PLAINTIFF'S EXHIBIT

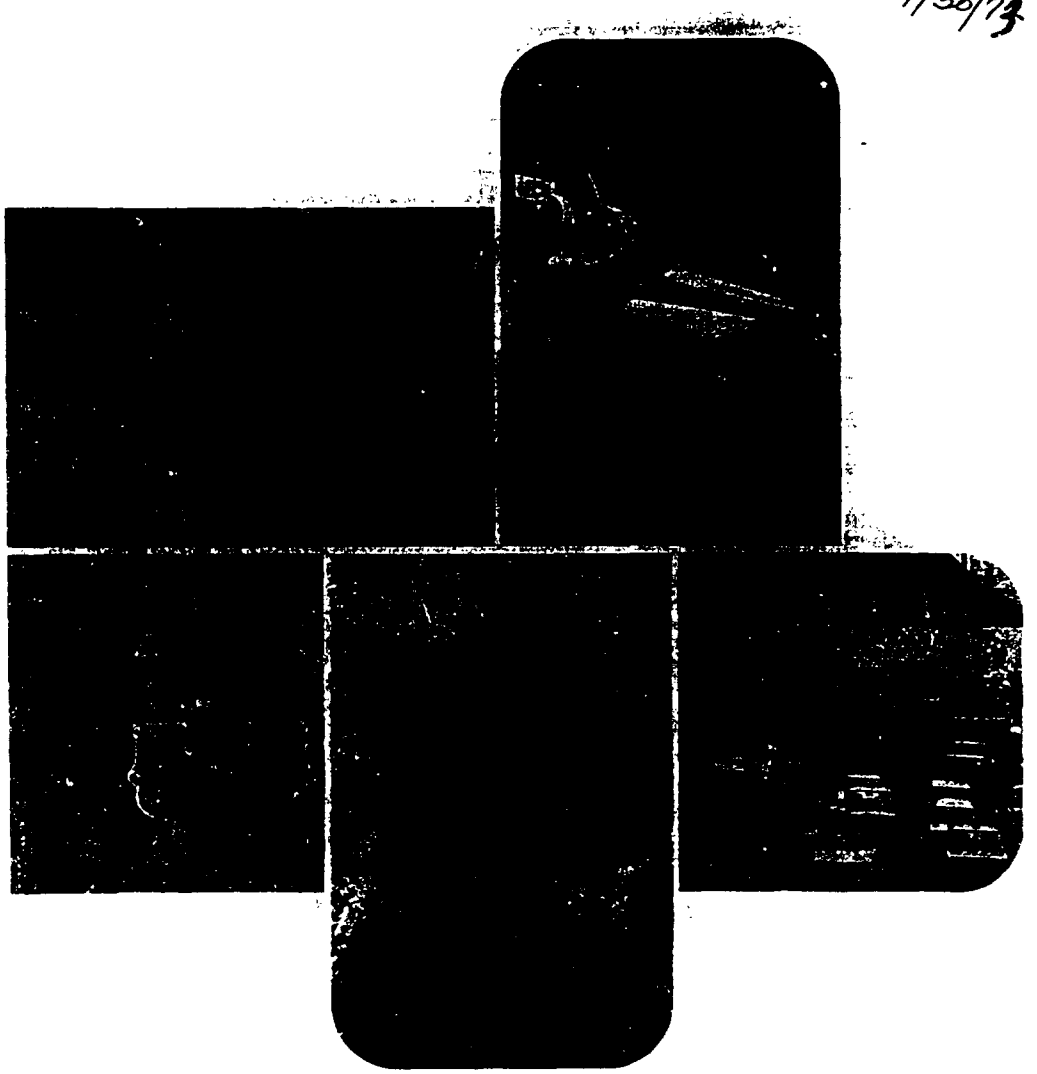
BX-465

the World of Bendix

B363600

1972 annual report

9/30/73



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Financial Data

The Bendix Corporation and Consolidated Subsidiaries

For the Years Ended September 30, 1972 and 1971	1972	1971	Percent Change
	(in millions, except share amounts)		
Net sales, royalties, and other operating income	$1,776.5	$1,612.8	10%
Income before special nonrecurring credit and extraordinary items	56.0*	42.1	33
Earnings per common and common equivalent share	3.37*	2.56	32
Average number of common and common equivalent shares (in thousands)	16,613	16,482	1
Dividends per share on Common Stock	1.60	1.60	
Stockholders' equity per share of Common Stock*	35.32	33.03	7
Wages and salaries	595.6	605.5	(2)
Net working capital	397.6	381.1	4
Capital expenditures	78.8	66.5	18
Depreciation, depletion and amortization	45.6	44.2	3
Unfilled orders at September 30	769.0	685.5	12

Results of Operations by Operating Groups

The following table shows the results of operations of the operating groups of the Corporation. The products and services of some of these groups have various end uses. When grouped with reference to the end use of the products or services sold, the Corporation's sales may be classified in the manner shown in the table "Sales by Major Classifications" on page 28 of this Annual Report.

	1972 (in millions, except per share amounts)			1971		
	Net Sales* and Other Operating Income	Income Before* Income Taxes and Minority Interests	Earnings Per Share	Net Sales and Other Operating Income	Income Before Income Taxes and Minority Interests	Earnings Per Share
Aerospace-Electronics	$ 556.3	$ 28.8	$ .88	$ 552.0	$29.3	$ .92
Automotive	855.5	95.6	2.74	764.4	73.6	2.14
Industrial	126.7	5.6	.16	111.0	(3.5)	(.12)
Forest products	214.7	13.3	.47	169.1	7.5	.25
Sundry operations and intercompany eliminations	15.7	(32.6)*	(.88)*	16.3	(28.3)*	(.93)*
TOTAL	$1,768.9	$110.7	3.37	$1,612.8	$78.6	$2.56
Special nonrecurring credit			.19			
Extraordinary items			(.17)			
TOTAL			$3.39			

*Before a special nonrecurring price adjustment of $7.6 million on a multi-year fixed price contract, which benefitted 1972 earnings by $3.2 million or $.19 per share, also, before extraordinary items (net of income taxes and other income adjustments), which resulted in a net extraordinary charge of $2.8 million, or $.17 per share.

