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ANNUAL REPORT 1967



GENERAL ANILINE & FILM CORPORATION

GAF 12370

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ont cover The Beguinage at Bruges, Belgium, 55 miles from GAF's consumer photo products plant at Sint-Niklaas. From an Anscochrome® transparency

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GENERAL ANILINE & FILM CORPORATION
AND SUBSIDIARY COMPANIES

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***T. Roland Berner**	New York, New York
****John B. Bridgwood**	New York, New York
†John A. Coleman	New York, New York
Philip B. Dalton	New York, New York
†Francis A. Gibbons	Nutley, New Jersey
***Bailey K. Howard**	Chicago, Illinois
****Wm. Peyton Marin**	New York, New York
Seymour Milstein	New York, New York
E. J. O'Leary	New York, New York
Donald L. Sanders	New York, New York
Chris C. Schulze	New York, New York
***Sumner H. Williams**	Short Hills, New Jersey
†Alvin Zises	Boston, Massachusetts

*Member of Executive Committee
†Member of Retirement Board
*Member of Stock Option Committee

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Philip B. Dalton	Executive Vice President
Donald L. Sanders	Executive Vice President
E. J. O'Leary	Senior Vice President
Chris C. Schulze	Senior Vice President
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15 Exchange Place
Jersey City, New Jersey 07302

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New York, New York 10015

The Corporation Trust Company
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Jersey City, New Jersey 07320

The Annual Meeting of Stockholders will be held on April 23, 1968

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Jesse Werner, Chairman of the Board and President.

TO THE STOCKHOLDERS

Because of the growth and expansion achieved in 1966, the first full year of public ownership, my letter in last year's Annual Report referred to the "new GAF." Your company has continued to grow at such a rate that in 1967 we nearly doubled our size.

On a restated basis which gives effect to the merger of The Ruberoid Co. into GAF, the company's net sales in 1967 were $520,872,000, which is 7.6 per cent over 1966 sales of $484,062,000. Net income was $18,961,000, against $18,725,000 in 1966. Net income per share of common stock was $1.14, as compared to last year's restated figure of $1.13 per share.

However, income for 1967 was $19,312,000, or 21.4 per cent below the comparable figure for 1966, before giving effect to minority interests and a 1966 extraordinary item of The Ruberoid Co. These results are due to last year's sluggish economy and the effect of increased operating costs for labor, services and supplies, combined with the cost of the company's intensive growth program.

The largest single acquisition undertaken by GAF was the merger with The Ruberoid Co. in May, 1967. It added $195 million to our sales and made GAF an important factor in the manufacture of asphalt roofing, roofing granules, asbestos cement products, and resilient floor coverings.

GAF chose to join with The Ruberoid Co. because both managements believed the two companies had a great deal to gain by this union. Results to date confirm this belief. There has been a smooth meshing of people and projects between the two organizations. We look forward to the years ahead when GAF's chemical strength and technology can be brought to bear more profitably on the challenging problems of the building products field.

Another of our acquisitions in 1967 was Shelby Business Forms, Inc., purchased in June for $8 million. Shelby, with sales at the $12 million level in 1966, has a very special place in GAF's future. The Shelby organization is tied in to the introduction of GAF's new Gafax™ 500 electrostatic reproduction machine for the office convenience copy market, and is expected to play an important role in our program for accelerated growth in the entire business systems field. While the sales development and introduction expenses of the Gafax 500 copier program represented a net charge against profits in 1967, the customer acceptance already achieved by this unit and matching coated paper makes 1968 and future prospects appear extremely promising

Also during the year, the remainder of the stock of certain partly owned photographic distributors was purchased for cash. These additions were a factor in the sales growth reported for GAF's photographic products line. Much remains to be done to overcome problems of profitability in the photographic area of our business, particularly production problems associated with the continual introduction of new and improved products and the lack of sufficient manufacturing capacity for photographic films and papers. A concerted effort is being made to improve the entire operation. The sales levels reached are evidence of our many tangible achievements in 1967.

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The announcement of the construction of our second plant for the production of Amiben herbicide was one of the chemical highlights of the year. Although a number of our chemical lines were severely affected in both sales and profits by the general slowdown in that sector of the economy, some sales improvement was evident by the end of the year and we are looking forward to continued recovery in 1968.

Both sales and profits for GAF chemicals should also be helped by the price increases we instituted in several sales lines toward the end of the year. Price increases were also instituted in other areas of GAF's businesses, including building products and photographic sensitized goods.

These higher prices for GAF's products and the implementation of a carefully applied cost improvement program cause us to look forward to more favorable earnings results in 1968 if the domestic economic climate continues to improve.

Another of our important goals for 1968 is to bring a stronger GAF corporate sales orientation and identity to all our products, particularly those in our now greatly expanded consumer lines. As one step in this program, stockholders will be asked to approve, at the Annual Meeting in April, a change in the corporate name from General Aniline & Film Corporation to GAF Corporation. We believe the new, shorter name will help us achieve the greater impact and more recognizable over-all image the "new GAF" deserves and needs.

I cannot close this summary of our current activities and plans without expressing particular gratitude to all the devoted people of GAF who contributed an extra measure of effort in 1967. They made it possible for the growth programs reported in the following pages to proceed smoothly and with full vigor during the reorganization of functions and departments necessary to implement our massive growth.

Looking back at the statistics given in the GAF Annual Report for 1964 (which was the last one issued before the return of the company to public ownership) gives some measure of the distance we have traveled in three brief years.

Sales were $192 million in 1964 against $520 million in 1967. Net income was $10,706,000, or $0.89 per share of common stock, against this year's $18,961,000, or $1.14 per share. Additions to plant and equipment were $11 million compared with this year's $39,931,000. Stockholders' equity was $169 million against this year's $273 million. The company consisted of 7,500 people, as against 19,400 this year. In 1964 the company paid no dividends, as against a total of $8,820,000 paid this year to both preferred and common stockholders. All of these results are due to the untiring efforts of GAF's people at every level.

By order of the Board of Directors

Jesse Werner

Jesse Werner
Chairman of the Board and President

March 7, 1968

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SUMMARY OF FINANCIAL

All of the figures given below are restated to reflect the merger with The Ruberoid Co.

For the year ended December 31, 1967, GAF sales were $520,872,000. The comparable figure for 1966 was $484,062,000. This represents an increase of 7.6 per cent for 1967.

The company's four major sales groups participated in this increase as shown in the comparative figures given below:

	1967		1966	
	$	%	$	%
Chemicals	142,945,000	27.4	139,596,000	28.9
Photo Products	115,034,000	22.1	98,338,000	20.3
Business Systems	64,355,000	12.4	48,494,000	10.0
Building Products	162,535,000	31.2	159,357,000	32.9
Miscellaneous	36,003,000	6.9	38,277,000	7.9
	520,872,000	100.0	484,062,000	100.0

Net income totaled $18,961,000, or $1.14 per share of common stock. This compares with $18,725,000, or $1.13, in 1966. Net income for 1966 and for that portion of 1967 prior to May 26 have been restated to reflect the merger with The Ruberoid Co. on the basis of a pooling of interests to the extent of 73.9 percent.

Shareholders' equity, or net worth, increased to $273,314,000 from $261,960,000.

Net working capital at year end totaled $157,564,000, against $184,709,000 at the end of 1966. The company has improved its lines of credit by setting up revolving credit arrangements totaling $75 million with nine banks. In addition, the company provides for its short-term needs for cash by sale of its own notes through the regular commercial paper market.

Inventories increased $15,208,000, or 14.4 per cent, to $120,956,000 from $105,748,000. This increase was due to new acquisitions and the requirements of higher sales volumes.

Additions to plant and equipment totaled $39,931,000, compared with $31,572,000 in 1966. There was an unexpended balance on all approved capital projects of $50,125,000 at year end.

The net book value of fixed assets at December 31, 1967 was $212,623,000. The corresponding figure at the end of 1966 was $183,365,000.

At the special meeting of stockholders on May 26, 1967 authorization was given to increase the number of shares of common stock from 20 million to 25 million, and to create a class of 6 million shares of preferred stock, par value $1.00 per share. On the same day, 3,095,382 shares of preferred stock, $1.20 convertible series, were issued for the same number of Ruberoid shares in connection with the merger between the two companies. At year end 1967 there were 13,342,060.5 shares of GAF common stock and 3,117,922 shares of preferred stock outstanding.

[illegible] REVIEW

While, as previously noted, the company's product lines are divided among four major sales groups and a miscellaneous group, control of GAF's operations is exercised through 21 major domestic and foreign divisions and subsidiaries which are responsible for all GAF's marketing and manufacturing activities. These operating units encompass 53 manufacturing plants and research locations in 23 states, and in Belgium, Canada, Great Britain and Holland. In addition GAF has 103 sales offices, service centers and photo processing laboratories in the U.S. and abroad.

