Gulf+Western Industries, Inc. 1968 Annual Report

Organized to make the most of opportunities and ever responsive to change and demands of the economy, Gulf+Western now serves

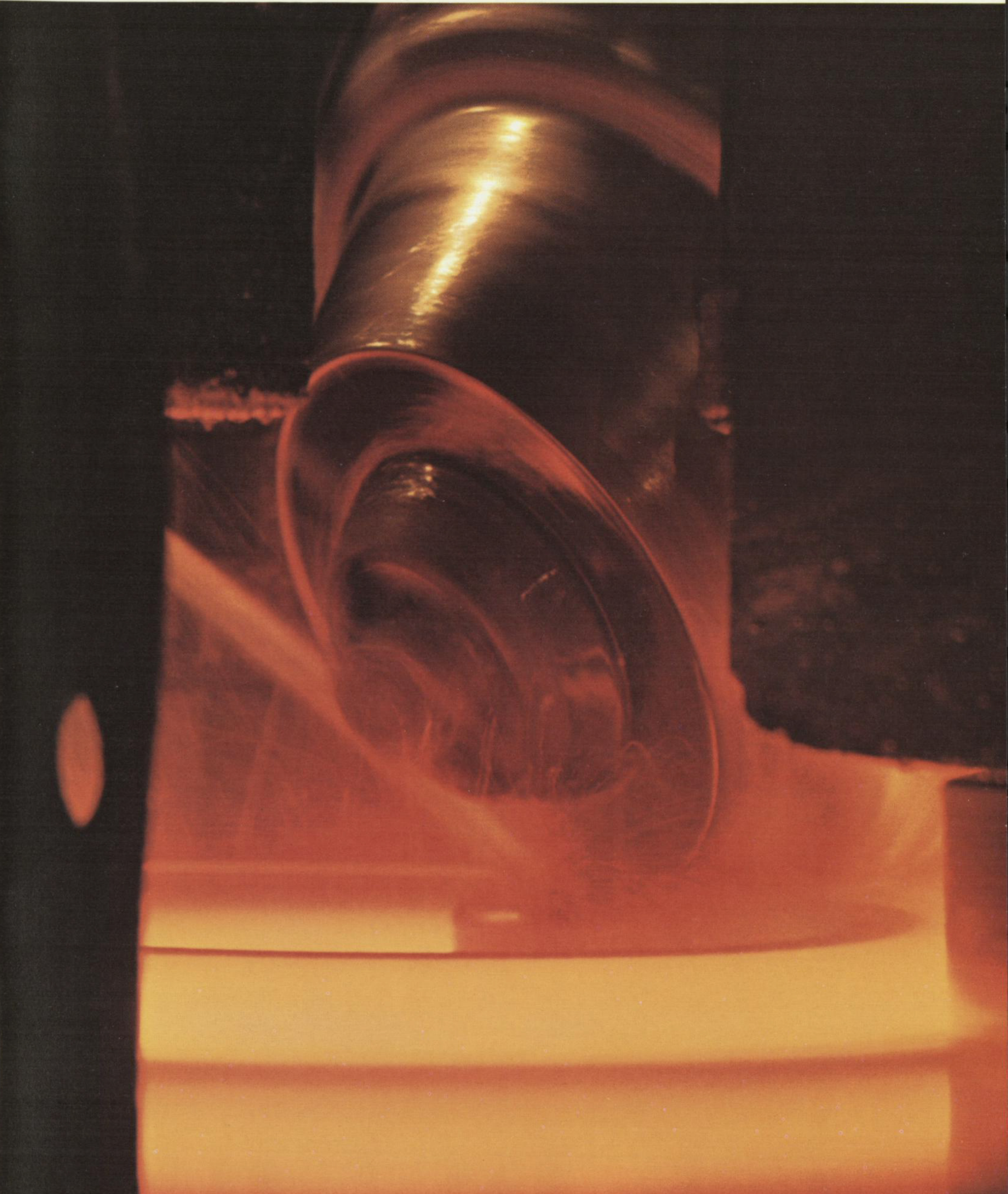
Financial Highlights

	1968	% Change	1967 Adjusted for Pooled Acquisitions
Net sales	$1,313,939,000	+10.5	$1,189,000,000
Net earnings	69,842,000	+18.3	59,054,000
Net earnings per average common (including residual preferred) share	3.24	+17.4	2.76
Working capital	469,591,000	+30.9	358,853,000
Total assets	2,055,334,000	+84.8	1,112,091,000
Shareholders' equity	537,874,000	+35.8	396,058,000
Cash flow (Net earnings, depreciation and depletion)	98,744,000	+16.7	84,646,000
Cash flow per average common (including residual preferred) share	4.71	+14.9	4.10
Capital expenditures	61,587,000	−14.4	71,927,000

Contents

On the first six pages of our Annual Report are photographs symbolizing each of the five major markets Gulf+Western serves and the asset that makes it all work, an enlightened and progressive management to give all of the company's activities direction and meaning.

five broad market areas: for the world's key industries, it provides products for economic growth, the capital goods they all require;



for other manufacturers, the company supplies products for industry, such durable goods as end products, systems and components;

for the consumer, Gulf+Western produces motion pictures, programs for television and agricultural, tobacco and paper products;

it supplies a variety of necessary services to society as a whole, to include distribution, financial, information, engineering services;

and it offers the benefits of its advances in technology and research to government entities at all levels, federal, state and municipal;

all of these operations find direction and purpose and have their potentialities nourished by an active and dedicated management.

To our Shareholders:

Gulf+Western's sales and earnings reached record levels in fiscal 1968. Net earnings increased 18 per cent on a sales increase of 11 per cent. Net earnings were $69,842,000 compared to $59,054,000 in fiscal 1967. Net earnings per common share increased to $3.24, a 17 per cent increase over the $2.76 earned in 1967. Sales advanced to $1.31 billion from $1.19 billion a year earlier. Amounts for 1967 have been adjusted to include operations of businesses acquired in transactions accounted for as poolings of interest.

This past fiscal year was one of the most notable in the eleven year history of Gulf+Western. The company passed the $1-billion level in annual sales, entered several new growth markets, and continued to expand sales and earnings through internal growth.

The company entered the rapidly expanding fields of insurance, banking and financing services with the addition of the Associates Investment Company, the third largest organization of its kind in the nation. Associates has a strong position in commercial lending, banking, insurance and other financial services with a network of close to 1000 offices in the United States and Canada. Your company sees this new group as an important addition to G+W's present operations and one with a promising growth future.

G+W's broad line of manufactured products was greatly expanded during the year with the addition of E. W. Bliss Company and Universal American Corporation. The excellent products, facilities and management they bring to the company make Gulf+Western one of the world's leading manufacturers.

The joining of Consolidated Cigar Corporation with Gulf+Western has broadened the company's range of products for the consumer. Consolidated Cigar is the world's largest cigar producer, with an effective, nationwide distribution system.

G+W entered the forest and paper products field this past year by purchasing majority ownership of the Brown Company. With extensive woodlands in New England and Ontario, Brown timber resources produce a wide range of paper, paperboard and wood products.

In addition to the expansion achieved through the addition of new affiliations, G+W continued to increase sales and earnings internally. Improved sales and earnings were achieved in manufacturing, distribution, metals and chemicals and agricultural products. In a dramatic turnaround, Paramount Pictures, in the last quarter of the fiscal year, achieved the highest domestic boxoffice returns in the history of the company.

Other important developments of G+W operations during the past fiscal year were:

—Expansion of the cable television (CATV) division with twelve additional franchises in the United States, including Berkeley, Calif.; Daytona Beach, Fla.; and Jefferson City, Mo.

—Construction of a new metal powder (an important material for metal fabricating) plant in Canada by G+W's New Jersey Zinc, in a joint venture with Kennecott Copper.

—Further expansion of the Global Systems division as evidenced by its being awarded the largest government contract ever given for life support equipment and systems.

—Formation of the Gulf+Western Realty Corporation to supervise, develop and expand the company's real estate interests.

—Expansion of our automotive parts distribution division, the American Parts System, into the heavily populated northeast.

These examples are representative of G+W's operational activities for sound growth in products, sales, earnings and investment in an expanding economy.

On the following pages is a breakdown of G+W's sales by operating groups for 1967 and 1968. This year, in addition, we have included a chart which lists the five broad markets served by G+W's operating groups and the percentage of the company's total sales to each. We believe this detailed reporting will provide shareholders with additional insight into the strength and composition of their company.

We regret that William H. Chisholm and William A. Patterson will not be candidates for re-election to the Board since they hold directorships in companies which may now be engaged in businesses of a competitive nature with Gulf+Western.

We look forward with confidence to the continued growth of our company in the year ahead.

Charles G. Bluhdorn
Chairman of the Board

David N. Judelson
President

October 21,1968

Chairman of the Board Charles G. Bluhdorn and President David N. Judelson address Gulf+Western's meeting of shareholders.

The eight Gulf+Western operating groups above provide products and services to the five broad markets listed below. Each operating group is color-coded to show those markets it serves.

Products for Economic Growth

Products for Industry

Products for the Consumer

Services

Products for Government

	1968	1967 Adjusted For Pooled Acquisitions
By Operating Groups		
Leisure Time:		
Theatrical rentals, admissions and other	$ 136,118,000	$ 128,107,000
Television productions and rentals	83,424,000	87,805,000
	$ 219,542,000	$ 215,912,000
Manufacturing	646,756,000	594,768,000
Distribution	112,210,000	102,334,000
Metals and Chemicals	98,970,000	86,882,000
Agricultural Products	66,431,000	15,645,000
Consumer Products	170,030,000	173,459,000
	$1,313,939,000	$1,189,000,000

By Markets Served

The products and services of Gulf+Western's operating groups listed above are supplied to five broad markets of the economy. Shown below are the percentages of Gulf+Western's sales to each of these markets.

	1968 Per Cent of Total	1967 Per Cent of Total
Products for Economic Growth	17.6%	17.7%
Products for Industry	30.9	31.0
Products for the Consumer	35.4	34.6
Services	8.1	8.3
Products for Government	8.0	8.4
	100.0%	100.0%

Gulf+Western Growth in Review

Spawned by a managerial revolution, in which many of the traditional ways of doing business have given way to new methods and techniques, the multi-market company is a fresh —and often misunderstood—phenomenon on the American economic scene. But whether a company describes itself as "free-form" or "opportunity-oriented", growth is still the spur which motivates it; growth is the indispensible and essential condition of the modern, diversified corporation.

In today's economy whose uncertainties can hamper the progress of the largest, best managed companies, the fundamental characteristic of Gulf+Western's progress has been its sustained pace. In each year since 1958, when the company's design for expansion was initiated, Gulf+Western has consistently achieved new levels in sales and earnings.

In 1968, Gulf+Western advanced into the front rank of U.S. corporations. In a carefully planned growth program, which began 11 years ago, Gulf+Western has attained a place among the nation's 75 largest industrial companies. *Forbes* magazine's 1968 Report on American Industry ranked Gulf+Western as the second fastest growing company in the United States for the past five years on the basis of compounded growth of earnings per share, and third in sales growth.

From a sales base of only $8 million in fiscal year 1958, Gulf+Western's volume of business has multiplied to an annual rate of $1.3 billion in 1968, an average annual gain of 66 per cent. In the same period, net earnings per share have increased from $.01 to $3.24 in fiscal 1968.

Beyond assets and income, Gulf+Western continues to expand in mounting output of products, in worldwide expansion of markets, in multiplication of goods and services, and in the mobilization, development and positioning of skilled, resourceful managers.

In little more than a decade, Gulf+Western has undergone a metamorphosis from a straight-line distributor of automotive parts to a broadly diversified multi-market corporation. In the process, it has acquired carefully selected product lines which not only serve 26 growth areas of the economy, but are also ready to seize new market opportunities. Gulf+Western has seen its total assets increase from less than $5 million in 1958 to more than $2 billion today.

The fundamentals underlying Gulf+Western's growth drive are as valid today as they were 11 years ago. Its philosophy holds that expansion for expansion's sake is an incomplete achievement, and that true, viable growth is the kind which can be generated largely from within. Without diminishing the dynamism of its acquisition program, Gulf+Western's management has devoted every corporate resource to increasing the internal growth and profitability of operations after they are acquired. This emphasis on internal growth has resulted in the average operating subsidiary attaining substantial and consistent annual growth in operating profits.

Guidelines to Growth: Gulf+Western's growth has followed guidelines that provide unity, logic and compatibility to its diversity of operations. In its pursuit of acquisitions, for instance, Gulf+Western seeks to establish or enlarge its position in important growth industries of the economy—those capable of producing sales and earnings that can profitably expand as fast or faster than the national economy.

Within these selected industries, Gulf+Western identifies with established companies having strong positions in their respective fields, and, equally important, with companies having able and seasoned management, the most important consideration in any corporate expansion.

To a multi-market company, with its large and diversified output of products and services, it is important that its overall structure have built-in anti-cyclical defenses. It is not by chance, but by design, that Gulf+Western's mix includes food products and feature films, automotive replacement parts distribution and aerospace components, as well as cigar products and financial services, all serving to balance cyclical swings that frequently penalize the one-industry company.

Each Gulf+Western division must measure up to standards for sales, earnings and return on investment, putting to maximum use every corporate resource, from working capital to manpower. While responsible for utilizing its own available skills to the fullest, each division knows that it can draw upon the considerable expertise of Gulf+Western corporate management.

Gulf+Western management relieves its operating divisions of such time-diluting corporate functions as: financing, taxes, shareholder relations, public relations, insurance and legal affairs, freeing operating divisions to concentrate their energies on what they do best—producing better products, penetrating and expanding markets, increasing sales and earnings. At the same time, management effects sizeable economies in these centralized functions and keeps control of developments in these vital areas.

Perhaps most important of all is the entrepreneurial spirit that central management promotes among all operating divisions. Each Gulf+Western group and division manager is encouraged to participate on a "partnership" basis. It is a fundamental Gulf+Western precept that operating executives, chosen for their managerial talent and performance, should be permitted to expand their efforts, ambitions and achievements unencumbered by what they once may have viewed as natural limitations inherent in a smaller or a one-industry company.

Management Methodology: Because Gulf+Western's assets are deployed over a broad spectrum of markets, it is essential that the central management organization monitor the problems, progress and potentialities of every operating unit. Thus, by analysis of problem areas and opportunity segments, corporate headquarters can propose the solutions and programs on which operating divisions can capitalize.

Advising and counseling corporate and operating unit managements is the Internal Management Consulting Group, a team of specialists in every sophisticated managerial science from cost control and electronic data processing to factory management and long-range market planning. This group has the function of assisting all Gulf+Western companies in reaching their objectives and improving their performance.

