FILE NAME: Cape Asbestos (CAPE)

DATE: 1963

DOC#: CAPE141

DOCUMENT DESCRIPTION: Raybestos-Manhattan Annual Report [Legal - Tibbs Case Exhibit 39]

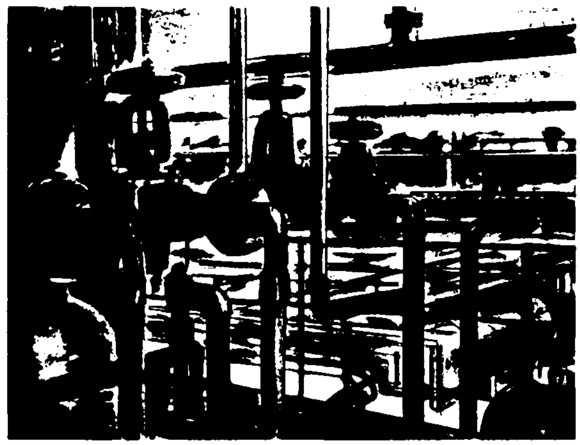
RAYBESTOS-MANHATTAN, INC.

ANNUAL REPORT 1963

Brake Linings: *Stopping Power for What's Ahead*

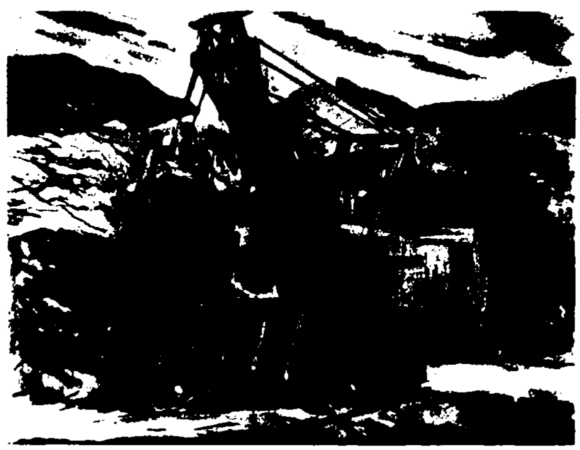
Abrasive Wheels: *Let the Sparks Fly*

Rubber Products: *Best for the Long Haul*



Mechanical Packings: *On Stream with Industry*

Asbestos Textiles: *Cool Garb for Hot Work*



Friction Materials: *What It Takes in the Clutch*

Raybestos-Manhattan, Inc. manufactures a wide range of products for American Industry. Aerospace, automotive, steel, mining, metal-working, paper, chemical, construction—major companies in *every* category rely on R/M . . . depend on R/M products that range from conveyor belts to missile components, from bowling balls to the brakes on your car.

Whoever you are, whatever your business, an R/M product touches your life. And whether it's made from Asbestos, Rubber, Sintered Metal, or Specialized Plastics, all industry depends on R/M techniques — and R/M technology—to promote the highest standards of performance reliability. At Raybestos-Manhattan, reliable people make reliable products.