Chemical operations are carried out through the Dyestuff & Chemical Division and the Textile Chemical Division.

Photo Product operations include the Photo & Repro Division and the Consumer Photo Division.

Business Systems are the responsibility of the Photo & Repro Division and Shelby Business Forms, Inc.

The Building Products category includes the Building & Industrial Products Division and Floor Products Division.

There is also a miscellaneous sales group made up of the industrial products of the Building & Industrial Products Division, the American Felt Company, and the Special Contracts group of the Photo & Repro Division.

Contributing to every major sales line is International Operations, which is made up of the company's export department, as well as its wholly owned manufacturing subsidiaries: GAF (Belgium) N.V., GAF (Canada) Ltd., GAF (Nederland) N.V., and GAF (Great Britain) Limited. There are also marketing subsidiaries in France, Germany, Japan and Sweden.

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CHEMICALS

The U.S. chemical industry was beset by economic problems throughout most of 1967. While GAF's over-all chemical sales reached a record high for the sixth successive year, the increase over 1966 was only 2.4 per cent.

Many of the company's chemical sales groups continued to show good sales growth in 1967, but some were severely depressed. This was especially noticeable in dyestuff and pigments sales, which were below the previous years as a consequence of the economic slowdowns and strikes in the textile, rubber and automotive industries. By the end of 1967, however, some strengthening in customer demand for chemicals was apparent, which brought the year to a close in a generally healthier state.

In all of its chemical plants the company is actively cooperating with local, state and federal regulatory bodies in meeting new and higher standards for the control of air and water effluents to improve environmental health conditions. Progress can be reported at every plant location, but there remain many complex problems on which research is continuing at an accelerating rate.

The Dyestuff & Chemical Division manufactures five major lines of products which are widely used throughout many industries:

High-Pressure Acetylene Chemicals—GAF continued its major program of research and commercial exploitation of the chemicals produced from reactions of acetylene with other chemicals under high pressure. GAF—at its Calvert City, Kentucky, plant—is still the only producer of two families of these chemicals in the Western Hemisphere: the PVP (polyvinylpyrrolidone) family, based on reactions of acetylene with formaldehyde, and the newer vinyl ether family, based on reactions of acetylene with alcohols.

The PVP-related series of products includes butynediol, butanediol, butenediol, butyrolactone, pyrrolidone, methylpyrrolidone, vinylpyrrolidone, polyvinylpyrrolidone (PVP) and vinylpyrrolidone copolymers. Construction on a second plant for the manufacture of these chemicals at a new site at Texas City, Texas, began early in 1966.

By the end of 1967, construction on the $20-million Texas City plant was finished and preliminary startup activities were underway. All utilities, including steam, are operating, and the first reaction units are being tested under trial-run conditions. In view of the number of products and the complicated nature of the reactions, the startup phase is expected to continue through the first half of 1968.

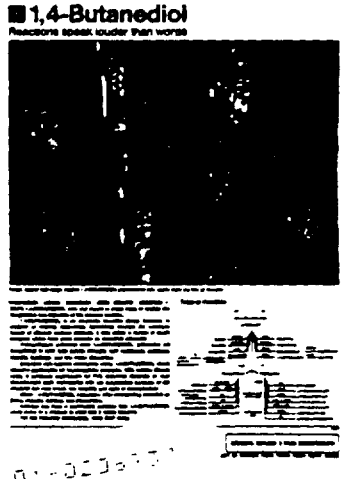
The market introduction of new vinylpyrrolidone polymers was intensified in 1967. Six additional members were added to the alkylated series of PVP polymers—the Ganex® polymer series, a group of products specifically developed for use as lube oil additives, dyestuff and pigment dispersants, detergent builders and polymerization aids. The Gafloc® flocculant series received wider acceptance during the year because of these products' superior performance as flocculating agents in the treatment of industrial waste waters, sewerage and flue gas tailings. The Gantron® copolymer series gained wider attention as components of hot-melt and remoistenable hot-melt adhesives.

A new derivative of butynediol, the first chemical in the PVP series, was manufactured in the plant for market development introduction as a flame retardant for textiles. The product, a dibromobutenediol, is undergoing rigorous evaluation by prospective customers.

The newer area of GAF's high-pressure acetylene work involves vinyl ethers and their derivatives. One, the Gantrez® AN vinyl ether copolymer, continued to attract increasing customer interest in 1967 for tablet coatings and binders for pharmaceuticals; stabilizers for detergents, adhesives and explosives; finishing agents for spandex fibers, and film-formers in cosmetics. As a result, a $2.5 million addition to manufacturing facilities for Gantrez AN was approved in 1967 and is scheduled for completion in the fall of 1968.

The Gantrez AN copolymer line was further strengthened by the addition of a hydrolyzed form called Gantrez HY which dissolves rapidly in cold water and is expected to have wide application as an ingredient in soil release agents and in drilling mud for petroleum recovery.

The Gantrez ES copolymer series, another vinyl-ether group, now includes five products with applications in cosmetic formulations. The newest vinyl-ether copolymer to be introduced into market development is Gantrez VC.



GAF chemical ads are noted for high technical content

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presently being evaluated as a resin for outdoor paints.

The year also brought new, successful and full-scale plant production of methyl vinyl ether, isobutyl vinyl ether and Gantrez M vinyl ether homopolymer. These products, all of which are currently in market development, have broad application in the drug, agricultural, synthetic organic, adhesives, rubber, coatings, oil, paper, printing, textile and other industries.

Other Specialty Chemicals—GAF manufactures a wide variety of custom-tailored specialty chemicals at its Linden, N.J., and Rensselaer, N.Y., plants. For example, the company is the only manufacturer in the world of Amiben preemergent herbicide for soybeans which is enjoying a rapid growth in consumption. It is produced exclusively for Amchem Products, Inc., the discoverers and patent owners. GAF has been supplying Amiben since 1962 from its chemical plant in Linden. Production requirements have grown steadily so that the Linden facilities are being taxed. In October, 1967, approval was given for the construction of an entirely new Amiben herbicide facility at the company's Texas City plant, at a cost appreciably over $10 million. This new facility will provide a multi-million pound supplement to the existing production, and is expected to be ready for operation early in 1969.

Research, market-development and pilot-plant activities were accelerated throughout the year on many other specialty chemicals including agricultural chemicals, ultraviolet absorbers, brighteners and pharmaceutical intermediates.

Heavy Chemicals—The company maintained its position as an important supplier of chlorine, caustic soda, muriatic acid and hypochlorite, particularly in the Northeast and Middle Atlantic States. In order to compensate for rising operating costs, a price increase on chlorine was instituted in October. Demand for the company's other heavy chemicals—ethylene oxide, ethylene glycol, formaldehyde and methylamines—was somewhat adversely affected by general chemical industry conditions through most of 1967.

As announced in the 1966 Annual Report, a major expansion in the Linden chlorine-caustic plant was authorized in January, 1967. Engineering design on the project has been completed and construction has started. The new unit, which is expected to be in operation early in 1969, will double present capacity and make GAF the largest single user of electrical power in the state of New Jersey.

Dyestuffs and Pigments—Under the so-called "Kennedy Round" of tariff negotiations which were concluded in 1967, the United States agreed to make substantial cuts in the import duties now levied on benzenoid chemicals which include dyes and pigments and chemicals used in their manufacture, as well as other organic chemicals. The reductions, which will total 50 per cent, are scheduled to take effect at a rate of 10 per cent a year over five years beginning in 1968. In addition, the United States' negotiators agreed to ask Congress for a change in the "American Selling Price" system of levying duties on benzenoid and other chemical imports. Since such a step would result in serious damage to American chemical manufacturers by drastically reducing the duties paid by foreign chemical producers the American chemical industry is strongly urging against such legislative action.

Although it is difficult to predict the final outcome and all of the consequences of the current trade, tariff and U.S. balance of payments deficit situations, GAF is exploring every possibility for improving profit margins while still maintaining its present position as one of the leading marketers in the dyestuff industry.

Major emphasis in the company's continuing program of research in dyestuffs was placed on the development of new colors for synthetic fibers. During the year, 15 new dyes for polyester, acrylic and acetate fibers were either readied for or placed in production. Additional dyes for leather, paper and cotton were also introduced into plant production and new or improved blue, violet, green and scarlet pigments were manufactured.

GAF research laboratories also produced several new color components for the new color-based photographic and reproduction products of the Photo & Repro Division.

Surfactants—GAF continues to concentrate its surfactant research and market activities on specialty products. During the year, 16 new products entered production as additions to the well-established Igepal®, Gafac®, Antarox® and Emulphogene® surfactant compounds used in the formulation of cosmetics as textile wetting agents and lubricants, in low-foaming detergents, in agricultural dispersants and in antioxidants.