G+W's top management hold frequent planning sessions. Here meeting are Executive Vice President Don F. Gaston and Executive Committee Chairman John H. Duncan.

Through its market information and planning function, the Internal Management Consulting Group keeps G+W managements aware of changing market conditions which can affect performance. Thus, strategies can be altered to meet these changes or to seize the opportunities they may present. In a like manner, the group's in-depth review and analysis capabilities are employed in studying contemplated acquisitions or in reaching investment decisions. The Group also seeks out new and favorable markets for G+W to enter.

Corporate management also serves its operating units as their financing source. Establishing and monitoring Gulf+Western's financial controls program is the work of the company's staff of internal auditors. Strategically located in or near areas of major G+W operations, they make continuing, complete and spontaneous audits of monthly performance.

These functions enable corporate headquarters to review instantly data on variations in projected cash positions, monthly performance in sales and earnings as measured against projections, and trends developing in product acceptance. With this kind of early-warning line of two-way communication with all operating units, G+W can speedily analyze problems and take effective action.

Each division operates according to a detailed Annual Financial and Business Plan which it prepares to cover each of its major management functions and its cash flow requirements. This Plan is presented annually for review by corporate management to assure that each division's programs are consistent with the objectives of the corporation. Corporate management thus has a clear set of criteria against which it can measure divisional and over-all performance and a body of data from which it can form intelligent strategies.

This kind of systems analysis and supervision assures effective allocation and utilization of assets. As an example, the company recognized that many of its operations—notably The New Jersey Zinc Company, Paramount Pictures Corporation, Famous Players Canadian Corporation, Universal American, E. W. Bliss and South Puerto Rico Sugar Company—have substantial ownership or interest in commercial, industrial or agricultural real estate. To plan and coordinate the profitable utilization of these resources, G+W has established the Gulf+Western Realty Corporation as another important source for the company's continued earnings growth.

Clearly, G+W's managerial lines and services are organized both to come to grips with problems and to seize opportunities. Rooted in the entrepreneurial spirit, they are also calculated to nourish the potentialities of each operating unit for greater growth and profitability and ultimate contribution to the nation's economic strength.

Gulf+Western's 1968 internal growth and new affiliations have considerably broadened its already wide range of market opportunities, and created exceptional new ones. The company now serves five broad and basic markets of the economy:

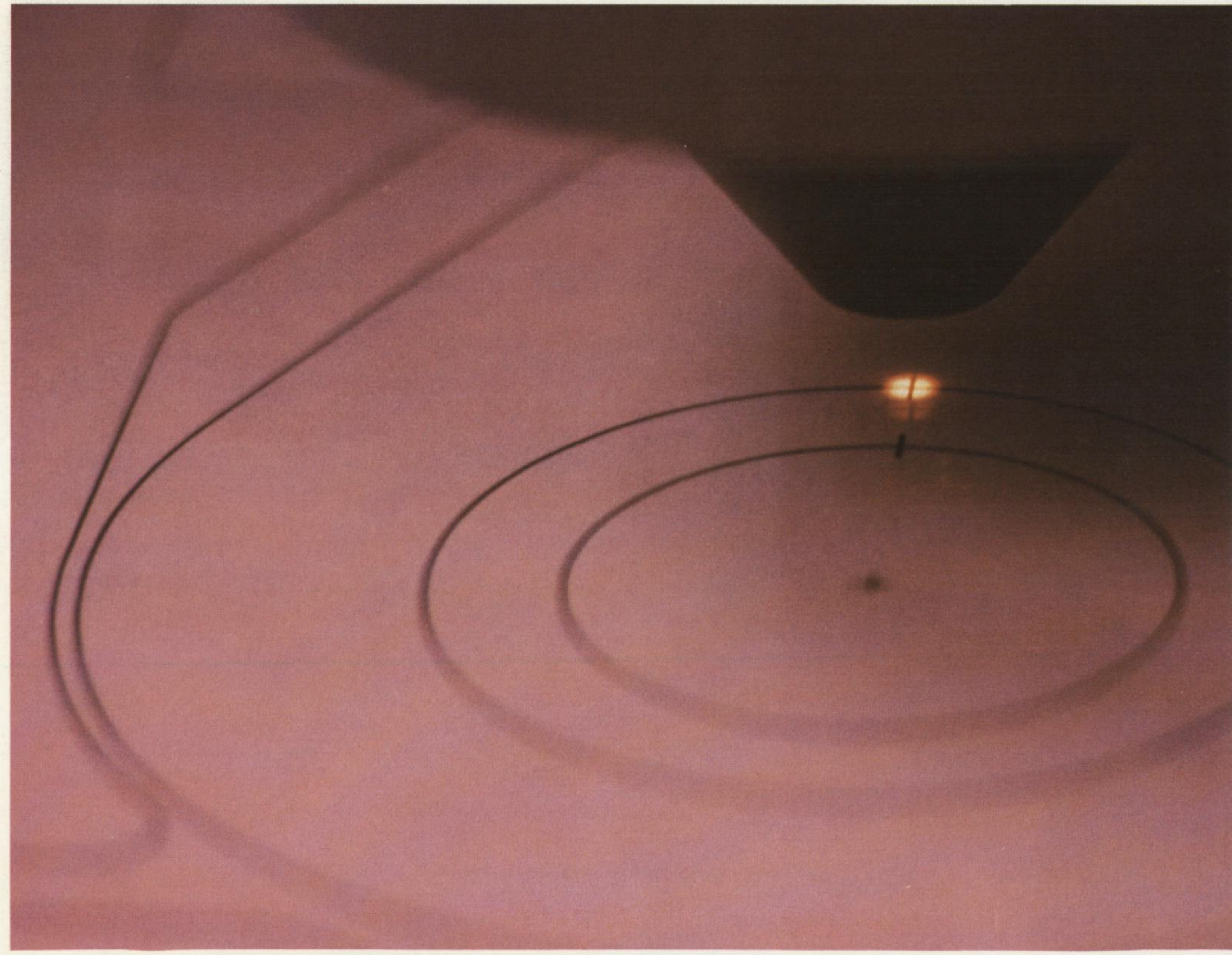
Products for Economic Growth: The manufacturing and engineering capabilities of Gulf+Western are organized to provide essential equipment, machinery and basic materiel for the capital growth of industry everywhere. In providing the means for the growth of other companies, Gulf+Western also assures its own continued growth.

Products for Industry: Gulf+Western product lines include complete systems, components, parts and other durable goods for basic industries of the world's economy. These become integral parts of end products produced by leading firms in such areas as transportation, aerospace, appliances, construction, packaging, electronics and office machinery.

Products for the Consumer: Divisions of Gulf+Western offer a variety of products directly to the consuming public. These take such diverse forms as motion pictures, television programs, sheet music and records, cable television, agricultural and tobacco products, forest and paper products, and components for pleasure boating.

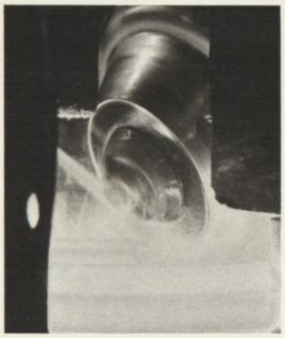
Services: In addition to its original service organization for the distribution of automotive parts and industrial supplies, Gulf+Western now can provide a number of other services in depth, such as: consumer and commercial financing; life and casualty insurance; banking; publishing and information services; engineering services.

Products for Government: All levels of government, from the smallest municipal unit to the major Federal agencies, are growing customers for Gulf+Western



products. These include such vital items as: traffic and safety control systems; fire alarm instruments and fire control systems; airport landing devices; street and highway maintenance equipment; military ordnance; aerospace components and systems; construction equipment and materials; life support systems for aircraft and space capsules. Gulf+Western companies both develop and manufacture these products.

Products for Economic Growth



The Gulf+Western manufacturing divisions supplying goods to industry for their economic growth had an increase of 9.6 per cent in sales over the previous year. Sales to this market represented 18 per cent of G+W's total.

As manufacturing costs increase, abetted by continuing higher labor rates, the need for new and more efficient production technology, tools and methods grows with them. So does demand for capital investment to renew and improve all manufacturing processes.

In 1965-1966, American companies increased their spending for capital goods by an average of 16.7 per cent. Economic factors slowed this growth in 1967, but

Optical line contour control system that permits two-dimensional machining of intricate parts is an example of the innovative technology now being utilized by G+W companies.

Wire and cable products made by G+W meet the specialized needs of such basic industries as automotive, aerospace, marine, appliances, defense, machine tools and electronics.

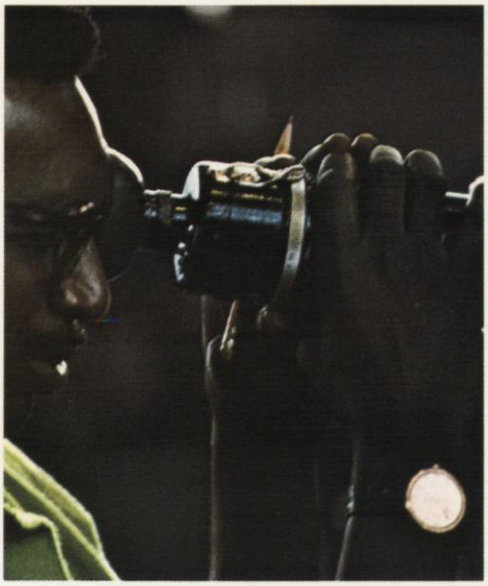
expenditures for calendar 1968 are expected to rise about eight per cent.

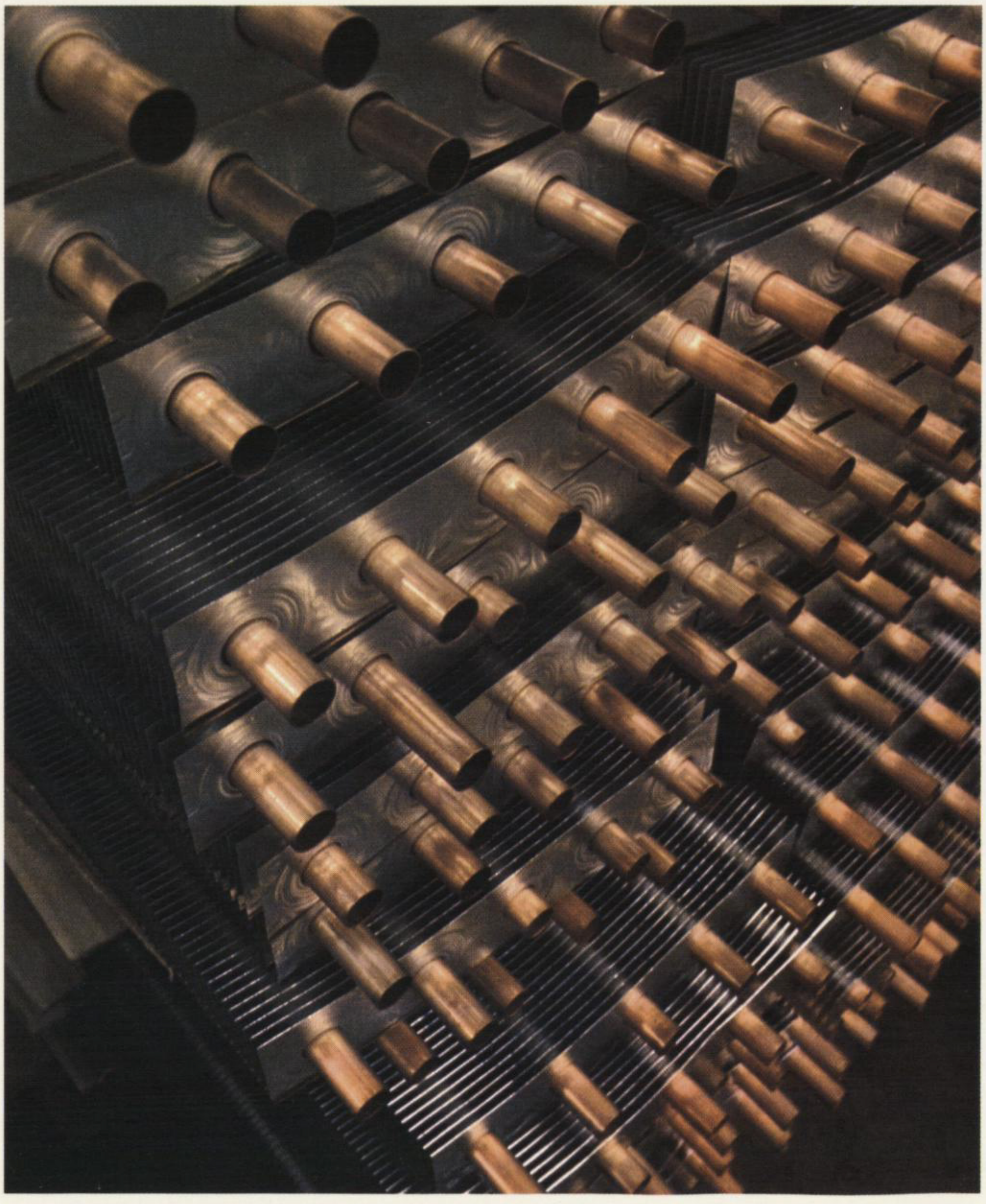
According to U.S. Department of Commerce surveys, manufacturers will spend 47 per cent of their total 1968 investment of $66.5 billion for expansion and 53 per cent for modernization and replacement. Of this same total, 73 per cent will go for new machinery and equipment. G+W is in a unique position to take advantage of this expansion because of its established positions in key industries which produce capital goods. Activities include these:

Gulf+Western companies, at the end of the fiscal year, were supplying more than $100 million in products to the electrical utility market. This market, based on increasing industrial demand and projected population growth, expands consistently year by year. Among the products made by our companies are cable and wire, electronic components, switches, and control systems.

Use of metal powders for fabricating large metal parts is a rapidly growing technology. With techniques developed by our New Jersey Zinc Company, G+W expects to attain 35 per cent of this growing market within five years. Through a joint venture with Kennecott Copper, a plant to produce up to 70,000 tons of iron powder annually will go on stream this year at Sorel, Canada.

Among the industries manufacturing capital goods, those producing fabricated metals and instruments are expected to show some of the better gains, both in calendar 1968 and the immediate future. Economic surveys indicate at least an 18 per cent increase in the capital expenditures of manufacturers of these products. Gulf+Western is a supplier of materials and equipment to this segment of the economy.