FIVE YEAR REVIEW OF OPERATIONS

	1963	1962	1961	1960	1959
Operating Results					
Net sales	**$95,239,539**	$93,043,823	$86,042,925	$84,313,453	$88,710,186
Income before income taxes	**9,150,730**	8,352,224	6,517,311	6,181,629	8,169,723
Federal, Canadian, and State income taxes	**4,760,000**	4,300,000	3,350,000	3,226,972	4,265,000
Net income	**4,390,730**	4,052,224	3,167,311	2,954,657	3,904,723
Percentage of net income to sales	**4.6%**	4.4%	3.7%	3.5%	4.4%
Net income per share*	**$3.48**	$3.21	$2.51	$2.34	$3.09
Dividends declared per share*	**2.00**	1.85	1.72	1.70	1.70
Working Capital					
Current assets	**43,140,760**	38,504,884	36,325,038	34,446,424	35,709,761
Current liabilities	**9,341,443**	6,280,401	5,812,509	5,017,926	7,254,722
Working capital	**33,799,317**	32,224,483	30,512,529	29,428,498	28,455,039
Working capital per share*	**26.80**	25.55	24.19	23.33	22.56
Ratio of current assets to current liabilities	**4.6 to 1**	6.1 to 1	6.2 to 1	6.9 to 1	4.9 to 1
Properties					
Expenditures for plant facilities	**2,081,670**	2,128,044	1,836,699	2,494,484	2,349,460
Depreciation provided	**1,986,797**	1,995,485	1,980,012	1,966,329	1,670,894
Stockholders' Investment					
Amount	**50,961,588**	49,093,258	47,424,877	46,433,136	44,647,746
Shares of stock outstanding*	**1,261,200**	1,261,200	1,261,200	1,261,200	1,261,200
Book value per share*	**$40.41**	$38.92	$37.60	$36.81	$35.40
Number of stockholders	**6,387**	5,848	5,808	5,655	5,595
Employees					
Number of employees	**6,225**	6,210	6,149	5,950	6,556

*After giving effect to the 1963 two-for-one stock split.

The financial operations of the wholly-owned Canadian subsidiary are not included in the above tabulation for 1959.

TO THE STOCKHOLDERS OF RAYBESTOS-MANHATTAN, INC.:

Your Company's 1963 financial operations showed continuing improvement and satisfactory results.

The 1963 net sales were $95,239,539, the highest in the Company's history, and compared with 1962 net sales of $93,043,823.

The 1963 net income was $4,390,730, compared with 1962 net income of $4,052,224.

The net income for 1963 was $3.48 per share, compared with $3.21 per share for 1962 after giving effect to the 1963 stock split of 2 for 1.

Dividends declared in 1963 were $2.00 per share, compared with $1.85 per share for 1962, based upon 1,261,200 shares of stock outstanding in 1963.

The splendid improvement in the 1963 net income is due to the increase in sales, cost and expense reductions, and inventory controls at all Divisions.

A comparative summary of the financial operations for 1963 and 1962 follows:

FINANCIAL OPERATIONS

Income	1963	1962
Net sales	$95,239,539	$93,043,823
Dividends, interest, discount and other income	1,064,793	868,740
Total income	$96,304,332	$93,912,563
Expenses		
Materials	$28,411,066	$27,610,931
Employees' compensation	37,430,343	36,760,469
Federal, Canadian, State and local taxes	7,263,820	6,804,183
Depreciation	1,986,797	1,995,485
All other expenses	16,821,576	16,689,271
Total expenses	$91,913,602	$89,860,339
Net income	$ 4,390,730	$ 4,052,224

SOURCE AND APPLICATION OF FUNDS

The cash flow for 1963 and 1962 is summarized as follows:

Source of Funds:	1963	1962
Net income	$4,390,730	$4,052,224
Provision for depreciation (charge did not require cash outlay)	1,986,797	1,995,485
Disposal of plant assets (net)	44,791	29,916
Total	$6,422,318	$6,077,625
Application of Funds:		
Acquisition of additional plant assets	$2,081,670	$2,128,044
Increase in working capital	1,574,834	1,711,954
Increase or (decrease) in other assets	243,414	(95,593)
Dividends	2,522,400	2,333,220
Total	$6,422,318	$6,077,625

FINANCIAL CONDITION

The Company's financial condition at December 31, 1963 was excellent, with cash of $11,600,860, being $2,259,417 in excess of all liabilities, which were $9,341,443.

The ratio of current assets to current liabilities at December 31, 1963 was 4.6 to 1, compared with 6.1 to 1 at December 31, 1962. A comparison of the inventories at December 31, 1963 and December 31, 1962, valued at the lower of cost or market, follows:

	December 31	
	1963	1962
Raw materials	$ 4,524,593	$ 4,645,678
Work in process	4,972,113	4,846,375
Finished goods	7,807,611	8,446,685
Total	$17,304,317	$17,938,738

The December 31, 1963 quoted market value of the Company's investment in Cassiar Asbestos Corporation Limited amounted to $3,979,220, compared with the cost value of $1,627,313, and shows an appreciation of $2,351,907.