An expansion of manufacturing facilities was completed at the plant in Linden, N.J., thus augmenting the production capacity for specialty surfactants that are the active ingredients of many commercial products, notably household and industrial detergents.

The Dyestuff & Chemical Division's three chemical plants all achieved new levels of safe operation. The Linden, N.J., Rensselaer, N.Y., and Calvert City, Ky., plants were each able to report a stretch of one million man hours of operations without a lost-time accident during the year.

The Textile Chemical Division is made up of the three companies purchased by GAF in April, 1966—Burkhart-Schier, Southeast Polymers and Checkmate Chemicals. Throughout 1967, efforts continued on consolidating and

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strengthening the sales, manufacturing and technical service operations of the Division's three departments. Success in this effort produced over-all results that surpassed the 1966 level.

One important element in this achievement was the increased sales recorded by the Polymer Department, which manufactures and sells modified styrene-butadiene latex polymers for carpet backing, paper coating and building product uses. Previously authorized manufacturing facilities for the polymer plant in Chattanooga were successfully brought to full operating capacity in 1967. As a result of the continued sales growth of these products, further expansion of the polymerization facilities was approved in 1967.

Another new product which received excellent customer acceptance was Gafcote™ latex foam backing. This is an acrylic polymer formulation developed by GAF as a crushed foam backing for use in drapery fabrics to provide lining and insulation.

PHOTO PRODUCTS

Sales of photographic products in 1967 increased $16,696,000, or 17 per cent over 1966. This represented higher sales in most major product lines plus additional sales realized from the purchase of the stock of two photographic distributors, Lenco and Lenco West.

The company's photographic film and paper-coating operations continue to suffer from difficulties arising from lack of sufficient production capacity. This situation was particularly acute at the beginning of 1967, when the simultaneous introduction of a great number of new products amplified the problem and seriously affected production levels and profitability. Remedial action taken throughout the year brought production to a much more favorable level by year end. To meet the need for additional facilities, construction was begun on a $16-million addition to the coating facilities at the Binghamton, N. Y., photographic plant. This expansion includes a new paper-coating and finishing facility and a new experimental film-coating laboratory and pilot plant. The new facilities, scheduled for completion at the end of 1968, will benefit the consumer, professional and industrial photographic product lines

The year 1967 brought another problem affecting all photographic films and papers, which require the use of large amounts of silver. The price of silver rose steadily from the mid-year level of $1.29 an ounce to over $2 at year end. GAF announced two price increases on sensitized photographic materials, one in July 1967, and one in January 1968, to cover added costs of manufacture due to the increased cost of silver.

Professional and Industrial Photo Products—The Photo & Repro Division is responsible for the manufacture and sale of medical and industrial X-ray films, graphic arts films, professional films and papers, industrial films and papers, and photographic chemicals.

The well-received Supreme® medical X-ray film on Gafstar® polyester base reached full production early in the year. At the close of the year, the new GAF-X™ X-ray film for medical radiology was introduced. This film, which can be processed in 90 seconds in automatic processors, meets the need for a film that can be exposed, developed and read during the course of a surgical operation. Processing chemicals for the automatic processors were also made available.

New graphic arts products developed for the printing industry included Anscoline™ film, which is currently being field-tested as a lithographic film for use in automatic processors





Booklet available from Amchem Inc., Ambler, Pa.

...for rt.) Amoben herbicide handbook for soybean growers, (for rt.) an ad directed at the film-buying public.

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The professional film line was expanded by several new black-and-white and color products, including a new Anscopan® aerial film, suitable for automatic processing to meet increased military requirements; black-and-white Versapan® portrait sheet films on Gafstar base, and new VeeCee®, Miradex™ and Allura® black-and-white papers. Sales of color photographic paper to selected processors also rose appreciably.

Consumer Photo Products—GAF's sales to the consumer photographic market expanded in every area in 1967. In order to accelerate this growth, a new Consumer Photo Division was established that brings together the activities of the direct and dealer sales organizations for GAF films, cameras and projectors and the sales departments for View-Master® stereo viewers and picture reels and Sawyer's™ projectors, acquired by GAF in the 1966 purchase of Sawyer's Inc.

In 1967, GAF's line of consumer film products was significantly expanded by the introduction of the exciting new Anscochrome® 500 color slide film, which has been extremely well accepted by both amateur and professional photographers. This film, which has by a wide margin the highest speed of any color film commercially available today, permits color photography under extremely difficult lighting conditions and without auxiliary lighting equipment. Another well-received new line was the Anscochrome II movie films in both 8mm and Super 8 cartridges for use in daylight and artificial light. An improved GAF Anscochrome D, 64 color slide film for standard 35mm and a line of Anscomatic® instant-loading cameras were also successfully introduced.

To the company s line of photographic equipment in 1967 were added three new GAF Anscomatic Super 8 movie cameras with through-the-lens cadmium sulfide exposure meters, three GAF Anscovision® movie projectors which can accommodate either 8mm or Super 8 film and three new GAF Anscomatic slide projectors.

The Sawyer's brand Rotomatic® 707AQ slide projector and the other members of this quality line of projectors achieved record sales levels during the year, as did the company's line of View-Master stereo pictures and viewers and the line of Pana-Vue® scenic slides and viewers. New or updated packets were added to the View-Master line of scenic slides, children's stories and education features throughout the year, bringing the View-Master reel library to 850 subject titles in 24 languages.

GAF's projectors, slide viewers and View-Master reels and Pana-Vue slides are manufactured at its large, modern plant in Progress, Oregon, near Portland. In 1967 construction was begun on a new building which will permit consolidation of all manufacturing service functions and increase manufacturing efficiency. Construction has also started on a new facility at the Progress plant to manufacture glass optical lenses for GAF projection equipment.

BUSINESS SYSTEMS

Sales of GAF's line of reproduction machines and sensitized papers, audio-visual supplies and business forms and equipment reached $64,355,000, or 32.7 per cent over 1966. This increase represented not only higher sales in most major product lines sold through the Photo & Repro Division but also the additional sales arising from the purchase of Shelby Business Forms, Inc. in June

Profits in 1967 for this sales group were affected by both increased operating costs and by the expenses associated with new product introduction, particularly in connection with the new Gafax™ 500 electrostatic copier, which is discussed later. Increased sales volume, coupled with selected price increases, is expected to remedy this situation in 1968.

Diazo Repro and Audio-Visual Products—GAF continued its leadership in the field of diazo reproduction and introduced two new diazo whiteprint machines: the Ozamatic® 300 whiteprinter, the first of a new series featuring entirely new styling and improved serviceability; a 42-inch-wide Printmaster® 920 whiteprinter that incorporates a novel air cushion transport unit; and an improved version of the Ozamatic 360 machine with several new features to offer in the reproduction of half-size engineering drawings, a rapidly expanding market in the automobile and aircraft industries.

Major improvements were made in the company's line of semi-dry Ozalid® diazo papers. Changes in coating formulations also improved the performance of the Ozalid dry diazo paper line. New black-line and sepia intermediate Scalemaster® diazo sensitized materials, coated on a polyester base, were introduced last year

For the audio-visual field, GAF introduced a new, lightweight portable overhead projector—called the Porta-Lite™ 200—which is used to project radiographs, as well as conventional overhead transparencies.

To meet growing volume requirements for standard diazo materials, additional coating capacity was installed at the Arlington, Texas, La Habra, California, and Elyria, Ohio plants during the year. New warehouse facilities were added at the Detroit coating plant.

Sales of specialty coated diazo products—such as diazo foils for display, audio-visual teaching aids and diazo microfilm—are growing, and additional manufacturing capacity is required. Construction was started in 1967 on a major expansion of specialty coating facilities at GAF s

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diazo coating plant in Johnson City, N.Y. The multi-million dollar project is expected to be in production in the first half of 1968.

Office Systems Products—GAF's diazo whiteprinters, while preeminent in the engineering and architectural reproduction field, have somewhat limited usefulness for convenience office copy purposes. Thus, in July of 1967 the company introduced its Gafax™ 500 lens-type electrostatic copier as its initial entry in the convenience copy market. This machine is a small, high-styled unit which features the utmost ease of operation. The Gafax 500 produces an excellent quality copy from an original of any color and, because it holds a 460-foot roll of coated paper, it will make 11-inch-wide copies of any length.

GAF offers both the Gafax 500 and associated paper and toner components of the system. That the new machine has been well received by customers is illustrated by the contracts that had been obtained at year end to provide the 1968 electrostatic copying requirements of two major aircraft accounts.

At the close of the year, field evaluation was begun on another addition to the company's products for the office field —the "rols"® dictating unit. This light-weight, sturdy and easy-to-use machine has many advantages over existing machines. It is manufactured at the company's plant at Progress, Oregon.

