Kempton Dunn

John S. Hutchins

March 12, 1963

To the Shareholders:

Each year, the annual report to shareholders provides an opportunity to review the progress of the company during the year and to bring to you in words, pictures and figures something of what Brake Shoe is and does. This year's report is one of improved operations and further advancement toward our long-range goals.

Consolidated shipments of the company reached a record level of $194,892,299, up 18 per cent over 1961. Sales showed improvement in all areas — the United States, Canada and Europe.

Net earnings from operations rose 30 per cent to $6,953,737, or $4.27 per share, compared with $5,369,705, or $3.29 per share in 1961. Approximately 50 per cent of this increase in earnings came from United States operations and the other half came from our Canadian subsidiaries.

The year 1962 and events in recent weeks brought clearly into focus the rising influence of the European Common Market. All the nations of the world are aware of the political and economic effects and implications of the Common Market and are trying to find ways to adjust to the situation. For business, the free world is trending toward a single international market.

Our hydraulic product lines offered Brake Shoe an opportunity to participate in the Common Market with products which were considerably advanced in technology over those existing in Europe. Our European subsidiaries completed their second full year of operation and registered sharp sales gains. Over-all, the