PLANT PROPERTIES

A comparison of the plant assets at December 31, 1963 and December 31, 1962 follows:

	December 31	
	1963	1962
Land	**$ 808,287**	$ 802,287
Buildings	**12,310,335**	11,988,709
Machinery	**32,908,668**	31,766,543
Total	**$46,027,290**	$44,557,539
Less accumulated depreciation	**32,099,708**	30,680,039
Net total	**$13,927,582**	$13,877,500

During 1963 expenditures for additional facilities amounted to $2,081,670, and included new and improved facilities at all of our plants and the acquisition of three brake lining bonding depots located at Naperville, Ill., Dallas, Texas, and Los Angeles, Calif.

The 1963 depreciation amounted to $1,986,797, compared with 1962 depreciation of $1,995,485. The depreciation was calculated at established rates which will absorb the cost of the plant assets during their useful life and are in line with the Internal Revenue Service Guide Line Rules.

All plant facilities are in excellent condition.

NET WORTH

The Company's net worth is represented by 1,261,200 shares of stock outstanding which has a stated value of $12.50 a share and amounts to $15,765,000. The earned surplus amounted to $35,196,588, making the total capital stock and earned surplus at December 31, 1963 $50,961,588, compared with a total value at December 31, 1962 of $49,093,258. The increase of $1,868,330 represents the 1963 net income of $4,390,730 less the dividends declared of $2,522,400.

EMPLOYEE RELATIONS

We continue to enjoy exceptionally fine employee relations at all of our operating divisions and did not experience any strikes during the year 1963.

CHANGE IN CAPITAL STOCK

The stockholders at the annual meeting on April 2, 1963 approved the Directors' recommendation to split the stock on the basis of 2 shares for 1. At December 31, 1963 there were 1,261,200 shares outstanding and there were 90,824 shares in the Treasury.

ANNUAL MEETING

The annual meeting of stockholders will be held on April 7, 1964 at 2:00 P.M. at the Biltmore Hotel, 43rd Street at Vanderbilt and Madison Avenues, New York City. All stockholders are cordially invited to attend. Proxies for this meeting are being mailed and stockholders are requested to return their proxies promptly.

On behalf of the Officers and Directors, I extend my sincere thanks for the loyal support and cooperation received from our stockholders, employees, customers, and suppliers.

JOHN F. D. ROHRBACH
President

March 13, 1964

CONSOLIDATED BALANCE SHEETS

ASSETS

December 31	1963	1962
CURRENT ASSETS:		
Cash	$11,600,860	$ 9,445,405
United States Government obligations, at cost (quoted market value, $3,009,899 for 1963 and $578,250 for 1962)	3,036,462	600,000
Marketable securities, at cost (quoted market value, $1,045,481 for 1963 and $840,475 for 1962)	516,749	609,742
Accounts receivable, net of $126,059 reserve for 1963 and $124,333 for 1962	10,682,372	9,910,999
Inventories at lower of cost or market	17,304,317	17,938,738
Total current assets	43,140,760	38,504,884
INVESTMENTS:		
Stock—Cassiar Asbestos Corporation Limited—at cost (quoted market value, $3,979,220 for 1963 and $3,944,850 for 1962)	1,627,313	1,627,313
Sundry other investments	451,906	451,872
Total investments	2,079,219	2,079,185
SUNDRY RECEIVABLES—NONCURRENT:		
Deposits with mutual fire insurance company	255,733	281,850
Notes and accounts receivable	94,496	77,780
Total sundry receivables—noncurrent	350,229	359,630
PLANT ASSETS:		
Land, buildings, machinery and equipment	46,027,290	44,557,539
Less accumulated depreciation	32,099,708	30,680,039
Net plant assets	13,927,582	13,877,500
PREPAID EXPENSES AND DEFERRED CHARGES	805,241	552,460
Total	$60,303,031	$55,373,659

The accompanying note is an integral part of this statement.