Shelby Business Forms, Inc.—In June, 1967, GAF purchased Shelby Business Forms, Inc. for approximately $8 million.

Shelby employs 800 people at its business forms printing plant in Shelby, Ohio. In 1966, Shelby had sales of about $12 million, net income of almost $600,000 and total assets of approximately $10.5 million.

Shelby's products include sales books, manifold order books, Unitset and Card-Set forms, data processing forms, single copy forms, voucher and receipt books, forms for autographic registers and similar items.

Since the acquisition of Shelby by GAF, most of the 250 Shelby salesmen have been trained in the selling of the Gafax 500 electrostatic machine and associated paper to the business accounts they serve.

BUILDING PRODUCTS AND MISCELLANEOUS

On March 23, 1967, the Boards of Directors of GAF and of The Ruberoid Co. approved a merger agreement between the two companies. This agreement was ratified by the stockholders of both companies at special meetings held on May 26, and the merger was effected on that day.

GAF purchased for cash 1,090,200 shares, or 26.1 per cent, of Ruberoid capital stock at $27.50 per share, for a total of $29,980,500. Under the terms of the merger, the remaining 3,095,382 shares of outstanding Ruberoid stock were converted to an equal number of shares of $1.20 convertible preferred stock of GAF having a par value of $1.00 per share and convertible into 1.25 shares of GAF common stock.

In 1966, The Ruberoid Co. reported net sales of $184 million, and net income of $8.5 million, before a non-recurring extraordinary charge.

The Ruberoid merger has made GAF a leading company in the nationwide manufacture, mining and marketing of a variety of building materials, floor coverings and miscellaneous industrial products. The Ruberoid product lines can be classified into three major segments. 1) Building Products—including asphalt roll roofing and shingles and sidings;





GAF's major role in copying field is supported by strong national advertising and direct mail programs

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mineral fiber roof shingles and sidings; mineral fiber building and specialty board products; asphalt protective coatings and a wide range of products for industrial, commercial and residential roofing; gypsum board products; Fiberglas insulation, and roofing granules; 2) Floor Products—including resilient floor tiles and sheet vinyl floor coverings for residential and commercial uses, 3) Industrial Products—including automotive acoustical products, pipe-coverings and industrial insulations, asbestos and organic felts, asbestos fibers and inert fillers and mica. Through separate subsidiaries, the American Felt Company and Drycor Felt Company, a broad spectrum of wool and synthetic fiber felts is offered. Industrial felt products are used for papermaking, various filter devices, sealers, lubricators, piano hammers, and for a range of special applications such as ballistic protective padding and thermal protective felts for space suits. The consumer felts find their way into footwear, women's skirts, clothing, home decorating, display items and other uses.

The Ruberoid merger brought to GAF 36 manufacturing locations in 19 states. This total includes seven synthetic and wool felt mills and fabricating facilities, 12 asphalt roofing operations, three mineral fiber operations, six roofing felt (paper) operations, one asbestos paper products plant, four floor tile plants, a sheet vinyl floor covering plant, an asbestos mine and mill, a gypsum mine and wallboard plant, six granule plants with five quarries, and one mica plant and quarry.

The Ruberoid and American Felt product lines are sold through 20,000 nationwide outlets from 32 sales offices in 18 states. The company had 6,600 employees at the time of the merger.

At the end of 1967, two new GAF operating divisions were created from the former Ruberoid Co. division: the Floor Products Division and the Building & Industrial Products Division. The American Felt and Drycor Companies continue as GAF subsidiaries.

All the staff functions of The Ruberoid Co., such as Legal, Accounting and Financial, Research and Development, Engineering, Public Relations, Advertising and Promotion, Purchasing, Personnel, Export, etc., were integrated with the appropriate corporate GAF departments.

Building product sales were seriously depressed at the beginning of 1967 due to extremely inclement weather throughout most of the nation, combined with a drop in new housing starts, and a general slowdown of activity in many industrial construction areas. However, accelerating sales in the second half overcame this earlier deficit, so that the product area ended the year with sales of $162,535,000, or two per cent ahead of 1966.

Building & Industrial Products Division—During 1967 a new type of rustic wood-textured siding shingle was test marketed in selected sales districts and will receive strong sales effort during 1968. The new product, called Ruco® thatch siding shingle, offers many advantages over wood shakes which it closely simulates in appearance. It is insect, vermin and rot proof, will not burn, has high impact resistance and does not require painting.

Development work was completed in 1967 on a new asphalt roofing shingle that has the appearance of and is designed to compete with wood shingles. Named Timberline™ shingles, they are scheduled for test marketing early in 1968.

Also scheduled for 1968 introduction is a new high-temperature industrial insulation—called "Inhibited Calsilite® insulation"—which can inhibit stress corrosion cracking in austenite stainless steel.

Floor Products Division—A number of new, high-styled vinyl-asbestos floor tile series were developed and commercially introduced in 1967. These included Monticello, a smooth surface, five-color line; Stone Mosaic, an embossed four-color line; Colonial Wood, an embossed five-color line; and Alabaster, an embossed six-color line.

In Roto-vinyl sheet flooring, the following new products were commercially introduced: in the Airtred® sheet flooring series, a new cork design in two colors, as well as eight new colors for the Spanish Tile, Mexican Agate and Carmel designs; in the Luran® Regency Embossed flooring series, a new design, Versaille, in six colors, and one additional color each for Marlstone and Capestone; in the series of Luran Standard-Embossed flooring, two new designs, Miramarble, and Old American Tile, in seven colors each; for Softred®, four new designs, Quadrille, Texture, Malaga and Bagatelle, the first three in six colors each, and the fourth in five colors; and in the Sandran® sheet flooring series, two new designs, Diamond Chip in six colors, and Delftile, in three colors.

American Felt Company—One of the important new American Felt products marketed in 1967 was the Snap Ring™ calibrated filter. The unique design of the system provices economic and efficient filtration in food manufacturing, in copper electroforming, and in packaging such viscous materials as paints, resins, waxes and lacquers.

A new type of resin treated filter element for the air intake of small gasoline engines was also introduced

At the end of the year production started on a newly designed automotive lubricating oil filter adapter element for the Ford Motor Company. This improved filter product is expected to enjoy wide acceptance in the automotive market.

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INTERNATIONAL OPERATIONS

GAF sales outside the United States from exports and foreign subsidiaries totaled $58,105,000 in 1967, compared with $39,871,000 in 1966, an increase of 45.7 per cent.

Great Britain—At the end of 1967, GAF's operations in Great Britain were regrouped into one company, GAF (Great Britain) Limited. The new organization comprises three operating divisions, as follows:

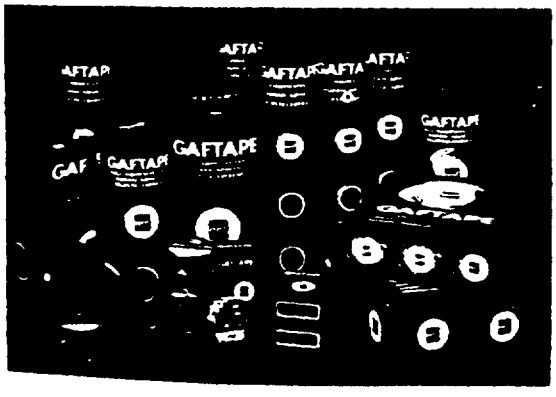
The Reprographic Products Division, which conducts the operations formerly carried out under the name Hall Harding Limited, acquired by GAF in 1966. This Division embraces the manufacture and sale of diazo materials and machines, reproduction services, and the sale of GAF's industrial photographic products.

The Photo Products Division, which distributes products formerly sold by Sawyer's Photographic Products (UK) Ltd., a product group that includes Sawyer's projectors, View-Master stereo pictures and viewers, and GAF consumer films.

The Chemical Products Division, which now markets directly throughout the United Kingdom the GAF chemicals and dyestuffs formerly distributed for GAF by Fine Dyestuffs & Chemicals Limited.

Belgium—GAF manufactures View-Master stereo viewers and scenic picture packets and Sawyer's projectors in its plant at Sint-Niklaas, Belgium. Effective January 1, 1968, the name of this Belgium subsidiary was changed from Sawyer's Europe N.V. to GAF (Belgium) N.V.

The sales operations throughout Europe of this subsidiary were expanded when a new marketing subsidiary was organized under the name GAF Svenska AB to sell the line in Sweden. Other marketing subsidiaries include GAF (France) S.a.r.l., of Paris, and GAF (Deutschland) G.m.b.H., of Cologne, Germany.



Holland—Effective January 1, 1968 N.V. Lichtdrukpapierfabriek "De Atlas", which traded under the name GAF Atlas-Delft, was renamed GAF (Nederland) N.V. The former Atlas-Delft will operate as the Reprographic Division of this new subsidiary.