*After allowing for Preferred Stock outstanding at liquidating value of $60 or $168.3 million in 1972 and $170.3 million in 1971.

*Includes all interest expense, which is not allocated to any operating group.

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To Our Shareholders



W. Michael Blumenthal
Chairman, President and Chief Executive Officer

It is my pleasure to report in this, my first annual message to our shareholders, that The Bendix Corporation enjoyed a very good year in fiscal 1972. Perhaps more importantly, we further strengthened a sound corporate base for the sustained growth we are determined to achieve in the years ahead.

Our earnings before a special credit and extraordinary items reached $56,000,000 or $3.37 per share, an increase of 32 percent per share over the previous year.

Sales, royalties and other operating income totalled $1,776,500,000, a 10 percent increase over 1971.

The details of the special nonrecurring income credit and the extraordinary items are reported in the financial sections of this report. Their net effect, however, was to increase our earnings to $56,400,000 or $3.39 per share.

As the results indicate, and as the following pages document, Bendix improved its position in all of its major lines of business during a year that was marked by challenging economic developments.

One achievement that we regard as especially indicative of our strengthened position was our success in reducing the total debt of the Corporation by $31,600,000 in spite of the fact that our capital expenditures for the year reached $78,800,000, the largest investment in plants and equipment in the Corporation's history.

Although I have stated our corporate objectives on other occasions during the past several months, I think it is appropriate that I repeat them here. It is the goal of your management to maintain and enhance the reputation of The Bendix Corporation as a high quality company—high quality in our operating results, in our products, in our people and in our integrity as a corporate citizen of the many countries and communities in which we operate.

Most immediately, our attention is focused on the quality of our financial results. Our first objective is—through consistent improvement in productivity, profitability and return on investment—to achieve earnings growth well above the average of the industries in which we operate.