Raybestos-Manhattan, Inc., and Subsidiaries

LIABILITIES AND CAPITAL

December 31	1963	1962
CURRENT LIABILITIES:		
Accounts payable	$ 3,102,660	$ 2,848,496
Salaries, wages and expenses accrued	2,075,939	1,722,358
Taxes accrued and withheld	1,173,902	928,792
Dividends payable, January 2, 1964 and 1963	630,600	630,600
Federal and Canadian taxes on income, less United States Tax Anticipation Bills (1963—$495,966; 1962—$1,987,204)	2,264,710	101,891
Deferred Federal income taxes	93,632	48,264
Total current liabilities	9,341,443	6,280,401
CAPITAL STOCK AND SURPLUS:		
Capital stock:		
December 31, 1963: Authorized, 2,000,000 shares without par value. In treasury, 90,824 shares. Outstanding, 1,261,200 shares with stated value of $12.50 per share	15,765,000	
December 31, 1962: Authorized, 1,000,000 shares without par value. In treasury, 45,412 shares. Outstanding, 630,600 shares with stated value of $25.00 per share		15,765,000
Earned surplus	35,196,588	33,328,258
Total capital stock and surplus	50,961,588	49,093,258
Total	$60,303,031	$55,373,659

CONSOLIDATED STATEMENT OF INCOME

For the year ended December 31	1963	1962
Net sales	$95,239,539	$93,043,823
Manufacturing cost of sales	70,157,504	68,586,949
Gross profit	25,082,035	24,456,874
Selling and administrative expenses	16,996,098	16,973,390
Profit from operations	8,085,937	7,483,484
Other income—discount, interest, dividends and sundry	1,064,793	868,740
Total income before providing for income taxes	9,150,730	8,352,224
Provision for Federal, Canadian and State income taxes	4,760,000	4,300,000
Net Income For Year	$ 4,390,730	$ 4,052,224

CONSOLIDATED STATEMENT OF EARNED SURPLUS

For the year ended December 31	1963	1962
Balance, January 1	$33,328,258	$31,659,877
Addition—net income for year	4,390,730	4,052,224
Total	37,718,988	35,712,101
Reduction		
Dividends declared	2,522,400	2,333,220
Reduction of value of Canadian assets to reflect current rate of exchange	—	50,623
	2,522,400	2,383,843
Balance, December 31	$35,196,588	$33,328,258

The accompanying note is an integral part of this statement.

NOTE TO FINANCIAL STATEMENTS

Noncontributory, unfunded retirement plans in effect are subject to termination upon sixty days' notice, and do not establish any vested rights. On an actuarial basis and allowing for the estimated tax reduction, an amount of approximately $19,850,000 at December 31, 1963, would be necessary to fund the plans. Payments to retired employees charged against income on a pay-as-you-go basis amounted to $975,684 in 1963 and $885,624 in 1962. The Canadian subsidiary has a funded plan under which the Company's contributions amounted to $15,292 in 1963 and $15,397 in 1962.

AUDITORS' CERTIFICATE

To the Board of Directors and Stockholders of
Raybestos-Manhattan, Inc.

We have examined the consolidated balance sheets of RAYBESTOS-MANHATTAN, INC., AND SUBSIDIARIES as of December 31, 1963 and 1962, and the related consolidated statements of income and earned surplus for the years then ended. Our examination was made in accordance with generally accepted auditing standards and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheets and related consolidated statements of income and earned surplus present fairly the consolidated financial position of Raybestos-Manhattan, Inc., and its subsidiaries at December 31, 1963 and 1962, and the results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

