

\$109,700,000 a year earlier. Some of our customers started 1967 with unusually large inventories of our products, but it now appears that most inventory adjustments have been completed. The rate of incoming orders improved during the last quarter of the year.

Capital expenditures for the year amounted to \$12,322,000. This was less than planned because some expenditures were deferred, some equipment was not received on schedule, and initial expenditures on a new plant were delayed. Present plans call for capital expenditures in 1968 of about \$15,000,000, compared with depreciation of \$11,000,000.

The status of proceedings instituted by the Federal Trade Commission to force Abex Corporation to divest The S. K. Wellman Company, which was acquired in 1963, has not changed since we last reported to shareholders. The case is still under review by the full Commission.

In March 1967, a new position of director of corporate affairs was created and Eads Johnson, Jr. was appointed to the post. He has been with the company since 1934. He will study and implement plans where Abex can help in alleviating some of the country's complex social problems. The rapid trend toward urbanization has intensified problems of water and air pollution, unemployment and equal opportunities for minority groups, education, job training and a host of others that are closely related. All industry must cooperate with other segments of our society to help in finding solutions for these problems.

In April, George N. Decker, president of the Aerospace Division in the United States, was assigned management responsibility for the aerospace operations in Canada. Plans for integration of the operations of these two units are now being implemented. This will increase efficiency and reduce costs.

In November, N. George Belury, vice president of the company and president of Engineered Products Division, was assigned additional management responsibility for the Amsco Division. Mr. Belury has been with the company since 1937.

During the year, Devereux C. Josephs and George M. Schurman retired from the Board of Directors of the company. They had been directors for fifteen and twenty years, respectively, and both contributed a great amount of wisdom and guidance to the company during their years of service. We extend the sincere thanks of the Board of Directors and management to each of them.

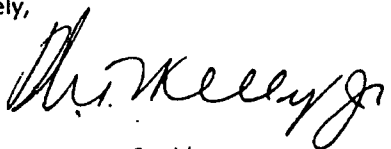
William B. Given, Jr., honorary chairman, died on January 30, 1968. Mr. Given retired as chairman in 1963, following a career spanning fifty-one years of service with the company. His strong leadership, keen foresight and warm human qualities contributed greatly to the present day strength and success of Abex Corporation.

We approach 1968 with cautious optimism. Despite world-wide political and economic uncertainties, we are confident that Abex will continue to grow and experience another successful year.

Sincerely,



Chairman



President

March 19, 1968