.....	—	—
Additional capital.....	1,560,501	1,433,429
Retained earnings (Note 2).....	25,410,604	22,530,290
Treasury stock, at cost, 3,342 shares in 1966 and 8,342 shares in 1965.....	(100,998)	(252,048)
	<u>\$ 29,738,172</u>	<u>\$ 26,567,811</u>
	<u>\$ 53,452,838</u>	<u>\$ 47,507,850</u>



**CONSOLIDATED STATEMENTS OF ADDITIONAL CAPITAL AND
RETAINED EARNINGS** For the years ended December 31 1966 1965

ADDITIONAL CAPITAL:

Balance at beginning of year	\$ 1,433,429	\$ 1,306,917
Add (Deduct):		
Proceeds in excess of par value of common stock issued under stock options (Note 3)	103,747	158,475
Market value in excess of cost of treasury stock sold to key employees under stock purchase plan	23,325	—
Adjustments resulting from merger of Waco-Porter Corporation recorded as a pooling of interests	—	(31,963)
Balance at end of year	<u>\$ 1,560,501</u>	<u>\$ 1,433,429</u>

RETAINED EARNINGS:

Balance at beginning of year	\$ 22,530,290	\$ 20,826,150
Add (Deduct):		
Net income	4,876,549	3,546,069
Cash dividends paid (\$1.75 per share in 1966 and \$1.60 per share in 1965)	(1,996,235)	(1,616,589)
Adjustments resulting from merger of Waco-Porter Corporation recorded as a pooling of interests	—	(225,340)
Balance at end of year (Note 2)	<u>\$ 25,410,604</u>	<u>\$ 22,530,290</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, 1966, and the related consolidated statements of income, additional capital, retained earnings, and source and disposition 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The accompanying consolidated financial statements include all subsidiaries. All significant inter-company accounts and transactions have been eliminated. The accounts of foreign subsidiaries have been included at their U.S. dollar equivalent.

2. At December 31, 1966, long-term debt was as follows:

Long-term notes payable:	
5% term loan, due \$625,000 annually through 1973	\$4,375,000
5% term loan, due \$500,000 annually through 1969	1,500,000
5 ³ / ₄ % notes, due \$138,000 annually through 1975 and \$75,500 in 1976	1,317,500
Other, with various interest rates, annual installment amounts and maturity dates	950,298
Plant and equipment purchase obligation, 4%, due \$40,000 annually through 1990	<u>960,000</u>
	\$9,102,798
Less current maturities	<u>1,466,000</u>
	<u>\$7,636,798</u>

The most restrictive of the loan agreements, requires, among other things, that the Company maintain consolidated working capital of at least \$13,500,000 and restricts the use of funds for the payment of cash dividends or reacquisition of the Company's capital stock. At December 31, 1966, \$5,447,074 of retained earnings was free of such restrictions and consolidated working capital was \$18,442,520.

3. During 1966, under the Company's stock option plan for officers and key employees, options for 4,770 shares were exercised at \$24.25 per share, options for 570 shares expired and were cancelled and no new options were granted. At December 31, 1966, there were no options outstanding.

4. The unfunded past-service liability under various pension plans was approximately \$4,400,000 at December 31, 1966, and costs and expenses include pension costs of \$838,181 in 1966 and \$550,733 in 1965.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of income, additional capital, retained earnings, and source and disposition of funds present fairly the financial position of Bliss & Laughlin Industries Incorporated and Subsidiaries as of December 31, 1966, and the results of their operations and source and disposition 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.

Chicago, Illinois
February 6, 1967

ARTHUR ANDERSEN & CO.



COMPARATIVE FINANCIAL DATA

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

FOR THE YEAR

	1966	1965	1964	1963	1962
Net Sales and Rental Revenue	\$105,324	\$83,813	\$80,748	\$73,546	\$71,197
Depreciation and Amortization	2,143	1,945	1,811	1,662	1,271
Income Before Income Taxes	9,627	6,796	6,264	5,139	4,325
Provision for Income Taxes	4,750	3,250	2,968	2,632	2,209
Net Income	4,877	3,546	3,296	2,507	2,116
Net Income Per Share—					
As Previously Reported	4.26	3.12	2.92	2.22	1.88
Restated For 10% Stock Dividend*	3.87	2.84	2.66	2.01	1.70
Cash Dividends	1,996	1,617	1,400	1,394	1,392
Cash Dividends Per Share	1.75	1.60	1.60	1.60	1.60

FINANCIAL POSITION AT YEAR END

Working Capital	\$ 18,443	\$18,557	\$16,025	\$16,124	\$16,244
Net Plant and Equipment	14,545	12,017	10,914	10,353	9,308
Long-Term Debt	7,637	8,094	4,619	5,372	6,127
Shareholders' Investment	29,738	26,568	24,744	23,220	22,267

STATISTICS

Number of Shares Outstanding	1,143,884	1,134,114	1,125,226	1,128,981	1,127,921
Number of Shareholders	5,639	5,787	6,067	6,175	6,193
Number of Employees	2,573	2,232	1,936	1,926	1,926

*On February 15, 1967, the Board of Directors declared a 10% stock dividend. The earnings per share above have been restated to show the effect of this stock dividend and to establish a comparative reference point for 1967 operations.

DIRECTORS

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

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

James W. Coultrap
President and Chief
Executive Officer,
Miehle-Goss-Dexter,
Incorporated

Paul R. Doelz
President, Kalman
& Company, Inc.

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

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

Clarence B. Noelting
Former President,
Faultless Caster
Corporation

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



OFFICERS AND EXECUTIVES

BLISS & LAUGHLIN Industries Incorporated
Executive Offices
122 West 22nd Street
Oak Brook, Illinois 60521

F. J. Robbins
President and Chief Executive Officer

Richard K. Klink
Vice President, Secretary and Treasurer

Walter C. Cannon
Assistant Secretary

OPERATING DIVISIONS AND SUBSIDIARIES

STEEL GROUP

John C. Hansen, Group Vice President



Bliss & Laughlin Steel Co.
Oak Brook, Illinois

Carl S. Hogberg, Vice President—Eastern Operations
Eugene G. Sheasby, Vice President—Detroit Operations
Elven R. Davis, Vice President—Pacific Coast Operations
Robert B. Burris, General Manager—Midwest Operations



Bliss & Laughlin Latinoamericana, S.A.
Neil J. Chemaly, General Manager—Mexican Operations
Cold Finished Steel Bars

CONSTRUCTION GROUP

Frank W. Aughnay, Group Vice President



Ames Taping Tool Systems Co.
Belmont, California

Stanley Ames, Vice President and General Manager
Taping Tools and Products for Drywall Construction



Goldblatt Tool Co.
Kansas City, Kansas

Donald C. Place, General Manager
Tools and Equipment for Construction Industry



Waco Scaffold and Shoring Co.
Schiller Park, Illinois

Donald Moritz, Vice President and General Manager
Scaffold and Shoring

METAL PRODUCTS GROUP

Joseph W. Rose, Group Vice President



Faultless Caster Co.
Evansville, Indiana

C. Bernard Noelting, Vice President and General Manager
Industrial and Furniture Casters, Furniture Glides,
Chair Controls and Furniture Hardware

Faultless Caster Limited
Stratford, Ontario, Canada

A. Hamilton Johnson, Vice President and General Manager
Casters



Doerner Products Co. Limited
Waterloo, Ontario, Canada

Frank Doerner, Vice President and General Manager
Chair Controls and Chair Bases



BLISS & LAUGHLIN industries

OAK BROOK, ILLINOIS