1967 Review

Sales and Earnings

Consolidated sales of the company in 1967 were $274,847,000. This was the second highest year for shipments in the history of the company, and only slightly below the record of $277,399,000 set in 1966.

Net earnings of $11,270,000 for the year 1967 also were the second highest ever, and compared with earnings of $12,827,000 in 1966. This was a decline of about 12%. Net earnings equaled $3.05 per share compared to $3.49 per share in 1966.

The fact that sales declined only slightly in the soft economic climate which existed in the United States and other countries where we operate was evidence of the effectiveness of the company's diversification and product development program. Reduced shipments to some industries such as the railroads and mines were offset by increases to the aerospace and rubber industries.

Another important stabilizing factor in sales was the high percentage of output for replacement parts as compared with components for new equipment. We estimate that 70% of our total volume is for replacement business.

Lower earnings were the result of several influences. We were caught in the cost-price squeeze which was prevalent in most industries. Wage and salary costs rose without an equivalent increase in productivity and general market and competitive conditions allowed price increases only on a selective basis. Some shifts in the total product mix of our sales adversely affected earnings to a degree. Expenditures for research and development were increased also by about $1,200,000 over the previous year.

Defense business amounted to about 15% of total volume, with no significant change from previous years.

Most of our plants continued to operate at high levels of production through the first half of the year. During the second half of the year, declining orders caused some slowdown in operations, particularly in wear control products.

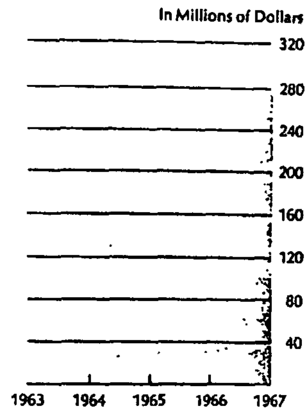
In 1967, we sold the Dynisco Division and the Keinath Instrument Company. Both were small operations which did not fit into our future planning for new products or markets.

Orders and Backlog

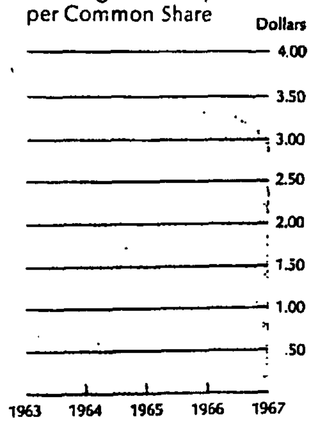
Total orders received in 1967 amounted to $260,300,000. The backlog at year-end stood at $90,800,000, down from $109,700,000 a year earlier. About 40% of this backlog was for aerospace fluid power control products. These orders have a long lead time because

	1967		1966	
	Shipments	Earnings Per Share	Shipments	Earnings Per Share
First Quarter	$ 71,158,000	$ .81	$ 67,054,000	$ .87
Second Quarter	72,957,000	.92	71,651,000	1.02
Third Quarter	59,999,000	.24	66,039,000	.59
Fourth Quarter	70,733,000	1.08	72,655,000	1.01
Total	$274,847,000	$3.05	$277,399,000	$3.49

Shipments



Earnings from Operations per Common Share



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