

Review of the Year

Shipments Remained Steady

Shipments of the company's products in 1961 amounted to \$165,503,959, slightly higher than shipments of \$164,586,507 in 1960. A small decline in sales in the United States was offset by increased sales of our international subsidiaries and by the sales added in the last quarter of the year by Jarry Hydraulics Limited in Canada.

The recession in the United States and Canada, which began in 1960 and continued into the first half of 1961, held down the level of sales to most of Brake Shoe's major customer industries. Recovery from the recession was not reflected in Brake Shoe's shipments until the fourth quarter. Shipments of \$48,793,013 in that quarter were the highest since the second quarter of 1959.

Sales of our railroad products declined 16 per cent in 1961 because of reduced rail freight traffic. In addition, a worsening of the financial condition of many of the major railroads caused further curtailment of maintenance programs for both equipment and track.

Our hydraulic product lines achieved wider distribution and increased acceptance. With the first full year of operation of our hydraulics companies in Europe and with our entrance into this field in Canada, our sales of these products increased significantly.

Sales of friction materials remained stable although world-wide competition is intense and prices are low.

Shipments of castings and forgings increased slightly in spite of serious over-capacity in both industries. Although many foundries and forging plants have been forced to close in recent years for lack of volume and profits, Brake Shoe has been able to maintain a position in both of these industries by being selective in the type of products produced and the customer industries served.

Net Earnings From Operations Were Slightly Lower

Net earnings from operations in 1961 amounted to \$5,369,705 compared with \$5,666,874 in 1960. In addition, in 1961 there was a special item of income amounting to \$995,000. Earnings from operations and the special item totaled \$6,364,705.

Earnings per share from operations in 1961 were \$3.29 compared with \$3.48 in 1960. The special item of income equaled 61 cents per share, making total income \$3.90 per share for the year.

The special income item of \$995,000 resulted during the first quarter from the settlement of a controversy between the company and the United States government involving excess profits taxes for the years 1950 through 1953. In order to avoid interest charges, the company paid the amount in dispute and sued for a refund. The claim was settled on the basis of a compromise resulting in a refund to the company.

The decrease in net earnings from operations was caused by several