A 1967 development by this Division was the introduction of a line of 80 new industrial and household pressure sensitive tapes sold under the "Gaftape" trademark. The Division, in 1967, also assumed the distribution of the GAF line of industrial photographic films.

The new addition to the repro plant at Delft, Holland, completed in 1966, was successfully placed into operation at the beginning of 1967.

GAF's consumer photo products marketing subsidiary in Holland moved into space provided at the recently expanded Delft headquarters offices of the Reprographic Division. This photo subsidiary, formerly called Sawyer's (Nederland) N.V., became the Photo Products Division of GAF (Nederland) N.V., effective January 1, 1968.

DISTRIBUTION

A new sales, service and distribution center was opened in Orlando, Florida in 1967 to provide these functions for the reprographic and photo sales lines.

The corporate Distribution Department has begun a comprehensive study aimed at consolidating the traffic and other distribution functions of GAF's several new domestic divisions and subsidiaries.

In coordination with the corporate Systems Department, it is also participating in a major study of the company's order handling, inventory and invoicing systems.

COMMERCIAL DEVELOPMENT

The corporate Commercial Development Department continued its activities in new field areas. It participated in the studies and negotiations leading to the acquisitions previously described in this report. Other opportunities for acquisitions, joint ventures and licensing arrangements continue to be explored by the department. It is also actively engaged in studies looking to new plant sites as required in the long-range plans of the operating divisions.

RESEARCH AND DEVELOPMENT

The corporate Research and Development Department was responsible for the laboratory and pilot-plant activities leading to the development of new products described in the earlier sections of this Annual Report.

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Make sure you buy a house that's painted with a hammer.
gaf
image integrity to 90 second processing
gaf
QUALITY PHOTO PRODUCTS
Shown here in reduced size, and throughout this report, are a few of the 366 original ads and 1,031 major pieces of product literature and sales promotion material produced by GAF in 1967. During the year GAF ads appeared almost 2,000 times in a total of more than 300 newsstand, trade, industrial and professional publications.
DYEING MAN-MADE FIBERS & BLENDS
This Christmas give, so that others may take.
GAF 12384

A major effort was underway throughout the year to develop closer organizational and planning coordination with the R&D units of the company's newly acquired subsidiaries and divisions.

Another project of long-term importance was the installation and startup of the company's first in-house scientific computer system for chemical and chemical engineering research.

PERSONNEL AND ORGANIZATION

Personnel—Corporate personnel totaled 19,377 at year end 1967. This compares to 11,887 reported at year end 1966 before the 1967 mergers and acquisitions which added approximately 7,800 people to the company.

During the year 21 labor contracts were negotiated at various locations and a total of 28 additional labor contracts are scheduled to expire in 1968. There were three work stoppages in 1967: one of three-weeks duration took place at the Johnson City and Vestal, N.Y., plants of the Photo & Repro Division; two were in the Building & Industrial Products Division: one was a seven-week stoppage at the Gloucester City, N.J., plant, which began in December, 1966, and one was of two-weeks duration at Joliet, Illinois.

Effective January, 1968, the employees of most of the new domestic divisions and subsidiaries were brought into the GAF employee benefit programs. As a result of these and other changes, improved benefit and retirement programs were made available to large numbers of the company's personnel.

Organization Changes—GAF's growth in size and complexity required a major change in management organization that was implemented in October, 1967, as follows:

Reporting to the Chairman and President are two Executive Vice Presidents, two Senior Vice Presidents, and three Vice Presidents. One of the Executive Vice Presidents is responsible for all domestic and foreign operating divisions and subsidiaries. The other Executive Vice President is responsible for corporate administrative services including financial, legal, personnel and the Secretary's office. One Senior Vice President is responsible for corporate technical services including engineering, economic evaluation, purchasing and distribution. The other Senior Vice President has staff responsibility for marketing and marketing services.

Three Vice Presidents are respectively responsible for research and development, commercial development and communication services.

In connection with this reorganization the following officers were elected in October, 1967:

Mr. Philip B. Dalton, Executive Vice President, in charge of operations. He was previously a Vice President.

Mr. Donald L. Sanders, Executive Vice President, in charge of administrative services. He was previously a Vice President.

Mr. E. J. O'Leary, Senior Vice President, for marketing services. Mr. O'Leary had been elected a GAF Vice President and Director in May, 1967, and was also President of The Ruberoid Co. Division.

Dr. Chris C. Schulze, Senior Vice President, in charge of technical services. He was previously a Vice President.

Mr. Thomas A. Dent, Vice President, in charge of commercial development. He was previously Vice President of operations for The Ruberoid Co. Division.

Dr. Frederick Grosser, Vice President, in charge of research and development. He was previously technical director of dyestuff and chemical products.

Miss Juliette M. Moran, Vice President, in charge of communication services. She was formerly Assistant to the President.

In September, 1967, Mr. Thomas H. Dermody was elected a Vice President, with responsibility for corporate financial services. He was previously Senior Vice President of The Ruberoid Co. Division.

In December, 1967, Mr. Fred K. Sweeney was elected a Vice President, with responsibility for the new Building & Industrial Products Division. He was formerly a Senior Vice President of The Ruberoid Co. Division.

Also in December, Mr. Julien Heppes was elected a Vice President, with responsibility for the new Floor Products Division. He was formerly Vice President of The Ruberoid Co. Division.

Effective January 1, 1968, Francis A. Gibbons, Senior Vice President of GAF, and a member of the Board of Directors, retired as an officer of the company. Mr. Gibbons joined GAF in 1929 in the corporate Accounting Department as chief accountant. He was successively elected Secretary, Treasurer, and Vice President. Mr. Gibbons continues his long and devoted service to the company as a member of the Board of Directors and as a consultant.

In June, 1967, Mrs. Oveta Culp Hobby resigned from the Board of Directors, and in January, 1968, Mr. Mathew Manes also resigned. The Board expressed its deep appreciation to both for their service to the company.

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FIVE-YEAR FINANCIAL SUMMARY

(Dollars in thousands except per share figures)

	Year Ended December 31				
	1967	**1966**	**1965**	**1964**	**1963**
Operating Results:					
Net Sales	$520,872	$484,062	$416,677	$362,840	$325,615
Income:					
Before Income Taxes and Other Charges	33,441	45,289	39,123	32,184	24,900
Net Income	18,961	18,725	19,538	15,656	11,183
Per Common Share (a)	1.14	1.13	1.20	.92	.58
Dividends Paid:					
Preferred	2,686	—	—	—	—
Capital Stock of Acquired Companies	797	3,147	2,768	2,593	2,566
Common (b)	5,337	4,786	3,590	—	—
Per Common Share (b)	.40	.40	.30		
Capital Expenditures	39,931	31,572	43,979	16,567	13,270
Wages and Salaries Including Employee Benefits	151,751	137,006	121,876	108,577	102,686

	December 31				
	1967	**1966**	**1965**	**1964**	**1963**
Financial Condition:					
Current Assets	230,327	237,809	204,758	195,170	175,666
Current Liabilities	72,763	53,100	46,956	37,192	31,085
Working Capital	157,564	184,709	157,802	157,978	144,581
Property, Plant & Equipment (Net)	212,623	183,365	161,487	128,865	126,352
Total Assets	473,522	441,645	375,011	333,933	312,461
Long-term Debt	96,192	78,095	34,050	27,395	30,687
Shareholders' Equity	273,314	261,960	249,904	234,793	220,626
Number of Employees	19,377	18,477	15,911	14,065	13,546

(a) Based on average number of common shares outstanding after recognition of preferred dividend requirements.

(b) Represents dividends paid by GAF since commencement of quarterly dividends on common stock in second quarter of 1965.

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GENERAL ANILINE & FILM CORPORATION
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED INCOME

	Year Ended December 31 1967	1966
Revenues:		
Net sales	$520,871,770	$484,062,358
Other income—net	2,748,988	2,216,922
	523,620,758	486,279,280
Cost and Expenses (Note 8):		
Cost of products sold	368,503,548	336,057,545
Distribution and selling expenses	82,720,025	71,807,660
Research and development expenses	12,367,769	11,466,984
Administrative and general expenses	20,248,029	18,617,966
Interest on borrowed capital	6,340,168	3,039,933
	490,179,539	440,990,088
Income before Income Taxes and Other Charges	33,441,219	45,289,192
Provision for Income Taxes and Other Charge (Note 4):		
Federal and foreign income taxes:		
Current	10,992,891	17,080,471
Deferred	2,828,791	2,914,938
Charge equivalent to investment tax credit—net	307,841	721,266
	14,129,523	20,716,675
Income before Minority Interest and Extraordinary Item	19,311,696	24,572,517
Minority Interest	350,334	2,299,697
Income before Extraordinary Item	18,961,362	22,272,820
Extraordinary Item Net of Applicable Income Tax and Minority Interest	—	(3,547,200)
Net Income	$ 18,961,362	$ 18,725,620
Per Share of Common Stock (Note A):		
Income before extraordinary item	$1.14	$1.40
Extraordinary item	—	(.27)
Net income	$1.14	$1.13
Pro Forma Per Share of Common Stock (Note B):		
Income before extraordinary item	$1.10	$1.30
Extraordinary item	—	(.20)
Net income	$1.10	$1.10

Note A—Based on average number of common shares outstanding during each year after recognition of preferred dividend requirements.