New York, New York
February 14, 1964

ALEXANDER GRANT & COMPANY
Certified Public Accountants

OFFICERS

John F. D. Rohrbach *President*

S. Ralph Zimmerman, Jr.
Executive Vice President at United States Asbestos—Grey-Rock Division

Joseph N. Kuzmick
Vice President at Manhattan Rubber Division

William S. Simpson
Vice President at Raybestos Division and Secretary

Alvin F. Heinsohn
Vice President at General Asbestos & Rubber Division

Richard B. Hazard
Vice President, Rubber & Packing Sales

William H. White
Treasurer & Assistant Secretary

W. Russell McCauley *Assistant Secretary*

S. J. Sandling *Assistant Secretary*

William Bene *Assistant Secretary*

George F. Ducker *Assistant Secretary*

E. LeRoy Musselman *Assistant Secretary*

DIRECTORS

Richard B. Hazard

Alvin F. Heinsohn

Clifford Hemphill

Joseph N. Kuzmick

John H. Matthews

John F. D. Rohrbach

William S. Simpson

William H. White

S. Ralph Zimmerman, Jr.

OPERATING DIVISIONS

Raybestos Division
Bridgeport and Stratford, Connecticut

Manhattan Rubber Division
Passaic, New Jersey

The Manhattan Rubber Manufacturing Company
Neenah, Wisconsin

United States Asbestos—Grey-Rock Division
Manheim, Pennsylvania

General Asbestos & Rubber Division
North Charleston, South Carolina

Wabash Division
Crawfordsville, Indiana

Pacific Coast Division
Fullerton, California

Raybestos-Manhattan (Canada) Limited
Peterborough, Ontario, Canada

Raybestos-Belaco, Ltd.
London, England

PRINCIPAL PRODUCTS OF RAYBESTOS-MANHATTAN, INC.

FRICTION MATERIALS

Brake Lining, Molded and Woven, in Rolls and in Formed Segments ☐ Relined Brake Shoes, Riveted and Bonded ☐ Brake Blocks, Molded, Woven and Sintered Metal ☐ Clutch Facings and Automatic Transmission Friction Elements, Molded, Woven, Semi- and Full-Metallic, Cellulose and Asbestos.

INDUSTRIAL RUBBER

Belts: Conveyor and Elevator, Power Transmission—Poly-V, V-types and Flat ☐ Hose: For every Industrial and Special Purpose, Automotive and Aviation ☐ Rubber Covered Rolls, and Rubber Lined Equipment ☐ Rubber Specialties: Engineered Molded, Lathe Cut, and Extruded Products. Typewriter Platens.

ASBESTOS TEXTILES

Roving, Lap and Fillers, Yarns, Cloth, Tapes ☐ Pyrotex Felts, Electrical Insulating Tapes.

ASBESTOS LAUNDRY PADS AND COVERS

For Commercial and Institutional use.

MECHANICAL PACKINGS AND GASKET MATERIALS

Asbestos, Rubber, Metallic, Flax, Molded, Teflon and Other Plastics. Compressed Asbestos, Rubber and Silicone Sheets.

PLASTIC PRODUCTS

Teflon: Packing, Tape, Rods, Sheets, Tubes, Thin Wall Tubing, Hose, Ball Valves, and Engineered Parts ☐ Asbestos Felts, Mats and Molding Compounds ☐ Resinated Asbestos Parts for Structural, Mechanical and Insulating Requirements ☐ Resinated Asbestos Rocket and Missile Components.

PRECISION MOLDED FRICTION AND STRUCTURAL PARTS

ABRASIVE WHEELS

Grinding, Finishing, Polishing, Cut-off and Special Purpose.

DIAMOND WHEELS

For grinding carbide tools, glass and slitting of ceramics and concrete.

HYDRAULIC BRAKE PARTS AND BRAKE FLUID

INDUSTRIAL ADHESIVES

Rubber and plastic base.

BOWLING BALLS, BILLIARD CUSHIONS, POOL TABLE POCKETS

Engineering assistance is freely offered for the application of all Raybestos-Manhattan products and for the development of new products to meet special needs.

RM