Metallurgical technician, above, uses an optical pyrometer to check temperature of a white-hot forging blank about to be formed into a critical part of an engine for jet aircraft.

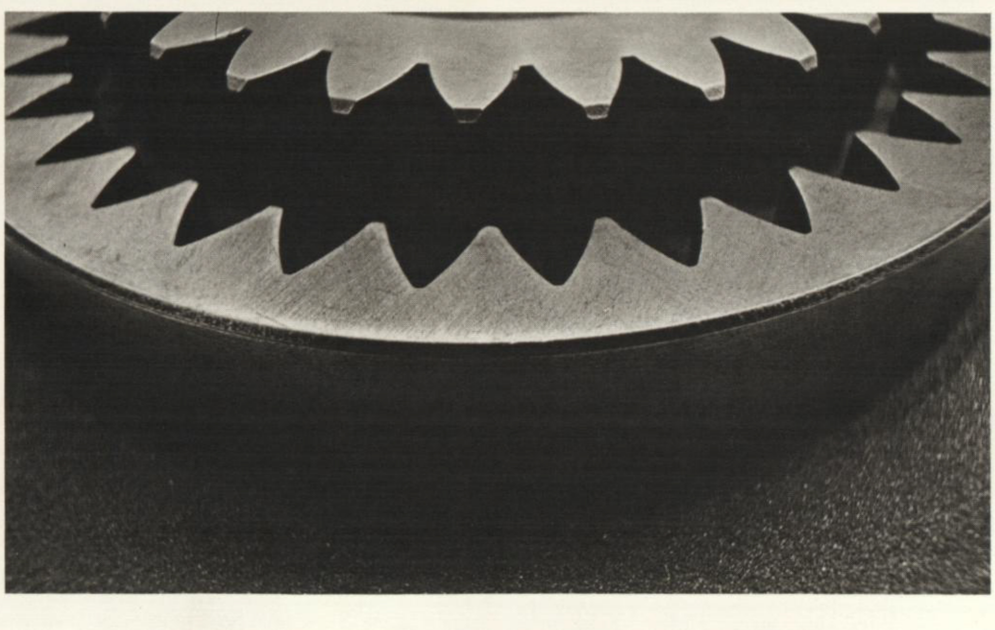
Modern industry demands a variety of heating, air conditioning and refrigeration systems. G+W's Bohn division meets those demands with components, such as these, it developed.

A rising and pent-up demand for homes should be relieved by the possibility of lower interest rates, government action, and the demographics of the market in 1969. This should lead to a strong climb in new home construction, which peaked in 1959 and has been lower since. These new homes are required to meet the needs of the fastest growing segment of our population, the 25-30 year old age group who will be forming new families over the next five to ten years. G+W companies make a variety of construction equipment, materials, and components, as well as products that go into paints, plastics and building materials.

In fiscal 1968, G+W greatly increased the scope of its capabilities to supply goods for expanded growth of industry through the addition of Universal American Corporation and the E. W. Bliss Company. Both have successful histories of supplying vital production equipment to the world's industry. Representative of the added product lines that are now G+W's as a part of this expansion are the following:

—Heat transfer systems for industrial and commercial structures. Developed and manufactured by the Bohn Aluminum and Brass division, these units include air conditioning, refrigeration and heating equipment. Demand for this type of equipment has been growing in excess of 10 per cent a year. This division also is a leader in aluminum and brass metal extrusions for the aircraft, automotive, construction, marine and railroad industries.

—Specialized bearings for such diverse uses as in materials handling equipment, hydraulic control devices, farm equipment, home appliances, aircraft and automotive components, electrical tools, steel plants, office equipment and automatic transmissions. Involved in produc-



To temper its precision drills and other cutting tools for optimum performance, above, Morse Cutting Tools division researchers developed an original salt-bath technique.

Large and intricate gear, right, is formed from iron powder, an innovative fabricating technique from G+W's New Jersey Zinc. New iron powder plant opens in Canada this year.

ing these are both the Norma-Hoffman Bearings division and Bohn.
—Significant new products for the growing textile and paper finishing industries. Equipment produced by G+W's Butterworth Company, for example, permits continuous carpet dyeing at an unprecedented speed of 15 yards-per-minute. This division has also developed textile machines for the finishing and processing of natural and synthetic fibers and is making rapid growth in perfecting continuous processing systems for knitted fabrics and in achieving faster and more efficient ways to treat paper.
—Several of the new G+W operations are major producers for the metal-working industries. Automated machine tools and unique tape-controlled milling machines are the products of the Van Norman Machine division. The Morse Cutting Tools division furnishes the manufacturing, processing and servicing industries with more than 20,000 types of precision drills and other cutting tools.
—Other new G+W operations providing products for economic growth include those which supply materials handling and related equipment: the Daybrook-Ottawa and Ampulco divisions.
—Continuous casting of steel, a highly efficient new process essential to future steel-making profitability, is being advanced by Bliss Rolling Mill division's modern technology and machines that have been in operation since 1966. Bliss has already installed two continuous-casting systems in major steel mills and is installing two more.
—Replacement mill rolls developed and produced by the Mackintosh—Hemphill division equip important ferrous and non-ferrous mills in the United States and abroad.

Continuous casting is a promising new method in steel-making. G+W's Bliss Company has built and is installing several systems for continuous casting in major steel mills.

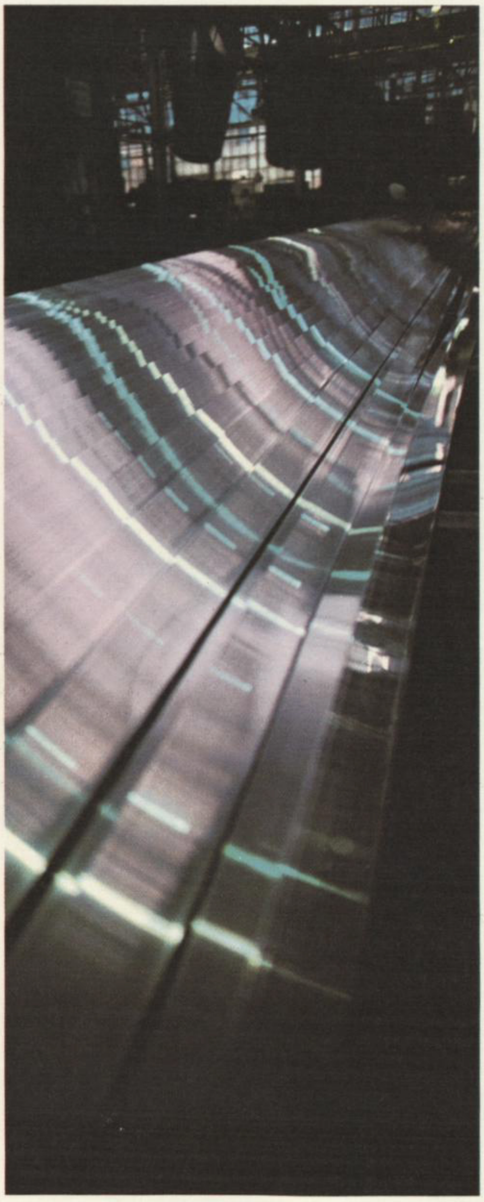
—G+W's Bliss is the nation's largest independent producer of can-making machinery for food processing plants and other industrial makers and users of cans.
—A variety of high technology precision industrial timers, counters, control and measurement instruments and electro-mechanical relays and related devices come from the Eagle Signal division.

Gulf+Western's international operations have been expanded through Bliss' operations in England, France, Canada, Australia and Israel.

Products for Industry

For fiscal 1968, G+W's sales in the durable goods manufacturing field showed an increase of 10.2 per cent over comparable sales for fiscal 1967. This represented 31 per cent of G+W's sales for the 1968 fiscal year.

All of the world's basic industries require a constant supply of specialized components, systems, parts and equipment for the end products they make. Gulf+Western is an important source for this type of product, particularly to major segments of the economy as the automotive industry, the vast aerospace complex, appliances, construction, the packaging industry, and the electronics and office machine fields.



Aluminum and brass extrusions, right, from the Bohn division, will go into airplanes, automobiles, trains and trucks, as well as for many architectural structural and design uses.

More and larger automobile parts, such as the grille at far right, are being made of chrome-plated plastics. G+W engineers have been pioneers in development of this technique.

Gulf+Western has continually broadened the base of the products and services it can provide these industries and actively seeks new market opportunities for both its existing product lines and new ones.

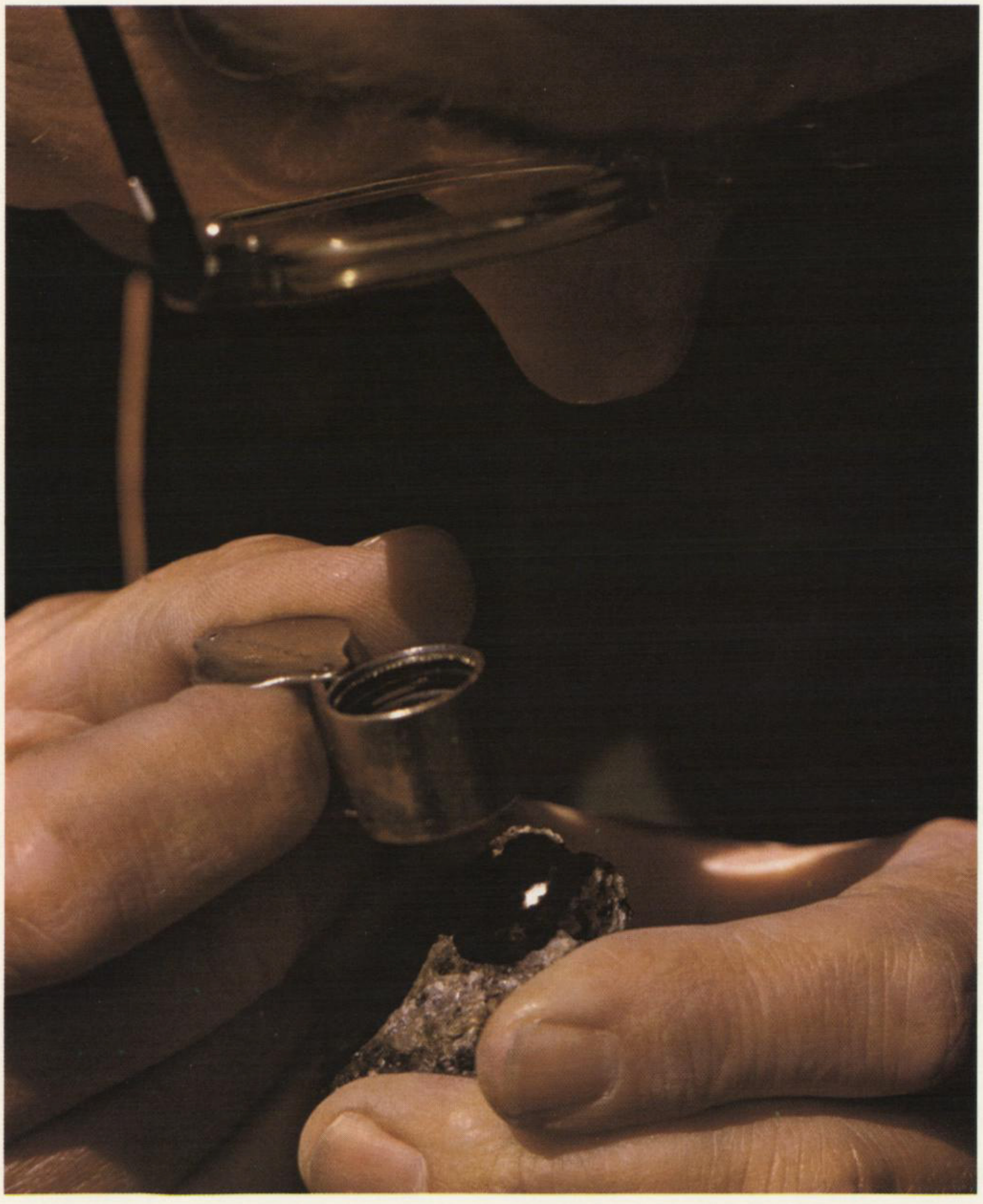
In measuring the G+W growth possibilities as a supplier of "Products for Industry", these economic yardsticks are revealing:

U.S. automotive industry market specialists estimate a 10,000,000-car year by 1970, against model year 1968's 8.4 million cars made. G+W companies participate in both the original equipment and replacement markets of the automotive industry as producers of components such as: bumpers and grilles; ignition systems; parking brake devices; bearings and suspension systems; die castings and forgings for engine and chassis; molded and electro-plated plastics components; seat springs; and signaling systems.

A compound growth rate of 11.2 per cent for the past three years was recorded in sales of radios, television sets and phonographs. G+W is a major producer of components for these products, including die castings, television picture tube frames and stereo phonograph turntables.

The vast and highly specialized needs of the aerospace industry have created a demand for critical forgings, castings and pipe products. Gulf+Western metal working companies have developed products in these areas that meet the most exacting standards of this high technology industry.

Use of zinc oxide in photo-conductive papers for office copiers has jumped dramatically in the past three years. Sales of zinc oxide for this use rose from 5,040 tons in 1965 to 14,308 tons in 1967. G+W's New Jersey Zinc Company is the major



As part of a major diversification program, G+W's New Jersey Zinc is expanding field explorations, left, in a search for sources of valuable mineral ores other than zinc.

supplier of zinc oxide to this market.

New Jersey Zinc has also diversified its product line by the addition of agricultural fertilizers. During 1968, NJZ formed an agricultural chemicals division to supervise production and marketing of the fertilizers diammonium phosphate and anhydrous ammonia.

This division is also constantly exploring for metals other than zinc. Combined investment in exploration and research is approximately six per cent of New Jersey Zinc's annual sales.

The expected upsurge in residential building and business and commercial construction will also generate expanding markets for home appliances, electrical products and wire, paint, forest and paper products and air conditioning and heating equipment, all produced by G+W divisions.

The broadening of major transportation facilities and improvement of air, land and marine equipment presents vast market opportunities for G+W products in such areas as marine hardware, aircraft and aerospace components, automobiles and traffic controls.

Demand for plastic packaging for food, drugs, cosmetics and other consumer products is running at an annual rate 20 per cent greater than that forecast by the industry at the beginning of 1968. G+W companies are now producing blow-molded bottles for major proprietary drug manufacturers. The company is also heavily involved in other plastics projects, such as injection molding for packaging, and specialized machines for the plastics industry.