Note B—Based on assumption that the outstanding preferred shares and 5½% convertible subordinated notes were converted into common shares at the conversion ratio in effect at the end of each year, reflecting the shares issuable on conversion and eliminating the preferred dividend requirements.

The Notes to Consolidated Financial Statements are an integral part of this statement.

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GENERAL ANILINE & FILM CORPORATION
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED RETAINED EARNINGS

		Year Ended December 31		
		1967		1966
Balance, beginning of year		$198,993,633		$188,201,041
Net Income		18,961,362		18,725,620
Cash Dividends:				
Preferred stock—1967, $.86⅔ per share	$2,685,754		$ —	
Common stock—1967 and 1966, $.40 per share	5,336,824		4,786,453	
To shareholders of acquired companies prior to pooling	797,499	(8,820,077)	3,146,575	(7,933,028)
Retirement of Treasury Stock		(159,667)		—
Balance, end of year		$208,975,251		$198,993,633

The Notes to Consolidated Financial Statements are an integral part of this statement.

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CONSOLIDATED BALANCE SHEET

ASSETS

	December 31 1967	1966
Current Assets:		
Cash	$ 14,412,198	$ 16,876,968
U. S. Government and other marketable securities, at amortized cost which approximates market	73,428	30,253,418
Accounts receivable, less allowance for doubtful accounts	90,617,278	82,013,677
Inventories, at lower of average cost or market (Note 2)	120,956,191	105,747,781
Prepaid expenses	4,268,165	2,917,062
	230,327,260	237,808,906
Other Investments and Advances, at cost (Note 3)	1,971,640	3,026,783
Property, Plant and Equipment, at cost:		
Land, land improvements and mineral properties	11,990,803	8,879,657
Buildings and building equipment	93,711,728	90,366,538
Machinery and equipment	238,286,078	217,073,513
Construction in progress	35,306,312	17,546,687
	379,294,921	333,866,395
Less accumulated depreciation, amortization and depletion	166,671,782	150,501,113
	212,623,139	183,365,282
Goodwill, Patents, Trade-marks, etc. (Note 1)	28,599,841	17,443,735
	$473,521,880	$441,644,706

The Notes to Consolidated Financial

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LIABILITIES

	December 31 1967	1966
Current Liabilities:		
Notes payable	$ 20,337,297	$ —
Current portion of long-term debt	5,656,151	7,320,000
Accounts payable	25,563,574	20,154,390
Accrued taxes, wages, etc.	12,781,837	11,979,855
Federal and foreign income taxes (Note 4)	8,045,380	11,439,348
Deferred income	379,321	2,206,400
	72,763,560	53,099,993
Long-term Debt Less Current Portion Above (Note 5)	96,191,900	78,095,000
Obligation under Long-term Lease (Note 9)	4,395,000	4,605,000
Deferred Income Taxes (Note 4)	19,606,353	16,356,690
Other Liabilities	2,855,538	2,756,298
Deferred Investment Tax Credit (Note 4)	4,323,62[illegible]	3,873,902
Minority Interest	72,325	20,898,137

SHAREHOLDERS' EQUITY

Preferred stock, $1 par value, authorized 6,000,000 shares; $1.20 convertible series issued and outstanding 1967—3,117,922 shares, issued 1966—3,124,438 shares; at assigned value of $1.25 per share (liquidation value 1967, $85,742,855) (Note 6)	3,897,402	3,905,547
Common stock, $1 par value, authorized 25,000,000 shares; issued and outstanding 1967—13,342,060.5 shares, 1966—13,296,114.5 shares (Note 6)	13,342,061	13,296,115
Paid-in surplus (Note 7)	47,098,869	46,619,665
Retained earnings (Note 5)	208,975,251	198,993,633
	273,313,583	262,814,960
Less preferred stock held in treasury, at cost (61,376 shares)	—	855,274
	273,313,583	261,959,686
	$473,521,880	$441,644,706

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1

Principles of Consolidation—In the accompanying financial statements the accounts of all significant subsidiaries have been consolidated. The accounts of consolidated foreign subsidiaries, which are not material in relation to the consolidated accounts, have been translated into U. S. dollars at appropriate rates of exchange. At December 31, 1966 the Company owned a 57½% interest in Sawyer s Europe S. A. (a Belgian company) and in January 1967 the Company acquired the minority interest in exchange for 45,946 shares of its common stock.

The financial statements for both years include amounts applicable to The Ruberoid Co. which was merged into General Aniline & Film Corporation on May 26, 1967. The merger has been accounted for as a pooling of interests to the extent of 73.9%, which represents the portion of the Ruberoid stock exchanged for 3,095,382 shares of $1.20 convertible preferred stock of the Company, and as a purchase to the extent of 26.1%, which represents the portion of the Ruberoid stock acquired for cash. The results of operations of Shelby Business Forms, Inc., purchased in June 1967, have been included in the financial statements from the date of acquisition.

The cost of investments in and advances to subsidiaries at December 31, 1967 was $6,191,069 in excess of the Company's equity in their net assets. In consolidation this amount was included in accounts as follows:

Goodwill, Patents, Trade-marks, etc.	$13,317,017
Retained Earnings (net income since acquisition)	7,125,948

Note 2

Inventories—Inventories consisted of the following:

	December 31 1967	1966
Finished goods	$ 55,730,740	$ 46,884,406
Work in process	29,470,092	27,654,106
Raw materials and supplies	35,755,359	31,209,269
	$120,956,191	$105,747,781

Note 3

Other Investments and Advances—The Company owns 49% of the common stock of Chemical Developments of Canada, Limited. The remaining 51% is owned by Domtar, Ltd. The Company's equity in the net assets of Chemical Developments of Canada, Limited at December 31, 1967 was $897,124 in excess of its investment in this company.

Note 4

Income Taxes and Other Charge—For income tax purposes only, the Companies use accelerated depreciation methods and the shorter "Guideline" lives as permitted by the U.S. Treasury Department. The resulting reductions in the provisions for current income taxes have no effect on net income, however, since amounts equivalent to such reductions are provided for deferred income taxes.

The investment tax credit available under the Revenue Act of 1962 is being deferred and reflected in income ratably over the estimated service lives of the respective assets.

Note 5

Long-term Debt and Dividend Restrictions—Long-term debt represents the balance of unsecured loans as follows:

	December 31 1967	1966
6% note due March 14, 1967	$ —	$ 200,000
2.95% note due June 1, 1967	—	4,500,000
5¼% notes due January 23, 1968 with prepayment of $200,000 on January 23, 1967	200,000	400,000
6⅞% note due August 8, 1968	2,500,000	4,000,000
4¾% notes due June 30, 1969 with quarterly installments ranging from $250,000 beginning March 31, 1967 to $750,000 beginning March 31, 1969	3,000,000	4,000,000
4⅞% notes due June 30, 1972 with quarterly installments ranging from $750,000 beginning September 30, 1969 to $1,000,000 beginning September 30, 1971	10,000,000	10,000,000
3½% notes due March 1, 1972 with annual prepayments of $1,250,000 on March 1, 1967 through 1971 and balance of $5,250,000 payable March 1, 1972	10,250,000	11,500,000
6% note due April 1, 1972 with semi-annual installments of $85,000 through October 1, 1971 and $35,000 on April 1, 1972	715,000	1,055,000
6¾% note due July 15, 1975	203,700	—
5¼% Senior note due January 20, 1980 with annual prepayments of $200,000 beginning January 20, 1969	2,400,000	2,400,000
5½% Convertible Subordinated Notes due April 1, 1983 with annual prepayments of $200,000 on April 1, 1972 through 1982 and balance of $1,800,000 payable April 1, 1983	4,000,000	4,000,000
5¾% notes due August 2, 1985 with semi-annual installments of $66,000 beginning August 1, 1971	2,000,000	—
5⅛% Sinking Fund Debentures due December 1, 1991 with annual sinking fund payments of $2,500,000 beginning December 1, 1972	50,000,000	43,360,000
6% notes payable to banks under credit agreement dated October 9, 1967	16,500,000	—
Other notes	79,351	—
Total	101,848,051	85,415,000
Less portion due within one year	5,656,151	7,320,000
Remainder	$96,191,900	$78,095,000

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Under the terms of a revolving credit agreement dated October 9, 1967 the Company may borrow up to a maximum of $75,000,000 on 90-day notes. On April 30, 1970 the then outstanding notes are repayable and the Company may reborrow up to $75,000,000 on Term Loans payable quarterly to May 1, 1974. At December 31, 1967 the Company had borrowed $22,500,000 under this agreement, $16,500,000 of which is classified as long-term debt since it is the present intention of the Company to convert these notes to Term Loans. The remaining $6,000,000 is classified as current notes payable.

