

\$1.57½ compared with \$1.42½ in 1965, adjusted for the stock split. The annual dividend rate was raised for the third consecutive year. Following the stock split, the rate on the new shares was increased in June to \$1.60. The December payment was the 258th consecutive quarterly dividend since the company was established in 1902.

The booming economies of the United States and Canada created a strong demand for our products and sales gains were achieved in each of our four present product groups. Orders received during the year exceeded \$300,000,000 for the first time and the backlog of unfilled orders at year-end was \$109,700,000, compared with \$84,400,000 a year earlier.

Total sales also increased in our international operations, but government controls imposed in the United Kingdom and monetary restrictions in West Germany slowed the pace of business in those countries which, in conjunction with other factors explained later in this report, adversely affected our operating results.

The year's record sales required most of our plants to operate at near capacity. In anticipation of this demand, we initiated an expansion program in 1965. Capital expenditures last year amounted to \$15,224,000, compared with \$11,364,000 in 1965. Present plans call for capital expenditures in 1967 of

about \$16,000,000, compared to depreciation of \$13,000,000.

Stockholders voted at the Annual Meeting to change the company's name to Abex Corporation. The names of subsidiary companies in our Canadian and International operations were changed also. We now have a worldwide corporate identity that will strengthen and enhance all of our marketing and advertising programs.

Changes were made during the year in the organizational and operating structure of the company. The Electro-Alloys Division, a producer of heat-resistant castings, was combined with the Engineered Products Division. This move will integrate the capabilities of the two units and provide greater over-all efficiency for the group.

Our relations with employees were generally satisfactory although there were two strikes, mentioned later in this report, which involved a small number of personnel.

Shareholders have been advised of the proceedings instituted by the Federal Trade Commission to force divestiture of The S. K. Wellman Company acquired in 1963. The Commission's Hearing Examiner issued a ruling adverse to the company's position in August 1966 and the case is now awaiting review by the full Commission.

Some Supreme Court decisions in the past few years have contributed a

great deal of uncertainty in the interpretation of the anti-trust laws, and it is not possible to predict the outcome of this case or to estimate when it will be concluded.

During the year several management changes occurred. John S. Hutchins, president since 1963, was elected vice chairman in February 1966. Mr. Hutchins retired as an officer and director of the company at the end of 1966 after forty-one years of loyal and effective service.

William T. Kelly, Jr., first vice president and a director, was elected president and chief operating officer in February 1966. He has been with the company since 1928.

Thomas W. Russell, Jr., vice president, was elected first vice president and a director in October. Mr. Russell has twenty-one years of service.

Kenneth A. Anderson, director of personnel services, was elected a vice president of the company in September. He joined Abex in 1944.

Dr. Carl F. Floe, vice president—Research Administration of Massachusetts Institute of Technology, was elected a director in June.

Abex Corporation continued to make excellent progress in 1966. We enjoyed the benefits of the prosperous economy which this country has been experiencing for several years, and we have utilized the opportunity to