Advanced techniques in hydraulics and fluidics, in metals, chemicals, electrical, electro-mechanical and electronics manufacturing are increasingly demanded by consumer and industrial products. G+W's broad engineering and precision manufacturing resources are engaged profitably in these markets.

To meet the needs of its own operations, and in cooperation with local vocational agencies, Gulf+Western has set up training programs to teach young men advanced industrial skills.

Drug, cosmetic and food packagers are using more and more versatile and less breakable plastic containers. G+W's Sentinel Plastics produces a variety of blow-molded packaging.

Operations included by Gulf+Western in Products for the Consumer had a sales increase of 13 per cent over 1967. These sales represented just over 35 per cent of the total.

Gains in population, new family formation, increased personal incomes and discretionary spending power build the markets for consumer goods and services. Shorter work periods afford more leisure time. Leisure-time enterprises attuned to consumer interests and demands assume increasing significance in these markets, which are resistant to downturns in the economy.

Gulf+Western has already established itself in the production and marketing of products and services in the leisure-time and consumer areas and has planned well for their continued expansion through these activities:

Leisure-Time:

—Paramount Pictures is the core of operations in motion picture and television program production, distribution and leasing. This company is also increasing its activities in recordings and sheet music and production facilities utilization.

—Cable television (CATV) has become a burgeoning field for Gulf+Western. In the United States, G+W is rapidly developing the domestic CATV market, and in Canada a subsidiary company is already

G+W is rapidly developing into one of the major CATV systems operators in the United States and Canada. During the past fiscal year, the company gained twelve new franchises.

well established and expanding.
—Continuing demand for musical instruments, amplifying equipment and audio-visual aids positions G+W's Unicord division to add substantial gains to its present markets.

Consumer Products:

—Gulf+Western produces and distributes cigars in the United States and abroad through its Consolidated Cigar Corporation. This division is the world's largest producer of cigars.
—Gulf+Western is a growing factor in the production of food and agricultural products. Its South Puerto Rico Sugar and Scott-Mattson operations produce sugar, sugar by-products, vegetables, meat products, and citrus and other fruits.
—Gulf+Western has entered the field of forest and paper products through majority ownership in the Brown Company. Brown concentrates on the high turnover disposable paper products.
—Pleasure boating is on the rise as a leisure-time activity. G+W's Wilcox-Crittenden division is one of the world's leading producers of marine hardware for sail and power-driven boat manufacturers.

A closer look at these product groups will give a better perspective of the present markets and growth potential of these G+W operations:

Motion Pictures and Television: A prime objective in Gulf+Western's planning has been the rejuvenation and expansion of Paramount Pictures' activities in all areas of the leisure-time field. As a direct result, Paramount completed the highest quarter in domestic boxoffice receipts in the history of the company.

For the spring and summer season this year, Paramount obtained 30 per cent of the available playing time in first-run theatres across the country. Two boxoffice hits released by Paramount during this period, *The Odd Couple* and *Rosemary's Baby*, will be among the largest

A film which received both critical acclaim and boxoffice success was *Rosemary's Baby*. Based on the best-selling novel, this dramatic film starred Mia Farrow and John Cassavetes.

Just recently released, and already drawing capacity audiences is the space-age fantasy, *Barbarella*. It stars Jane Fonda as the heroine who roams the planets in 40,000 A.D.

grossing films in the company's 55 years.

The Odd Couple, in its premiere engagement at New York City's Radio City Music Hall, broke the theatre's twin records as the longest-running and highest-grossing motion picture in Music Hall history. This single 14-week engagement grossed more than $3,000,000.

Rosemary's Baby, based on the best-selling novel, is also adding substantially to Paramount's revenues. Its unusual story line and strong cast, plus the interest generated by sales of the book in excess of four million copies, have all contributed to its success.

These two highly successful pictures have now been followed by two new films —*Romeo and Juliet* and *Barbarella*— which give all indications of being outstanding boxoffice successes.

Romeo and Juliet, Franco Zeffirelli's widely acclaimed production, has received tremendous response in its opening engagements and is attracting world-wide record audiences.

Barbarella, the space-age fantasy starring Jane Fonda and directed by Roger Vadim, is also setting an outstanding pace in its initial engagements.

Since joining G+W, Paramount has substantially increased the number of pictures in various stages of planning and production, thereby insuring a well-balanced annual program of pictures.

Under preparation are a number of "reserved seat" features. Because of their excellent casts and story lines, the company expects these films to do exceptionally well with the movie-going public:

Paint Your Wagon, based on the Broadway musical hit by the *My Fair Lady* team, Alan Jay Lerner and Frederick Loewe. This adventurous tale of the Oregon gold rush, produced by Mr. Lerner and directed by Josh Logan, has Lee Marvin, Clint Eastwood and Jean Seberg as its stars.

Darling Lili, the new Blake Edwards World War I musical comedy starring Julie

Andrews and Rock Hudson, with a musical score by Academy Award winners Henry Mancini and Johnny Mercer.

The Molly Maguires, Martin Ritt's powerful drama starring Sean Connery, Richard Harris and Samantha Eggar. It deals with a secret terrorist organization in the Pennsylvania coal fields that fought against the harsh conditions existing a hundred years ago.

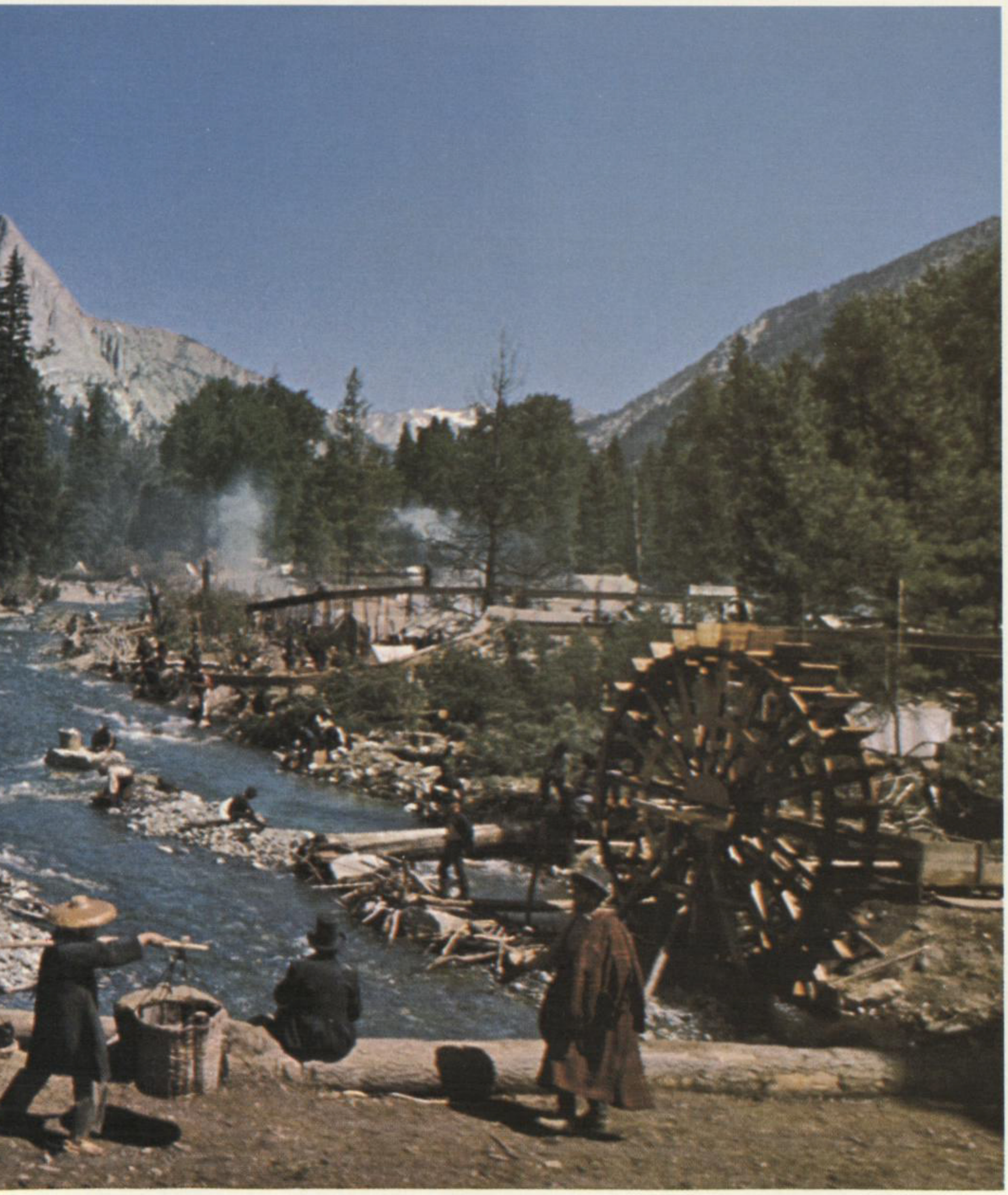
The Adventurers, based on the recent best-seller by Harold Robbins, author of *The Carpetbaggers*, one of the highest grossing films in Paramount's history. Lewis Gilbert, director of *Alfie*, is filming this all-star story of the international jet-set on location around the world.

Monte Carlo or Bust—With Those Hairpin Harrys in Their Jaunty Jalopies, with an international cast headed by Tony Curtis, Bourvil and Terry-Thomas. The slap-stick comedy-adventure is being filmed in Europe by Ken Annakin, who made *Those Magnificent Men in Their Flying Machines.*

In addition, other promising films include: Hal Wallis' filming of the new best-selling novel, *True Grit,* starring John Wayne and Glen Campbell; Martin Ritt's *The Brotherhood*, starring Kirk Douglas; Jules Dassin's controversial drama of the Black Power movement, *Up Tight!*

While this schedule promises excellent boxoffice returns, it is only part of Paramount's revenue-producing activities. With the three major U.S. television networks now presenting feature films seven nights a week, there is a steady demand for films new to television. The Paramount library of films that have completed theatrical release is constantly being replenished and is a major source of product for the television networks. These films are later licensed to independent television stations in the U.S. and abroad.

Another major contributor to the revitalized Paramount has been the new facilities division, designed to provide a full range of production facilities for



High on the list of "reserved seat" feature films to be released by Paramount Pictures in 1969 is the screen version of the hit Broadway musical, *Paint Your Wagon,* shown here being filmed in Oregon. It stars, above, Lee Marvin (right), Jean Seberg and Clint Eastwood (left). Alan Jay Lerner (center left) composed the score and is the film's producer. Joshua Logan directs.

Paramount and independent producers. This new division has made the Paramount studio properties in Hollywood among the most active in the industry.

Television Production: Through its television division, Paramount has become one of the most successful producers of programs made directly for television. Such popular 1967-68 season network TV programs as *The Lucy Show, Mission: Impossible, Star Trek* and *Mannix* have all been renewed for 1968-69. In preparation are new series based on three Paramount film successes of recent years, *Barefoot in the Park, Breakfast at Tiffany's* and *Houseboat*, as well as other projects in cooperation with the major networks.

Records and Music: During the past fiscal year, Paramount has made significant strides in re-organizing and strengthening its music division, which is comprised of Dot Records and other subsidiary labels, as well as substantial music publishing interests. As a result, it is foreseen that the current fiscal year will position this division for substantial achievements in the music field.

During the past year, this division acquired the Stax-Volt group of recording companies. Based in Memphis and credited with the origination of the "Memphis sound" in folk-rock music, these companies have carved out a successful niche in the fast-growth contemporary music field for young audiences.

Cable Television (CATV): Development by Gulf+Western of CATV continued to gain momentum this past year. G+W's International Telemeter division, which stems from Paramount's pioneering operations, is rapidly establishing a strong position in CATV.

In the past fiscal year, the division obtained 12 franchises, coast-to-coast, including such important market areas as Berkeley, California; Jefferson City, Missouri, and Daytona Beach, Florida. Similar franchise rights have been requested in 10 additional areas and a substantial

number of other locations are being evaluated.

Through CATV operations in the U.S. and majority interests in Famous Players Canadian Corporation, G+W has ownership in systems with close to 200,000 subscribers—and with potential of more than 800,000 subscribers. These combined operations rank G+W as one of the leading CATV operators in the world.

Gulf+Western is exploring ways to make the cable system a total entertainment and information service for its CATV subscribers. Under study are plans to utilize more fully G+W's resources in communications and entertainment.

Theatre Operations: Through its 51 per cent ownership of Famous Players Canadian Corporation, Gulf+Western has motion picture theatre operations throughout Canada. Famous Players owns and operates 310 theatres in principal population centers across Canada, making it the second largest chain in North America. G+W also has interests in theatres in Great Britain and France.

Cigars: The largest group of new cigar customers are between the ages of 25 and 34, a segment of the population growing at the rate of 10 per cent a year. With this group added to the stable group of older cigar smokers, and with development of new cigar products with broader appeal, the industry anticipates rising sales and earning trends. Cigar sales in the first half of 1968 are above those of the comparable 1967 period, reversing a four-year downward trend from the peak reached in 1964 as a result of the Surgeon-General's report on cigarettes.

As the largest maker of cigars in the United States, Gulf+Western's Consolidated Cigar expects to share in sustained long-term appreciation in this market.

In fiscal 1968, the company added a tipped Mint and Menthol cigar to its popular-priced Muriel line domestically, and a new small Tipalet five-cent brand in Canada. It introduced in the U.S. last

Paramount's imaginative and colorful production of *Romeo and Juliet,* directed by Franco Zeffirelli, played to capacity audiences at openings in New York, Paris and London.

During the past fiscal year, Consolidated Cigar considerably broadened its product line with several new brands. The new dark tobacco *Tueros* had immediate market acceptance.