Dividends are restricted under the provisions of the indenture relating to the sinking fund debentures and of certain loan agreements. Under the most restrictive of these provisions, approximately $179,000,000 of the consolidated retained earnings at December 31, 1967 was not available for dividends.

Note 6

Capital Stock–The $1.20 convertible preferred stock, dividends on which are cumulative, is convertible at any time into common stock at the rate of 1¼ shares of common stock for each share of preferred. At any time after June 1, 1972, the Company may redeem the preferred stock at specified prices ranging from $30.00 to $27.50 per share.

Under the provisions of the Company's stock option plan, options for 580,000 shares of common stock may be granted to key employees during a period of ten years. The prices at which options may be granted may not be less than 100% of the fair market value of the shares on the date the option is granted. Options for 235,000 shares were outstanding at December 31, 1967, as follows:

Date of Grant	Number of Shares	Option Price Per Share	Option Price Total
January 5, 1966	198,000	$30.625	$6,063,750
March 10, 1967	37,000	25.375	938,875
	235,000		$7,002,625

Options for 16,000 shares were granted on January 10, 1968 at the fair market value of $22.81 per share or a total of $364,960 and for 97,250 shares on January 26, 1968 at the fair market value of $22.19 per share or a total of $2,157,978. The options are exercisable for five years from the date of grant. None of the above options had been exercised at January 31, 1968.

In addition to the above, 64,220 shares of $1.20 convertible preferred stock were reserved at December 31, 1967 for options assumed by the Company as a result of the Ruberoid merger. The option prices per share range from $13.50 to $20.00, for an aggregate of $1,124,789. Options for 55,620 shares were exercisable at December 31, 1967. During the year, 57,360 shares of preferred stock were issued for options exercised, including common shares of Ruberoid issued in 1967 prior to the merger into the Company. The proceeds from stock options exercised amounted to $805,728, and the excess over the assigned or carrying value of the stock was credited to paid-in surplus.

At December 31, 1967 the following number of shares of the Company's capital stock were reserved for issuance as follows:

$1.20 Convertible Preferred Stock	
Reserved for exercise of stock options	64,220
Common Stock:	
Reserved for conversion of $1.20 convertible preferred stock including 80,275 shares for stock options	3,977,677
Reserved for exercise of stock options	580,000
Reserved for conversion of 5½% convertible subordinated notes due April 1, 1983 convertible on, or prior to, April 1, 1976 at $29.1404 per share	137,266
	4,694,943

Note 7

Paid-in Surplus–Changes in paid-in surplus during 1967 were as follows:

Balance, December 31, 1966	$46,619,665
Premium from stock options exercised	411,408
Premium from acquisition of additional interests in acquired company	970,609
Expenses in connection with pooling of interests of acquired companies	(561,457)
Retirement of treasury stock	(341,356)
Balance, December 31, 1967	$47,098,869

Note 8

Retirement Plan–The Company and its subsidiaries have several pension plans covering substantially all employees. The total pension cost for the year, which was funded, amounted to $5,012,373. A change, as of January 1, 1967, in the method of determining pension cost had the effect, after applying Federal income taxes, of reducing net income by approximately $700,000. Pension cost for 1967 includes, as to certain of the plans, amortization of prior service cost over periods ranging from 10 to 40 years.

Note 9

Long-term Leases–Under the terms of a long-term lease obligation covering 3⅜% to 4¼% City of Annapolis, Missouri industrial revenue bonds, an annual rental of approximately $385,000 is payable until September 30, 1983 to cover bond principal and interest. At December 31, 1967 the Companies were obligated under other long-term leases as follows:

Leases Expiring In	Aggregate Annual Rental
2–5 Years	$2,005,000
6–10 Years	220,000
11–20 Years	1,475,000
Over 20 Years	110,000

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GENERAL ANILINE & FILM CORPORATION
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED SOURCE & USE OF FUNDS

Year Ended December 31, 1967

Funds Provided by:	
Net income	$18,961,362
Depreciation and amortization	17,023,555
Deferred income taxes	2,828,791
Long-term borrowing, less related expenses	23,028,385
Stock options exercised	805,728
Other—net	1,225,431
	63,873,252
Funds Used for:	
Capital expenditures	39,931,340
Purchase of minority interests	30,416,415
Purchase of subsidiary (less working capital of such subsidiary)	4,435,633
Reduction of long-term debt	7,415,000
Dividend payments	8,820,077
	91,018,465
Decrease in Working Capital	27,145,213
Working Capital, beginning of year	184,708,913
Working Capital, end of year	$157,563,700

ACCOUNTANTS' OPINION

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

TWO BROADWAY
NEW YORK 10004

To the Stockholders and Board of Directors of
General Aniline & Film Corporation:

We have examined the consolidated balance sheet of General Aniline & Film Corporation and its consolidated subsidiaries as of December 31, 1967 and the related statements of consolidated income, retained earnings and source and use of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated income and retained earnings present fairly the financial position of the companies at December 31, 1967 and the 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; and the accompanying statement of consolidated source and use of funds presents fairly the information shown therein.

Haskins & Sells

January 31, 1968

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DIRECTOR[illegible]

DYESTUFF & CHEMICAL DIVISION

Surfactants—nonionic, anionic, cationic, and amphoteric surface-active agents for use as detergents, emulsifiers, dispersants, and wetting agents

Specialty Chemicals—processing and formulating agents—including bactericides and fungicides, finishing agents, adhesive additives, sequestrants, antistatic agents, lubricants, and solvents, for use in various industries

High-Pressure Acetylene Derivatives—monomers, polymers, copolymers, solvents, organic intermediates, and other chemicals derived from acetylene for use in cosmetic, petroleum, pharmaceutical, plastic, textile, adhesive, and a variety of other industries

Industrial Organic Chemicals—aromatic derivatives, complex cyclic compounds, and aliphatic compounds (including formaldehyde, choline chloride, and methylamines), for use as intermediates in the dye, pharmaceutical, and chemical processing industries

Heavy Chemicals—chlorine, caustic soda, muriatic acid, ethylene oxide, and glycols

Iron Powders—microscopic-size spheres of iron used in VHF and UHF circuitry, transmitters, receivers, radar, and in powder metallurgy

Ultraviolet Absorbers—ultraviolet-screening agents for plastics, textiles, pigments, rubber, adhesives, and cosmetics

Dyestuffs—acid, azo, azoic, basic, condensation, chrome, direct, disperse, fiber-reactive, mordant metalized, sulfur, vat, and vat-ester dyes; fluorescent brighteners; oil-, spirit-, and water-soluble dyes

Pigments—azo, benzidine, BON, cadmium, carbazole, carbon, chrome, dianisidine, fluorescent, molybdate, naphthol, nitroso, oxide, PMA, phthalocyanine, PTA, pyrazolone, and ultramarine pigments—lakes, dispersed powders, toners, dispersed pastes, flushed pigments, and presscakes

TEXTILE CHEMICAL DIVISION

Textile auxiliaries; flame retardants; carpet antistats, rubber latices for rug backings, fabric coatings and paper coatings, GAFCOTE™ latex foam backing for drapery fabrics

CONSUMER PHOTO DIVISION

ANSCOMATIC® still- and motion-picture cameras, ANSCOMATIC, ANSCORAMA™, and SAWYER'S™ brands slide projectors, ANSCOVISION® motion-picture projectors, and accessories; darkroom equipment, chemicals, and supplies ANSCOCHROME® color-slide film and color motion-picture film; black-and-white roll film; PANA-VUE® slide viewers and scenic color slides; VIEW-MASTER® stereo viewers and picture reels; TRU-VUE® photographic toys

PHOTO & REPRO DIVISION

Professional Photo Products—color and black-and-white films, papers, and chemicals for portrait, photofinisher press, industrial, aerial, and motion-picture uses; film and paper automatic processors

Industrial Photo Products—photorecording film and papers

X-ray Products—medical and industrial X-ray films chemicals, and accessories; radiologic teaching aids

Reprographic Products—diazo copying machines and sensitized materials for engineering and business systems, films, paper, and chemicals for offset printing, photolithography, photoengraving, rotogravure, and silk-screen printing, audio-visual equipment and supplies; microfilm

Office Systems Products—GAFAX™ 500 electrostatic copier, papers, toners, and supplies; dictating machine and accessories

Precision Analytical Equipment—contract manufacture of precision parts and equipment

SHELBY BUSINESS FORMS, INC.