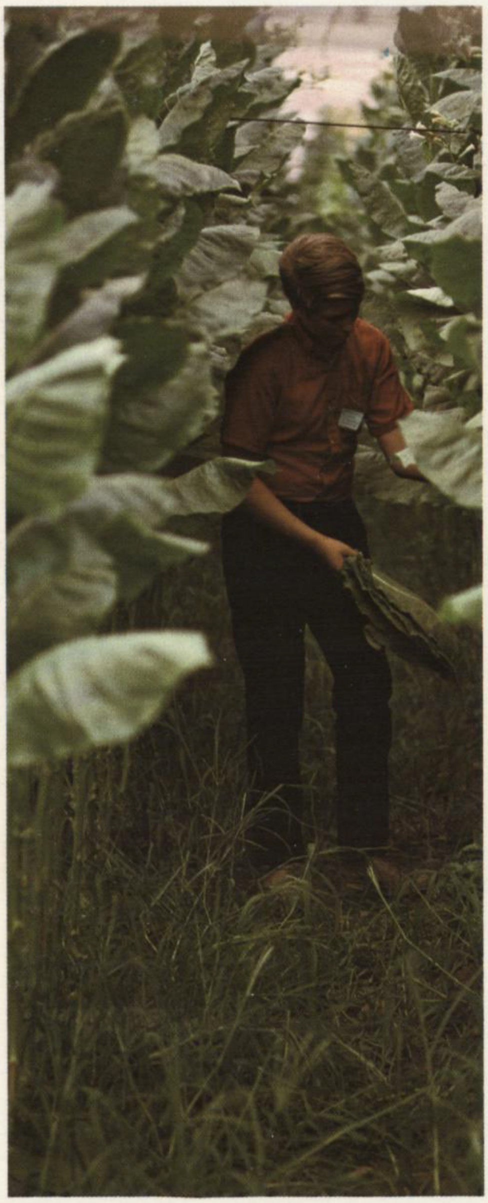
spring a new dark-tobacco brand, Tueros. New brands in medium-price ranges were the Willem II and the Guardsmen. The Willem cigar, made by the company's Dutch subsidiary, is one of the larger selling brands of Europe and has unique dry-smoking taste characteristics. New packaging was also introduced to promote greater and more contemporary brand name identification for Consolidated's popular Dutch Masters cigars.

During the year, the company began using a new high-speed cigar-making machine, which is expected to speed new product development, in addition to improving manufacturing quality and lowering operating costs.

Food and Agricultural Products: Through its South Puerto Rico Sugar and Scott-Mattson Farms operations, a solid base for growth in production and sales of agricultural and food products has been established by Gulf+Western. These operations include sugar plantations, citrus groves, fruit and vegetable farms and beef cattle ranches on more than 400,000 acres of land in Puerto Rico, the Bahamas, Florida, and the Dominican Republic.

New sources of sugar cane developed in Puerto Rico are expected to lift sugar production by 20 per cent in the company's mills in the coming year. Though drought conditions reduced 1968 sugar cane production, development of large-scale irrigation projects is under way to help insure crop output in the future.

To expand meat production, the company has embarked on a program of breeding pure blooded Black Angus and Hereford bulls in Florida and improving livestock bred on its Dominican Republic ranches. The combined ranch facilities, with more than 120,000 acres, are among the world's largest. The company has also built meat packing facilities in the Dominican Republic, as part of an overall program to make G+W an important supplier



to the fast-growing Caribbean market.

During 1968, the company increased its production of furfural, a valuable industrial chemical that is a by-product of sugar cane used in chemicals and oil refining. Production increases also were registered in oranges and grapefruit, tomatoes, and other fresh produce on G+W's farm lands in Florida.

Forest and Paper Products: The "disposable age," stimulating use of paper plates, towels, napkins and even clothing, ranks paper products high on consumer daily shopping lists. The "packaging explosion" utilizes huge tonnages of paper and paperboard for all types of food and other consumer products.

The building and "do-it-yourself" booms demand growing quantities of hardwood plywood, natural wood and veneer panelling.

Industry economists forecast that total paper consumption in 1968 will climb by seven per cent in use of such paper products as tissues, packaging materials, paper and construction board.

The Brown Company, in which G+W holds a majority interest, is a major producer in all of these areas. The company's major resource—ownership or cutting rights to 4,500,000 acres of producing woodlands in New England and Ontario—is maintained on a continuous yield basis.

Brown's capabilities range from packaging design to the manufacture of a complete line of hardwood plywood building products.

The company is one of the largest producers of disposal cups, plates, napkins, sandwich wrappers, tissues, book matches and such widely-used service products as paper towels. (A single new Brown production machine can turn out 50,000,000 paper towels a day.) The company also produces a varied line of high-quality printing papers.

Musical Instruments: A presently small but profitable position in this consumer

Protected from direct sunlight by a gauze covering, fine broadleaf tobacco is harvested for high-grade wrappers on Consolidated Cigar's extensive farms, left, in the Connecticut Valley.

Consolidated Cigar's popular *Dutch Masters*, *El Producto*, *Muriel* and other brands are sold through more than 400,000 retail outlets, serviced by the company's 700 man sales force.

With grazing lands and ranch facilities in the Dominican Republic and a pureblood cattle ranch in Florida, G+W is becoming a leading supplier of meat products in the Caribbean.

market has been gained by G+W's Unicord division. Unicord manufactures, imports and distributes guitars, electrically-amplified musical instruments and accessories. It also produces custom amplifying units for audio-visual use.

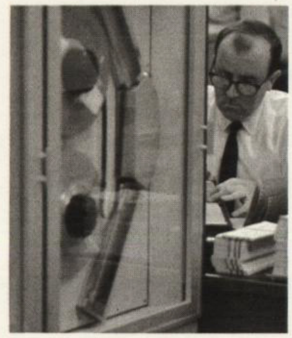
Boating Products, Apparel and Sporting Goods: An annual growth of between 10 to 15 per cent is forecast for the $3 billion U.S. pleasure boat industry over the next 10 years. As in the automotive industry, Gulf+Western shares in both the original equipment and growing "aftermarket" for marine products.

G+W's North & Judd and Wilcox-Crittenden divisions have leading positions and are growing profitably in these markets.

Wilcox-Crittenden's leadership in marine products is being extended by the growing acceptance of its new line of Marinium® marine hardware. This new lightweight magnesium-aluminum alloy is highly corrosion resistant. It is winning acceptance by boat fabricators.

North & Judd produces decorative items for youth-oriented casual and sport fashions, accessories and footwear. The company also makes a broad line of fasteners used in camping, saddlery and other recreational equipment.

Services



The American Parts System, G+W's automotive parts and supplies distribution system, now has 34 regional warehouses servicing more than 700 associate jobbers from coast to coast.

In the past fiscal year, Gulf+Western's operations in the services category had sales with an eight per cent increase over 1967. This represented just over eight per cent of the year's total sales, but does not include operations of Associates Investment which joined Gulf+Western at the end of the fiscal year.

Providing services to consumers and to business and industry is now recognized as one of the fastest broad growth areas.

The services sector of the U.S. economy has increased at a yearly rate of nearly 10 per cent over the past four years. Future population and income growth, as well as shorter work weeks, are factors that will stimulate this trend in the future.

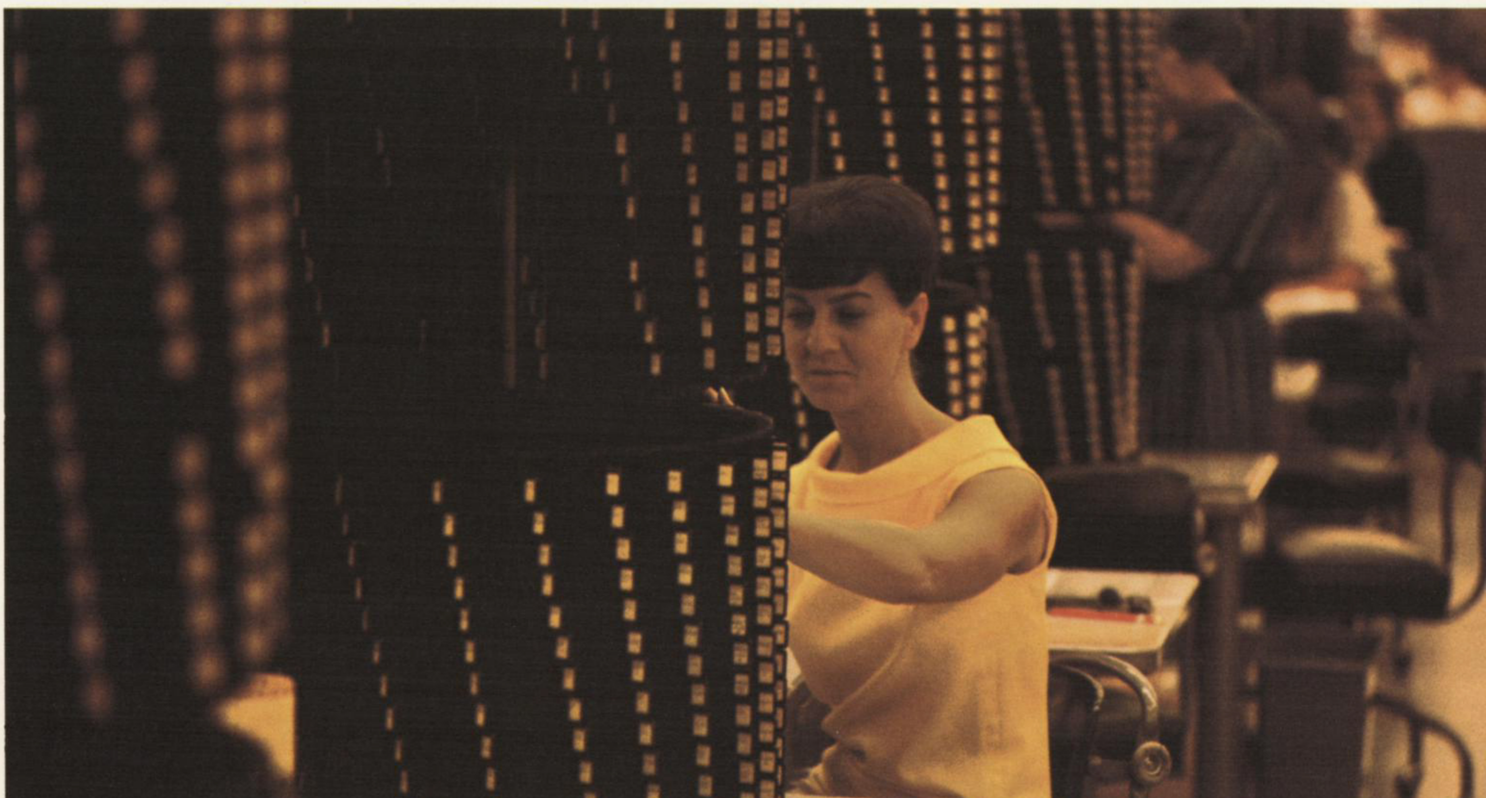
Distribution: Gulf+Western's successful experience in the distribution of automotive and industrial products built the foundation for the company's growth potential as a service-oriented company.

G+W's American Parts System, which stems from the company's pioneering operations in automotive and industrial parts distribution, continues to expand. The American Parts System now operates 34 central automotive parts warehouses from coast to coast and services more than 700 associate jobbers. American Parts made an important move toward completing its nationwide network of warehouses and distribution outlets during fiscal 1968 with expansion into the densely populated northeastern United States.

This division has completed the second year of operation of its jobber training school in Houston, location of its headquarters. Similar facilities were opened during the fiscal year in Los Angeles and Denver, and schools are in the final stages of planning for Atlanta and Omaha.

The distribution of industrial equipment and supplies, principally in the western third of the country, has been increased and new inventory procedures and improved customer relations programs established to provide better service.

Real Estate Activities: A major step toward maximizing the development of the



Associates Investment, through which G+W entered the financial services field, is one of the largest companies in the United States in consumer and commercial credit operations.

company's real estate assets was taken during 1968 with the organization of the Gulf+Western Realty Corporation. This new G+W company is headed by Philip J. Levin, an expert real estate developer.

Gulf+Western's real estate assets range from agricultural and timber lands to large industrial and commercial properties and potential recreation area sites.

G+W currently owns:

– 525,000 acres of woodlands in the United States, and another 275,000 acres jointly held with others.
– 270,500 acres in the Dominican Republic and Puerto Rico.
– 89,200 agricultural acres in Florida.
– Potential resort sites in Florida, the Caribbean and the western U.S.
– Commercial and business sites in major metropolitan areas of the United States, Canada and overseas.

Operations in real estate development promise considerable growth. Early steps in this direction include construction of several large urban commercial projects on properties of G+W's Famous Players Canadian Corporation in Montreal, Toronto and Winnipeg. These will incorporate hotel, theatre and commercial buildings, as well as a $42 million commercial and industrial park.

The G+W Realty Corporation is also seeking new real estate opportunities in both the U.S. and abroad for operation and development.

Insurance, Financing Services and Banking: G+W is now in the broad field of financial services through the acquisition of Associates Investment Company at the end of the fiscal year. Associates has assets in excess of $1.7 billion.

As one of the largest organizations of its kind in the U.S., Associates offers a complete range of lending, banking, insurance and other financial services through a network of almost 1,000 offices in the United States and Canada. With consumer installment credit having increased over 60 per cent in the past five years,

Associates offers its consumer financing services to customers at 700 loan and 260 discount offices strategically located in forty-six states and six of the provinces of Canada.

Associates Investment's Capitol Insurance Group offers a diversified portfolio of insurance coverages. The Capitol Insurance building in Denver is one hub of this Group's activity.

and still increasing, Associates is well positioned to share in this growth.

The finance subsidiaries of Associates are engaged in personal and commercial lending, in leasing, and in the financing of automobiles, other vehicles and heavy equipment. The First Bank and Trust Company of South Bend, the largest state chartered bank in Indiana, offers complete commercial banking and trust services. Insurance services in the life, accident and health, and casualty field are provided by five companies comprising the Capitol Insurance Group.

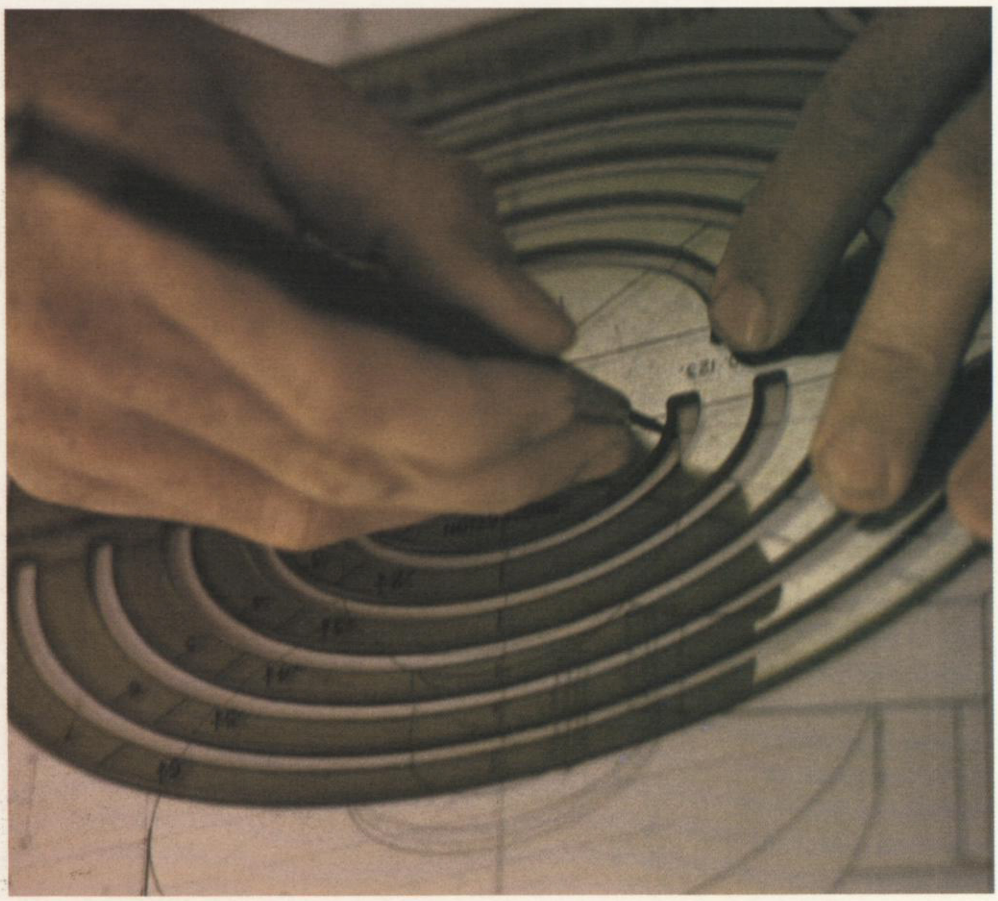
In June, G+W acquired a 46 per cent interest in Providence Washington Insurance Company, a national underwriter of ocean, inland marine, fire and casualty insurance. On September 27, Associates made a cash tender offer for all the outstanding shares of Providence Washington not held by G+W. With the successful completion of this tender offer, Associates will acquire the shares held by Gulf+Western. Adding the operation of Providence Washington to Associates Investment Company will significantly aid G+W's further expansion in the financial services field.

<u>Publishing and Information Services</u>: Gulf+Western's Resource Publications forms the nucleus for a broad range of information services to industry, business, education and government.

Resource Publications publishes specialized career and vocational guides. Sales doubled in fiscal 1968. It is now developing plans for new publications in both educational and industrial fields.

New vocational opportunities are creating rising needs for more information and training programs, both in education and industry. College enrollments are increasing at an annual rate of 12 per cent. Industry and business are undertaking massive recruitment and training programs to fill new jobs. G+W expects to participate

To meet increasing informational needs of education and industry, G+W's Resource Publications is rapidly expanding its present list of vocational opportunity directories and guides.



By combining the technological specialties of the many Gulf+Western operations, solutions to difficult engineering problems are provided to meet specific needs of industrial customers.

profitably in this growth area.

Engineering Services: In the era of the "systems" approach to manufacturing and marketing, Gulf+Western is in a position to offer a unique depth and breadth of research, development and engineering assistance. The special engineering technologies available in Gulf+Western companies are a real and valuable resource.

The diversity of G+W's operations makes it possible to undertake a "value analysis" approach to the engineering problems of other companies. In effect, this permits G+W to draw upon the resources and technical skills of a number of its operations to provide completely engineered systems, rather than individual components.

This very real benefit to major customers is no better exemplified than in the automotive front end assembly system engineered this year by the G+W Automotive and Appliance Manufacturing division for one of the major automobile manufacturers. In the past, this company followed the practice of most automobile manufacturers in ordering components from a number of suppliers. Though these components were produced to specification, problems of fit often occurred in final assembly, causing costly delays in launching new models.

This year, for the first time, G+W's Automotive and Appliance Manufacturing division has accomplished a breakthrough in "systems engineering". The division is supplying to this major company the entire front end assembly for the premium car of its 1969 line.

For this particular project, the division utilized its stamping, die-casting, metal working and plastic molding operations. This provides the customer with a better total assembly at lower over-all cost with major assembly problems eliminated.

The marshalling of engineering talents shown by this one example is also available throughout the Gulf+Western organization through other combinations of diversified G+W engineering skills.

Quality control is of particular importance at all G+W operations, but never more so than in producing defense materials. Here, an ordnance component gets a final precision check.

Gulf+Western manufacturing divisions which supply governments with products and services had a sales increase during fiscal 1968 of six per cent. This represents eight per cent of the company's total sales volume.

Governments, national, state and local, are large and important customers of business and industry. Their requirements, wholly apart from such huge undertakings as space age and national defense programs, are substantial and diverse.

Sound solutions for such major problems as highway and airport congestion, air and water pollution, law enforcement and fire protection, education and public health deficiencies, will depend largely on the resources which private industry can apply. G+W is employing its capabilities in developing and producing systems, products and services in these areas. While several Gulf+Western divisions are producers of equipment vital to the nation's scientific progress in the space age and to national defense, our markets in this respect are highly diversified.

With more than 75 million vehicles expected to be in use on U.S. streets and highways by 1975 and airport traffic rising dramatically, the need for the effective traffic control devices Gulf+Western develops and produces should increase.

Unique computerized solid-state traffic control units, developed by G+W's Eagle Signal division, are at work helping solve growing problems of street and highway traffic congestion.

A new high-expansion foam, right, can fill room on fire in seconds, snuffing out blaze but permitting occupants to breathe. Unit is part of G+W's Rockwood Jet-X fire-fighting line.

The G+W Eagle Signal division is a leader in highway, street and airport traffic control systems. Its sales reached an all-time high in 1968, as a result of successful new products. These included the first intersection traffic controller to employ micro-miniature solid-state circuitry.

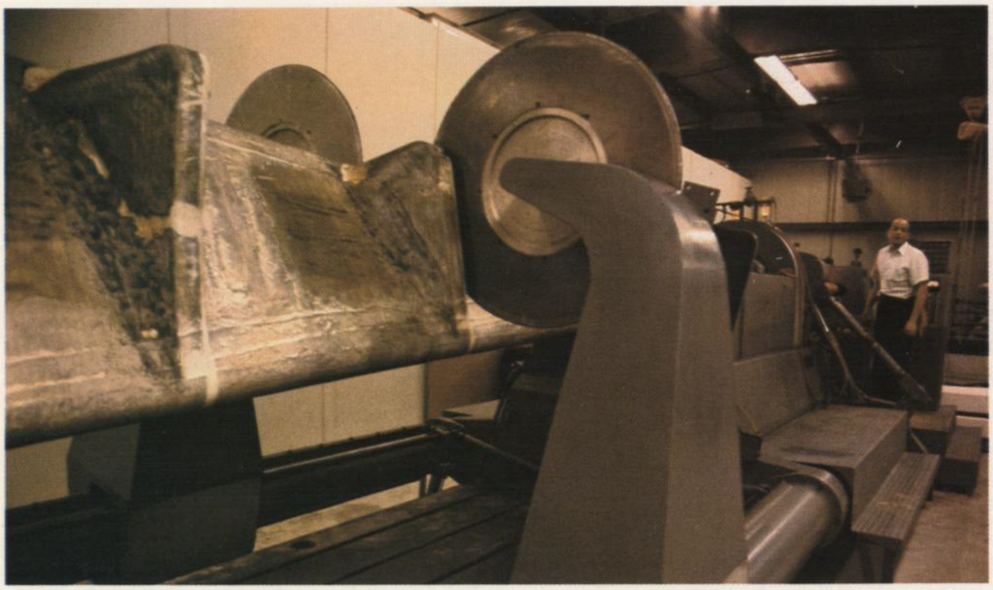
The scientific, engineering and manufacturing resources of several G+W divisions are actively engaged in providing nuclear, space and oceanography products, including prototype aircraft parts for both the new Super Sonic Transport (SST) and the gigantic JT-9D cargo planes. Other divisions fabricate parts for nuclear-powered submarines and oceanography research vessels, and make critical piping for atomic plants and special forgings for rocket launching pads.

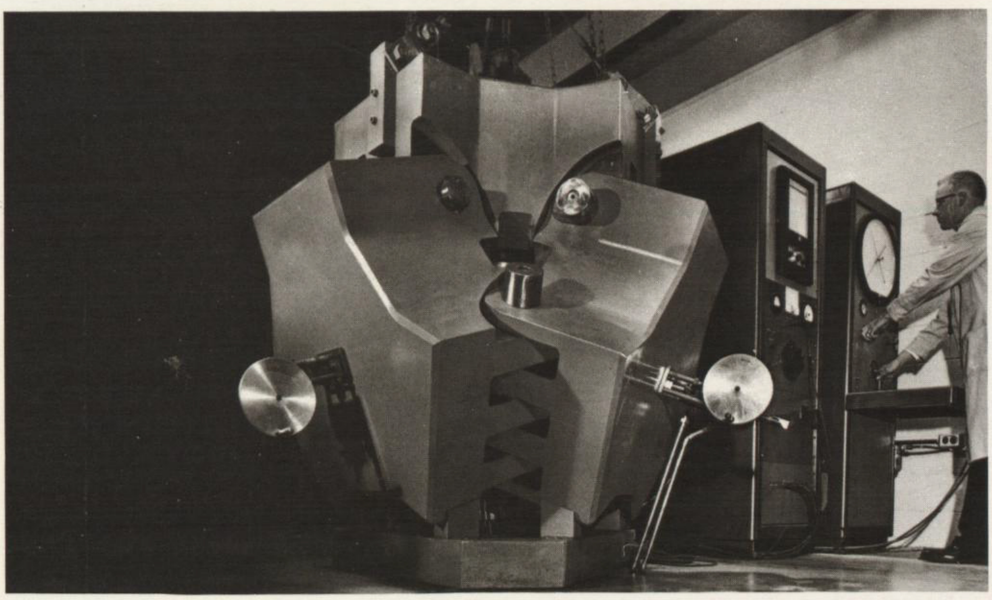
Gulf+Western's Global Systems division concentrates upon numerous products and systems furthering safer operations of aircraft and improving space vehicle tests, launchings and in-flight environment, operations and communications.

The Global Systems division is currently working on the largest U.S. Navy and Air Force contract ever issued for the development of life-support systems for aircraft. Important other products include controlled environment chambers that test the ability of space vehicle components and future supersonic aircraft to perform effectively under various simulated conditions, such as heat, shock, altitude and vibration.

G+W's Bliss Research and Development Center has developed a number of aircraft arresting devices, used to assist jet aircraft of all types in landing safely. These devices are in use at military airfields in the U.S. and overseas.

G+W has produced ultra-high pressure presses that can attain three million pounds per square inch. More than 30 have been installed in such locations as the Argonne National Laboratory, the U.S. Naval Research Center and the





Largest of its kind in the U.S., this contour tracing machine, top left, turns out precision prototype jet aircraft parts for major manufacturers at Gulf+Western's Mal Tool division.

Capable of pressures up to 3,000,000 psi, presses from G+W's Barogenics division, at bottom left, are used in leading governmental, educational and industrial research centers.

Massachusetts Institute of Technology.

G+W's E. W. Bliss Company, in addition, has long manufactured sophisticated mills and presses which make coins for the U.S. Mint and several foreign governments, including most recently Australia and Mexico. The new U.S. Mint at Philadelphia is installing new Bliss equipment to replace similar units in use for many years.

The Gamewell division has a worldwide position in the signalling and control systems fields and in fire fighting products. One new development, which recorded a ten-fold market increase last year, is the company's high expansion foam, a product that has dramatic advantages in fire fighting. Municipalities, airports and government installations, as well as many industries, have increased their use of this product. Its use in commercial aircraft and space capsules is under development.

Road maintenance, sanitation and litter disposal pose increasing problems for cities and counties. The G+W Good Roads Machinery Company is an established manufacturer of such essentials as snow and ice removal equipment and leaf and litter collectors. Widely used by governments, they are also bought for large industrial facilities, military posts, airports and shopping centers.

G+W divisions furnish metallurgy skills, machinery, tooling, instruments and controls essential to manufacturers of equipment and ordnance for our national defense. Several divisions provide ordnance materiel in various forms directly to the armed forces.

Altogether, though, defense systems and equipment account for a minor portion of G+W's total sales to governments. The majority of the products in this area are of the type that are not dependent upon the present high level of military activity, but rather fill continuing and essential needs in the nation's defense program.

The ARROW (Airport Routing and Right of Way) system, developed at Bliss' Swarthmore Research Center, automatically routes aircraft on the ground, freeing the busy tower controllers.

An Innovative Company — Research & Development at G+W

Gulf+Western has assembled one of industry's most versatile research and development groups. G+W organizes and deploys this resource across a broad spectrum of markets. To illustrate the scope, here are a few G+W innovations announced during the past fiscal year:

— A new master computer concept to detect, measure and automatically control motor vehicle traffic.

— A computer program for handling complex engineering calculations in basic bearing design.

— Tested the use of corrosion resistant metals developed for marine hardware in non-marine applications.

— A study to gauge the feasibility of monorail systems for metropolitan centers.

— A new jet aircraft arresting device to aid combat planes to land safely at high speeds.

— An experimental expansion foam dispenser for in-flight fire control aboard commercial and military aircraft.

— New PCV carburetor valves to help combat air pollution from motor vehicle exhausts.

— A continuous high-speed process for carpet dyeing.

— Plans prepared for downtown urban renewal and redevelopment projects in key Canadian cities.

— An electric brake for materials handling equipment.

— A broad range of speed reducers for heavy duty industrial applications.

— A new series of "load-and-fold" power gates and power loader cranes for the railroad industry.

— Three new and improved brake mechanisms for 1969 model automobiles.

— A 50 percent improvement in precision surface finishes of bearings for traction motors.

— A nationwide university professor consulting service for new educational, industrial and vocational guidance publications.

— A new tape-controlled milling machine designed for heavy-duty machining.

— An aluminum coil for improved frost-free refrigeration.

— Experimental insemination by American bulls to improve selected beef cattle breeds in the Dominican Republic.

— A pilot plant for producing advanced grades of photo-conductive zinc oxides, for sharper and faster oxide-coated copying papers.

— A new seat reclining mechanism, making possible more adjustment positions in today's automobiles.

A G+W craftsman completes the critical dimensioning of a prototype jet engine compressor shaft, above. G+W worked with the aircraft company in developing this part.

Finding solutions to complex engineering problems gives G+W's technically-oriented companies a competitive edge. At left, a torch designed to slice extremely hard titanium.

History of a G+W Pioneer

It seems improbable that a Michigan company producing $6 million annual sales could develop into a $100 million division of a $1.3 billion corporate complex in little more than 10 years.

But, the Michigan Bumper Company's recent history is perhaps the best illustration of how Gulf+Western's management principles and techniques were used in structuring one of the nation's rapid growth organizations. It demonstrates how G+W mates internal growth and acquisitions for maximum profitability and market penetration.