Design and printing of data-processing forms, sales books, manifold-order books, single copy forms, UNITSET™ forms, voucher and receipt books, CARD-SETS™ forms, and forms for autographic register and similar items

FLOOR PRODUCTS DIVISION

Floor Coverings—asphalt and vinyl-asbestos resilient floor tiles; adhesives; cove bases; LURAN®, SOFTRED®, and SANDRAN® sheet-vinyl floor coverings for residential and commercial uses

BUILDING & INDUSTRIAL PRODUCTS DIVISION

Ruberoid Building Materials—FIREGUARD™, SOVEREIGN® and SELF-SEAL asphalt roof shingles; asphalt roll roofing and sidings; asphalt, asbestos or tar built-up roofing felts; asphalt protective coatings and cements, T NA 200® roofing membrane; mineral fiber board, roof shingles, sidings, building and specialty boards; mineral fiber canal bulkheads; building and roof insulations; gypsum building board, lath and plasters

Industrial Products—automotive acoustical products; asbestos fibers; unsaturated felts; asbestos and organic insulating felts and boards; asbestos papers, molded high-pressure pipe coverings and industrial insulations; electrical insulating tapes, high-purity mica and inert fillers

AMERICAN FELT/DRYCOR FELT COMPANIES

Wool and synthetic fiber felts and filter devices for air, liquid, and gas filtration; sealing and lubricating devices, plate-glass and metal-polishing felts; piano felts; wool felts for apparel and interior design, felts for automotive, industrial, and aerospace applications; non-woven papermakers felts for paper, asbestos-cement pipe, and waliboard manufacture

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GENERAL [illegible] 140 WEST 51 STREET, NEW YORK, N.Y. 10020

CORPORATE OFFICES
BUILDING & INDUSTRIAL PRODUCTS DIVISION
CONSUMER PHOTO DIVISION
DYESTUFF & CHEMICAL DIVISION
FLOOR PRODUCTS DIVISION
PHOTO & REPRO DIVISION
INTERNATIONAL OPERATIONS
COMMERCIAL DEVELOPMENT DEPARTMENT

TEXTILE CHEMICAL DIVISION
1228 Chestnut Street, Chattanooga, Tenn. 37402

PRINCIPAL SALES AND DISTRIBUTION OFFICES

Arlington, Texas
Atlanta, Georgia
Baltimore, Maryland
Binghamton, New York
Brookfield (Milwaukee), Wisconsin
Caledonia, New York
Charlotte, North Carolina
Chattanooga, Tennessee
Cheverly (Washington, D.C.), Maryland
Chicago, Illinois
Cincinnati, Ohio
Dallas, Texas
Dalton, Georgia
Denver, Colorado
Detroit, Michigan
Erie, Pennsylvania
Hagerstown, Maryland
Harper Woods, Michigan
Houston, Texas
Indianapolis, Indiana
Joliet, Illinois
Kansas City, Missouri
Knoxville, Tennessee
La Habra (Los Angeles), California
Long Beach, California
Maryland Heights, Missouri
Melrose Park, Illinois
Millis, Massachusetts
Minneapolis, Minnesota
Mobile, Alabama
Monroeville, Pennsylvania
Nashville, Tennessee
New York, New York
Orlando, Florida
Paoli (Philadelphia), Pennsylvania
Portland, Oregon
Savannah, Georgia
Seattle, Washington
South Bound Brook, New Jersey
South San Francisco, California
Syracuse, New York
Tampa, Florida
Union, New Jersey
Vails Gate, New York
Westwood (Boston), Massachusetts

PLANTS AND * RESEARCH LABORATORIES

Annapolis, Missouri
Arlington, Texas
Baltimore, Maryland
Binghamton, New York*
Blue Ridge Summit, Pennsylvania
Bound Brook, New Jersey
Caledonia, New York
Calvert City, Kentucky
Chattanooga, Tennessee*
Chicago, Illinois*
Dallas, Texas
Dalton, Georgia
Delta, Pennsylvania
Denver, Colorado
Detroit, Michigan (2 plants)
Easton, Pennsylvania*
Elyria, Ohio
Erie, Pennsylvania
Fairmount, Georgia
Franklin, Massachusetts
Fullerton, Pennsylvania*
Gloucester City, New Jersey
Greenwich, Connecticut*
Hagerstown, Maryland*
Hartwell, Georgia
Houston, Texas
Huntsville, Alabama
Hyde Park, Vermont
Johnson City, New York
Joliet, Illinois (2 plants)
Kansas City, Missouri
La Habra, California
Linden, New Jersey*
Long Beach, California
Millis, Massachusetts
Minneapolis, Minnesota
Mobile, Alabama
Newburgh, New York
Paterson, New Jersey
Pembine, Wisconsin
Portland, Oregon
Rensselaer, New York*
Rockville, Connecticut
St. Louis, Missouri
Savannah, Georgia
Shelby, Ohio
South Bound Brook, New Jersey*
Staffordville, Connecticut
Tampa, Florida
Texas City, Texas
Vails Gate, New York*
Vestal, New York
Westerly, Rhode Island

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FILM-PROCESSING LABORATORIES* AND PHOTO-EQUIPMENT REPAIR STATIONS

Binghamton, New York*
Hollywood, California
Long Island City, New York
Union, New Jersey*

In addition, GAF-authorized film-processing laboratories and equipment-repair stations are located throughout the United States.

SUBSIDIARIES

United States

AMERICAN FELT COMPANY
Greenwich, Connecticut

DRYCOR FELT COMPANY
Staffordville, Connecticut

SHELBY BUSINESS FORMS, INC.
Shelby, Ohio

A. R. BERNARD CORPORATION
Chicago, Illinois

LENCO, INC.
Chicago, Illinois

LENCO WEST, INC.
Los Angeles, California

Canada

GAF (CANADA) LIMITED
Cooksville, Ontario

Europe

GAF (BELGIUM) N.V.
St. Niklaas, Belgium

GAF (GREAT BRITAIN) LIMITED
Chemical Products Division
Manchester, England
Photo Products Division
Reprographic Products Division
London, England

GAF (NEDERLAND) N.V.
Photo Products Division
Reprographic Products Division
Delft, Holland

GAF SVENSKA A B
Stockholm, Sweden

GAF (FRANCE) S.a.r.l.
Paris, France

GAF (DEUTSCHLAND) G.m.b.H.
Cologne, Germany

Asia

GAF JAPAN LTD.
Tokyo, Japan

AFFILIATE

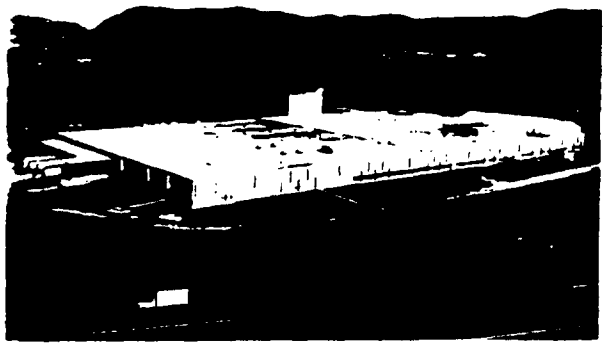
Canada

CHEMICAL DEVELOPMENTS OF CANADA, LTD.
Pointe Claire, Quebec, Canada

The pigments in the printing inks used in this report, and the dyes, brighteners and certain other chemicals in the paper are products of the Dyestuff & Chemical Division of GAF

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A



B.



C

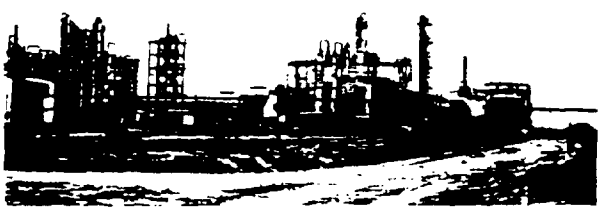
A. GAF's new floor tile plant at Vails Gate, N.Y., helps meet growing market demands
B. Projectors and VIEW-MASTER reels are among products made at GAF's Sint-Niklaas, Belgium, plant for all Europe
C. GAF's Shelby Business Forms in Ohio, is one of the largest forms printing plants under one roof



D.



E.



F.

D. GAF's asbestos mining facility at Hyde Park, Vt., supplies fiber for building and flooring products
E. This Tampa, Fla., plant and 11 others have made GAF an important factor in the asphalt roofing field
F. This new Texas City plant will produce AMIBEN herbicide and a line of acetylene-derived chemicals

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