In 1957, Michigan Bumper's name indicated both the company's capacities—and its limitations. It made automobile bumpers. In 1968, it still makes bumpers for all major U.S. auto makers. But, it is also at the core of G+W's Automotive and Appliance Manufacturing Division and is thus also making a good many other things.

When present G+W management acquired Michigan Bumper just over a decade ago, they saw it as the key to a thriving, basic, almost depression-proof growth situation—the automotive parts industry for both the automobile manufacturer and the replacement market. Events took place in rapid-fire succession. The original bumper company started to expand its product line, changed its name to Michigan Plating and Stamping and began a complete transformation.

The new name reflected its broader operations. A long term program of plant expansion and modernization was instituted in 1960 and new market areas were explored for fuller utilization of its capabilities.

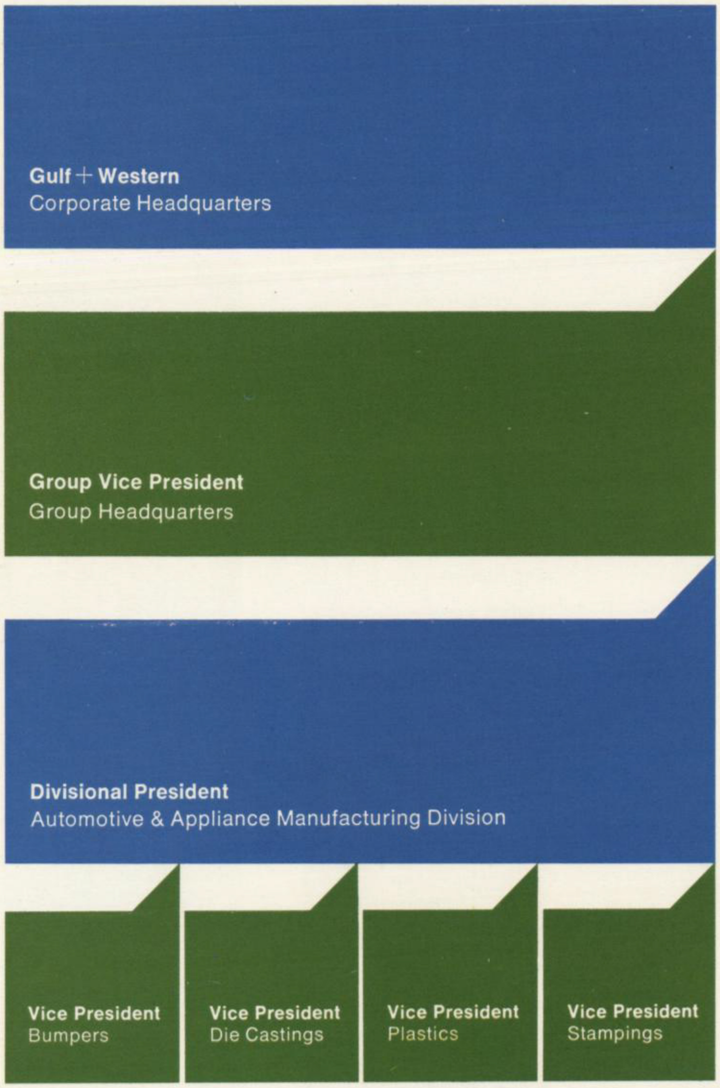
Growth goals were charted. And the company's management surpassed them consistently. Management also began seeking ways to expand its markets, both by acquisition and through internal growth.

The first building block added was a company with decorative die-casting capability for automotive parts, such as grilles, for both original equipment manufacturers and the aftermarket. This was in 1964.

In that same year the Michigan Plating and Stamping Company entered the Canadian automotive components manufacturing market by building a Canadian bumper plant,

By using resources from several of its units, G+W's Automotive and Appliance Manufacturing Division can supply entire assemblies for autos, engineered to most exacting standards.

The 13 operations comprising the Automotive and Appliance Manufacturing Division have achieved an over-all increase of more than 80 per cent in sales since acquisition by G+W.



This division is now organized into four major product groupings, each headed by its own operational vice president, reporting to a divisional president who coordinates all activities.

then added precision stamping facilities for many automotive components and also for appliances, such as those for phonograph turntables and television sets.

In 1965, this original G + W company added a manufacturing firm with research and manufacturing capabilities for chrome-plating of plastics – a process that was gaining increasing acceptance in both the automotive and appliance fields. This group of companies was now ready for divisional status and became G + W's Automotive and Appliance Manufacturing division.

In the years following, the use of chrome-plated plastics increased in a variety of automotive and appliance products. To meet these growing demands, this G + W division multiplied its plastics plating capacity five-fold by 1966.

In the same year, the division expanded into stampings for heavy equipment and was now able to make large die castings.

Also in 1966, the division entered an allied market – bearings and suspension systems for heavy equipment.

From an initial manufacturing position serving a single industry and progressing by internal expansion and logical planned acquisitions, our Automotive and Appliance Manufacturing division has burgeoned into a substantial supplier to a growing list of customers in several major growth industries.

The division today comprises 13 operations that had a total sales volume of $43 million at the time of their acquisition.

These companies were given management and financial resources to grow internally. By 1968 they had an annual sales volume of $83 million, with most of this 80 per cent growth achieved since 1964.

This division has close to $100 million projected sales for the coming year. With current new processing developments, notably in the plastics field, the division's annual sales are expected to reach $150 million within the next five years.

This one division's success story does not represent the largest single unit growth and earnings achievement in the overall G + W structure. It is typical, however, of the manner in which G + W has marshalled companies, executive skills and resources into logical product and market areas to achieve maximum profitability – and growth.

Instead of merely stacking supplementary acquisitions on top of the bumper company, each with its own president, reporting to company headquarters, G + W carefully structured management and market groupings of these 13 companies into four product areas. Each is headed by a divisional vice president reporting to a single division president. This enables each level of management to do what it does best, in direct support of the others.

This "bumper crop" of growth in a single division is representative of how expansion is achieved by the G + W approach to planned growth.

	Year Ended July 31 1968	1967 Note A
Revenues		
Net sales	$1,313,938,518	$1,189,000,304
Other—Note F	22,523,847	12,700,067
	$1,336,462,365	$1,201,700,371
Expenses and Other Deductions		
Cost of goods sold	$ 983,613,656	$ 872,771,510
Selling, administrative, and general expenses	190,563,845	184,406,216
Depreciation and depletion	28,902,338	25,591,455
Interest expense	26,757,291	17,166,236
Minority interest in net earnings	2,883,081	3,499,320
Provision for income taxes—Note F	33,900,000	39,211,394
	$1,266,620,211	$1,142,646,131
Net Earnings	$ 69,842,154	$ 59,054,240
Dividends on preferred stock other than residual securities, including amounts that would have been paid on shares issued for pooled businesses	$ 6,160,353	$ 6,248,231
Average common (including residual preferred) shares outstanding—Note E	19,664,528	19,127,736
Net earnings per average common (including residual preferred) share	$ 3.24	$ 2.76

See notes to consolidated financial statements.

	July 31 1968	July 31 1967 Note A
Assets		
Current Assets		
Cash	$ 117,288,129	$ 55,979,461
Marketable securities—at cost, not in excess of market	72,189,798	6,898,006
Trade receivables, less allowances (1968—$4,658,780, 1967—$4,610,709) for doubtful accounts	224,864,666	184,993,717
Inventories—Note B	497,241,984	360,530,587
Prepaid expenses and other receivables	23,805,369	12,965,263
Total Current Assets	$ 935,389,946	$ 621,367,034
Property, Plant, and Equipment—at cost		
Land, buildings, and mines	$ 355,298,806	$ 293,314,804
Machinery, equipment, and other	635,634,091	393,868,571
Construction in progress—Note G	13,113,054	10,761,125
	$1,004,045,951	$ 697,944,500
Less allowances for depreciation and depletion	485,830,499	315,623,012
	$ 518,215,452	$ 382,321,488
Other Assets		
Investments—Notes A and C	$ 494,713,316	$ 61,568,059
Receivables due after one year	55,392,927	27,957,526
Intangibles, deferred costs, and other—Note A	51,622,838	18,876,536
	$ 601,729,081	$ 108,402,121
	$2,055,334,479	$1,112,090,643

See notes to consolidated financial statements.

	July 31 1968	July 31 1967 Note A
Liabilities and Shareholders' Equity		
Current Liabilities		
Notes payable—primarily to banks	$ 152,746,491	$ 71,761,230
Current maturities of long-term debt	13,794,887	10,330,095
Trade accounts payable	119,828,343	93,399,163
Accrued expenses and other liabilities	153,599,297	66,206,806
Income taxes payable	25,829,854	20,816,688
Total Current Liabilities	$ 465,798,872	$ 262,513,982
Deferrals		
Income taxes	$ 61,859,345	$ 45,303,784
Participation payments and other	15,493,954	14,096,036
	$ 77,353,299	$ 59,399,820
Long-Term Debt, less current maturities—Note D	461,468,412	275,052,060
Minority Interest—in consolidated subsidiaries	56,416,025	36,353,060
Convertible Subordinated Debt—Note D	456,424,245	82,713,790
Shareholders' Equity		
Convertible preferred stock, (liquidation value $188,358,475)	$ 5,689,075	$ 7,653,367
$5.75 non-convertible preferred stock	41,855,700	41,855,700
Common stock	14,988,318	11,341,888
Paid-in surplus	211,647,044	103,581,756
Retained earnings—Note D	263,693,489	231,625,220
	$ 537,873,626	$ 396,057,931
	$2,055,334,479	$1,112,090,643

Consolidated Statement of Shareholders' Equity

	Preferred Stock	
	Convertible	$5.75 Non-Convertible
Balance at beginning of period, as previously reported (common stock excludes 473,075 shares held in treasury)	$2,284,208	$41,855,700
Acquisition of pooled businesses (net of costs incurred)	5,369,159	
Balance at beginning of period—Restated—Note A	$7,653,367	$41,855,700
Common Stock issued:		
3% stock dividend—at fair value		
Exercise of stock options		
Exercise of warrants		
Conversion of preferred stock	2,064,292*	
Conversion of debentures		
Preferred stock issued for the purchase of a business	100,000	
Common stock held in treasury issued for purchase of a business and exchanged for marketable securities		
Warrants sold, exchanged for corporate stock, and issued for purchase of a business		
Stock sold or retired and cash dividends paid by pooled businesses prior to acquisition		
Cash dividends:		
Paid on common stock		
Paid and accrued on preferred stock		
Net earnings for the year		
Balance at end of period (common stock excludes 343,587 shares and convertible preferred stock excludes 48,600 shares held in treasury)	$5,689,075	$41,855,700

*Denotes deduction

See notes to consolidated financial statements.

Year Ended July 31, 1968			Year Ended July 31, 1967	
Common Stock	Paid-in Surplus	Retained Earnings	Paid-in Surplus	Retained Earnings
$11,277,514	$ 47,907,606	$125,919,720	$39,796,962	$ 59,008,293
64,374	55,674,150	105,705,500	48,824,185	143,836,262
$11,341,888	$103,581,756	$231,625,220	$88,621,147	$202,844,555
354,266	19,162,012	19,517,568*	9,309,673	9,881,123*
92,150	1,263,876		2,934,985	
256,289	1,968,831			
2,848,410	825,615*		590,120*	
44,997	2,206,503			
	9,100,000			
50,318	2,451,024			
	70,838,782			
	1,899,875	6,273,526*	3,306,071	14,061,529*
		3,855,560*		2,433,559*
		8,127,231*		3,897,364*
		69,842,154		59,054,240
$14,988,318	$211,647,044	$263,693,489	$103,581,756	$231,625,220

Year ended July 31, 1968

Note A: Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its significant majority-owned subsidiaries other than finance and life insurance subsidiaries. Investments in unconsolidated majority-owned subsidiaries, 50% owned companies, and joint ventures are carried at cost plus undistributed net earnings since date of acquisition. The Company's investment in other corporate stock is carried at cost.

The 1967 consolidated financial statements have been restated to include the accounts of businesses acquired by the Company during the year ended July 31, 1968 in transactions accounted for as poolings of interests. In certain instances, the results of operations of these businesses were restated without audit to conform to the Company's fiscal year. [Net earnings for 1967 exclude $4,770,000 (after income taxes and minority interest) extraordinary charge in respect to a former subsidiary of a company acquired during 1968 in a transaction accounted for as pooling of interests. This charge is deemed by the Company to be applicable to periods prior to August 1, 1966.] Sales and net earnings of the Company for the year ended July 31, 1967, as originally reported to shareholders, were $644,921,051 and $46,198,826. The Company acquired other businesses in transactions accounted for as purchases, the operations of which are included from date of acquisition.

During 1968, intangibles arising from the excess of cost of consolidated businesses purchased over the value of underlying assets increased by $18,884,000. The Company does not intend to amortize these amounts as long as they represent an asset of continuing value. At the same time, the Company reviewed its policy with respect to amortization of such amounts which arose in prior periods ($11,340,000, of which $9,384,000 is attributable to a trademark and was not being amortized) and determined that amortization of those amounts should cease. Such change had the effect of increasing net earnings for 1968 by approximately $210,000 or $.01 per share.

Note B: Inventories

The amounts of inventories were determined using the following methods:

	1968	1967
Last-in, first-out cost	$ 56,849,213	$ 50,564,738
Lower of cost or market	265,586,042	184,063,988
Cost, less amortization (predominately theatrical and television films)	155,651,451	104,460,707
Estimated net sales price (commodities, predominately sold but not shipped)	19,155,278	21,441,154
	$497,241,984	$360,530,587

Note C: Investments

Investments include $114,845,000 applicable to the Company's ownership of approximately 29% of the outstanding capital stock of Allis-Chalmers Manufacturing Company and $326,792,000 applicable to the Company's ownership of approximately 92% of the outstanding capital stock of Associates Investment Company. Condensed consolidated financial statements of Associates Investment Company are as follows:

	(000 omitted) June 30, 1968	1967
Assets		
Cash and marketable securities	$ 143,192	$ 111,352
Finance receivables—net	1,493,414	1,526,137
Investment in subsidiaries not consolidated	53,769	46,404
Other	22,688	22,109
	$1,713,063	$1,706,002
Liabilities and Shareholders' Equity		
Notes and other short-term payables	$ 795,426	$ 831,370
Casualty insurance unearned premiums and reserves	40,249	39,380
Long-term debt	648,008	620,506
Shareholders' equity	229,380	214,746
	$1,713,063	$1,706,002

	(000 omitted) Twelve Months Ended June 30, 1968	1967
Income		
Finance and casualty insurance income	$ 211,353	$ 210,812
Net income of subsidiaries not consolidated	6,775	7,114
	$ 218,128	$ 217,926
Expenses		
Interest on notes payable	$ 70,157	$ 75,617
Operating expenses	71,643	67,179
Provision for losses on finance receivables	14,761	19,332
Casualty insurance losses and expenses	26,152	24,249
Federal income taxes	14,364	11,809
	$ 197,077	$ 198,186
Net Earnings	$ 21,051	$ 19,740

The U.S. Internal Revenue Service has proposed adjustments imputing credit insurance income to Associates and certain of its finance subsidiaries for the years 1954 through 1963. In August, 1968, the Service rendered its report of examination of the tax return of these companies for 1964 and 1965 and has proposed similar adjustments for credit insurance in those years. Associates estimates the maximum liability for net additional taxes relative to these credit insurance issues for the period 1954 through 1965 would be $7,000,000 exclusive of interest. In addition, the Internal Revenue Service has asserted tax deficiencies with respect to certain other items for the years 1960 through 1965 (the principal item being a portion of the amounts claimed as additions to the reserve for losses on finance receivables), the resolution of which Associates feels would not have a material effect on the financial statements. Petitions have been filed in the Tax Court contesting all proposed adjustments against Associates and its finance subsidiaries for the years 1954 through 1963. The proposed adjustments for 1964 and 1965 will also be contested.

Long-term debt at June 30, 1968 bears interest at rates from 4% to 6¾% and matures in varying amounts from 1969 to 1987. Under provisions of certain long-term note agreements, Associates may not permit its net worth to be less than certain percentages of such debt. Of the $168,647,000 earned surplus included in shareholders' equity at June 30, 1968, $117,058,000 is restricted by these provisions.

Note D: Long-term debt and convertible subordinated debt:

Long-term debt at July 31, 1968 includes:

Notes payable to institutional investors, interest 4% to 6½%, primarily 5¾%, maturing 1968 to 1989	$164,933,833
6½% notes due 1986, annual prepayments of $3,750,000 beginning 1973	56,250,000
6% subordinated debentures:	
Due 1988, with sinking fund from 1973	54,706,875
Due 1987, with sinking fund from 1968	9,795,000
5% debentures due 1988, convertible into common stock of the Company at $57.00 a share	50,000,000
Revolving notes to banks due November 29, 1969, variable interest rate (currently 6¾%)	40,000,000
Other notes and debentures, payable to banks and others, interest 4% to 11%, averaging approximately 6%, due in installments from 1968 to 1991	99,577,591
	$475,263,299
Less current maturities	13,794,887
	$461,468,412

Convertible subordinated debt at July 31, 1968 includes:

5½% debentures, due 1993, convertible into common stock of the Company at $60.00 a share	$318,077,955
5¼% debentures and notes, due 1987, convertible into common stock of the Company from $46.12 to $53.91 a share	138,346,290
	$456,424,245

Maturities of long-term debt and convertible subordinated debt during the five years ended July 31, 1973 are:

1969	$ 13,794,887
1970 (includes revolving notes of $40 million)	61,568,231
1971	20,796,919
1972	26,385,720
1973	31,379,344

The Company has complied with restrictions and limitations required under terms of various loan agreements. Consolidated retained earnings unrestricted as to the payment of cash dividends at July 31, 1968 was $46,530,000.

No amount has been reflected for debt discount which would arise if any portion of the consideration received for convertible debt issued were allocated to the conversion feature of such debt. An opinion of the Accounting Principles Board of the American Institute of Certified Public Accountants which would require such allocation has been suspended for further study. If the suspension is lifted and is made retroactive, there would be no material effect on net earnings and earnings per share.

Note E: Capital stock at July 31, 1968

	Shares	
	Authorized	Outstanding
Cumulative, convertible preferred stock, recorded at $2.50 par value:		
$1.75 Series A—convertible into 3.183 shares of common, redeemable beginning 1974 at $65.00 a share, $25.00 liquidation value ..	875,000	522,727
$3.50 Series B—convertible into 3.978 shares of common, redeemable beginning 1974 at $100.00 a share, $100.00 liquidation value .	1,375,000	838,150
$3.875 Series C—convertible into 1.648 shares of common, redeemable beginning 1974 at $105.00 a share, $100.00 liquidation value, (outstanding excludes 48,600 shares held in treasury).	1,200,000	914,753
Undesignated	1,550,000	
Cumulative, non-convertible preferred stock, $5.75 series, redeemable beginning 1971 at $105.00 a share, sinking fund beginning in 1971, recorded at $100.00 liquidation value.	750,000	418,557
Common stock, recorded at $1.00 par value, (outstanding excludes 343,587 shares held in treasury).	75,000,000	14,988,318

Each share of the preferred and common stock is entitled to one vote.

Preferred stock outstanding does not include 27,687 shares of $1.75 Series A, 8,834 shares of $3.875 Series C, and 6,396 shares of $5.75 non-convertible preferred stock reserved for exercise of warrants and an option, which expire from 1970 to 1974, at total exercise price of $2,188,750.

Common stock outstanding does not include 531,623 shares reserved for exercise of employee stock options, of which options to purchase 414,122 shares have been granted and carry a total exercise price of $11,672,454; 5,983,667 shares reserved for exercise of warrants expiring in 1978 and 1986 at a total exercise price of $319,698,110; 9,031,657 shares reserved for issuance upon conversion of an aggregate of $506,424,245 principal amount of convertible debt; and 6,608,201 shares reserved for conversion of convertible preferred stock outstanding and reserved.

As a result of the present market price, the $1.75 Series A and $3.50 Series B convertible preferred stock are deemed to be residual securities; therefore, the common share equivalent of this preferred stock (4,998,002 of the 6,608,201 shares reserved for conversion of preferred stock mentioned above) has been combined with the average common shares outstanding for purposes of computing net earnings per average common (including residual preferred) share. A residual security, as presently defined, is one which, among other characteristics, clearly derives a major portion of its value from its conversion rights.

The Company's Stock Option Incentive Plan provides for the issuance of qualified options to key employees to purchase common stock of the Company at a price not less than fair market value on the date of grant. During the year ended July 31, 1968, options to purchase 66,175 shares of the Company's stock at a total purchase price of $3,187,234 were granted; options to purchase 20,042 shares at a total purchase price of $766,241 were assumed in connection with acquisition of businesses; and options to purchase 92,150 shares at a total purchase price of $1,356,026 were exercised. Of the 414,122 options outstanding at July 31, 1968, 106,826 were exercisable.

During 1968, the Company's shareholders approved the adoption of an incentive plan permitting the issuance to certain key employees of up to a total of 500,000 warrants to purchase common stock of the

Company at $55.00 a share which expire January 31, 1978. As of July 31, 1968, 249,000 of such warrants had been granted under the plan.

Note F: Revenues and Income Taxes

Other revenues include investment income such as gains on sales of real estate and securities, dividends, and interest; and the Company's equity in the earnings before taxes of its unconsolidated affiliated companies mentioned in Note A.

Provisions for income taxes are low in relation to earnings before taxes primarily due to earnings of tax exempt or low-tax-rate foreign subsidiaries, investment income, investment tax credit, and statutory percentage depletion allowable on earnings from mining businesses.

Note G: Commitments and Contingencies

The aggregate annual rental obligations on leases in effect at July 31, 1968 approximate $9,850,000. Many of the leases also require the lessee to pay property taxes, insurance, and ordinary repairs and maintenance. Certain leases provide for additional payments based on a percentage of gross receipts. The leases have varying terms up to twenty years.

Contributions to various pension and profit-sharing plans during the year ended July 31, 1968 were $14,012,000. The contributions to pension plans include amortization of prior-service cost, generally over a thirty-year period. The Company's policy is to fund pension cost accrued. The actuarially computed value of vested benefits under the pension plans exceeded the total fund assets of such plans and balance sheet accruals by approximately $29,500,000 as of July 31, 1968.

Estimated cost to complete construction in progress at July 31, 1968 was $14,648,000.

The Company is contingently liable for an indeterminable amount as defendant in various suits, including certain antitrust and other suits which also involve other major motion picture companies. In the opinion of counsel, these suits are without substantial merit and should not result in judgments against the Company or any of its subsidiaries which in the aggregate would have a material adverse effect on the Company's financial statements.

Report of Independent Accountants

To the Shareholders and Board of Directors,
Gulf+Western Industries, Inc.

We have examined the consolidated financial statements of Gulf+Western Industries, Inc. and consolidated subsidiaries for the year ended July 31, 1968. 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 but it did not cover the financial statements of Paramount Pictures Corporation and consolidated subsidiaries, Brown Company and consolidated subsidiaries or Associates Investment Company and consolidated subsidiaries which were reported on by other accountants.

In our opinion, based upon our examination and the reports of other accountants mentioned above, the accompanying balance sheet and statements of earnings and shareholders' equity present fairly the consolidated financial position of Gulf+Western Industries, Inc. and consolidated subsidiaries at July 31, 1968, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Ernst + Ernst

New York, New York
October 21, 1968

Financial Highlights of Ten Years of Operation

	1968	1967	1966
Operating Results — year ended July 31,			
Net sales	$1,313,939,000	$644,921,000	$317,533,000
Earnings before taxes on income (excluding minority interest)	103,742,000	70,989,000	29,624,000
Net earnings	69,842,000	46,199,000	20,117,000
Net earnings per average common (including residual preferred) share outstanding — Note B	3.24	2.93	2.04
Cash flow per average common (including residual preferred) share—Note B	4.71	3.88	2.99
Depreciation and depletion	28,902,000	14,121,000	9,323,000
Financial Position — July 31,			
Working capital	$ 469,591,000	$213,190,000	$ 66,597,000
Net property, plant, and equipment	518,215,000	280,926,000	115,656,000
Total assets	2,055,334,000	749,439,000	294,239,000
Shareholders' equity	537,874,000	229,245,000	107,576,000
General Statistics			
Number of shareholders:			
Common stock	43,000	26,400	7,600
Preferred stock	42,500	24,600	4,800
Capital expenditures	$ 61,587,000	$ 53,074,000	$ 26,026,000

Note A—In its annual financial statements, the company consistently reports the operations of businesses acquired under the pooling of interests concept from the beginning of the year in which the acquisition occurs. On the basis of including operations of pooled businesses prior to their year of acquisition, operating results for the year ended July 31, 1967 would have been: Net sales—$1,189,000,000, Net earnings—$59,054,000; Net earnings per average common (including residual preferred) share—$2.76.

As originally reported in the Company's annual reports—Note A

1965	1964	1963	1962	1961	1960	1959
$182,079,000	$117,246,000	$92,537,000	$65,646,000	$33,835,000	$24,047,000	$15,377,000
10,014,000	6,006,000	5,155,000	3,282,000	1,522,000	809,000	639,000
5,514,000	3,458,000-C	2,633,000	1,766,000	850,000-C	433,000-C	316,000
.81	.56	.49	.38	.24	.15	.15
1.17	.77	.66	.54	.36	.25	.24
2,435,000	1,263,000	937,000	717,000	453,000	265,000	214,000
$ 38,401,000	$ 24,693,000	$20,060,000	$15,534,000	$10,264,000	$ 5,410,000	$ 2,824,000
28,785,000	14,477,000	7,624,000	6,284,000	4,122,000	1,715,000	1,573,000
104,096,000	68,364,000	48,112,000	37,609,000	22,571,000	11,527,000	6,894,000
37,251,000	29,615,000	20,552,000	15,790,000	10,381,000	5,932,000	3,412,000
5,100	4,600	2,800	2,500	1,700	1,400	1,300
$ 5,553,000	$ 3,344,000	$ 1,913,000	$ 658,000	$ 862,000	$ 271,000	$ 119,000

Note B—Adjusted for stock dividends paid through July 31, 1968, and for three-for-one stock split effective July 1, 1966.

Note C—Excluding net special gain of $1,427,000 or $.23 a share in 1964; $152,000 or $.04 a share in 1961; and $145,000 or $.05 a share in 1960.

Board of Directors

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Gulf+Western Industries, Inc.

David N. Judelson, President
Gulf+Western Industries, Inc.

John H. Duncan, Chairman, Executive Committee
Gulf+Western Industries, Inc.,

Don F. Gaston, Executive Vice President
Gulf+Western Industries, Inc.

Joel Dolkart, Senior Partner
Simpson Thacher & Bartlett

Carl E. Anderson, Chairman
E. W. Bliss Company

J. D. Barnette, President
Associates Investment Company

J. Robert Baylis, President
Consolidated Cigar Corporation

O. C. Carmichael, Jr., Chairman of the Board
Associates Investment Company

Martin S. Davis, Executive Vice President
Paramount Pictures Corporation

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E. W. Bliss Company

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Universal American Corporation

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Research Triangle Foundation of North Carolina

Lindsay F. Johnson, President
The New Jersey Zinc Company

Judd Leighton, Vice Chairman of the Board
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Universal American Corporation

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Gulf+Western Realty Corporation

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South Puerto Rico Sugar Company

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The New Jersey Zinc Company

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Gulf+Western Industries, Inc.

Irwin Schloss
Irwin Schloss & Co., Inc.

Samuel J. Silberman, Chairman of the Board
Consolidated Cigar Corporation

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Harold U. Zerbe, President
American Parts System, Inc., of Pennsylvania

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Charles G. Bluhdorn
O. C. Carmichael, Jr.
Joel Dolkart
Don F. Gaston
Lindsay F. Johnson
David N. Judelson
R. L. McCann
Harold U. Zerbe

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Don F. Gaston, Executive Vice President
Joel Dolkart, General Counsel and Secretary
Roy T. Abbott, Jr. Senior Vice President
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Frank V. Rogers, Vice President – Operations
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Norman R. Forson, Treasurer
William M. Flatley, Controller
Edward W. Hutley, Assistant Treasurer
Paul K. Moyer, Assistant Treasurer

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1 Chase Manhattan Plaza
New York, New York 10005

The First Jersey National Bank
1 Exchange Place
Jersey City, New Jersey 07302

Registrar

Manufacturers Hanover Trust Company
350 Park Avenue
New York, New York 10022

Corporate Offices

437 Madison Avenue
New York, New York 10022

This report and the financial statements it contains are submitted for the general information of the shareholders of Gulf+Western Industries, Inc., and are not intended to induce, or to be used in connection with, any sale or purchase of securities. Additional copies of this report may be obtained upon request to the Corporate Relations Department of the company, 437 Madison Avenue, New York N.Y.

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