To accomplish this goal, we are pursuing broad corporate strategies to further increase the non-government segment of our business, to pursue the diversification of our major lines of business, to expand our role in non-cyclical or counter-cyclical markets and to increase our international involvement.

We have a sound base on which to build towards meeting our objectives and our most recent results convince us that we are moving in the right direction. Bendix earnings in each of the past seven quarters have, in fact, been higher than in the corresponding quarter of the preceding year.

At this writing we are completing our negotiations with Boise Cascade Corporation for the purchase of that firm's international mobile home and recreational vehicle businesses. An agreement in principle on this acquisition was signed October 18. We hope and expect that these negotiations will be successfully concluded in the near future and it is possible that the transaction will have been consummated by the time you receive this report.

In the judgment of your management, this acquisition will have a highly favorable impact on the future development of Bendix.

The operations we are acquiring constitute an important segment of a growing industry and both the specific product lines involved and the industry as a whole display exceptionally good potential for continued expansion. Even more important than the substantial opportunity for additions to Bendix sales and profits that this new line of business offers, it represents a logical step in our corporate strategy of planned diversification into non-cyclical products in commercial and consumer markets. Finally, our ability to

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reduce our debt during fiscal 1972 permits us to accomplish this acquisition as a cash purchase and still maintain our total indebtedness at approximately the same level as at the close of fiscal 1971. Through a cash transaction, of course, we avoid the possible dilution of our shares.

As noted in the financial section of this report, we settled a claim against the U.S. government for payment of a portion of the losses the Corporation incurred in carrying out a multi-year fixed price contract for radio equipment manufactured for the U.S. Navy. Under this settlement, Bendix received a $7.6 million adjustment in the contract price which partially offset losses incurred from 1966 to 1970. We are quite pleased to be able to report the satisfactory settlement of this matter.

After seven years of wise and dedicated leadership, Mr. A. P. Fontaine retired from the post of Chairman and Chief Executive Officer on April 1, 1972. During his tenure, Mr. Fontaine succeeded in redirecting the efforts and the resources of the Corporation into the dynamic areas of growth and potential growth in which we find ourselves today.

It was under his leadership that the Corporation assumed new dimensions and identified new perspectives for future development. From a company heavily dependent on a few relatively cyclical businesses, Bendix has broadened its base in terms of both the industries and the parts of the world in which it operates.

Mr. Charles E. Heitman will retire from the position of Vice Chairman and Chief Operating Officer upon reaching the normal retirement age of 65 in January, 1973. Mr. Heitman has made numerous and outstanding contributions to the growth and success of Bendix during his twelve years as an officer, but none of these contributions is more significant than his success in developing the young executives who will direct the fortunes of the Corporation in the years ahead.

Both Mr. Fontaine and Mr. Heitman continue to serve on the Board of Directors and will provide invaluable counsel and advice to the present management team.

The retirement of two of the top executives of the Corporation underscores the importance of maintaining a pattern of management which will build upon our successes of the past and determine the new directions in which the Corporation should move. To accomplish this purpose and to provide for continuity of management philosophy and corporate direction in the future, we have taken what we regard as a significant step in the establishment of the Office of the Chief Executive, a move that has been under consideration for quite some time. This realignment of the responsibilities of our senior executives will focus the talents of our top people on the activities of all of our operating units. The new organizational structure is described in greater detail on page 27 of this report.

Since our last annual report was published, two officers of the Corporation were elected to the Board of Directors. They are William M. Agee, Executive Vice President and William L. Miron, President of Group Operations.

During 1972, Charles T. Gray, former President of American Forest Products Corporation, retired from the Bendix Board of Directors. Mr. Harry J. Loynd, retired Chairman of Parke, Davis & Company, was re-elected to the Board in February, 1972.

It is by design that Bendix ranks today as one of the world's major multinational corporations. Your management is convinced that the association of resources from many different countries, the stimulus of cooperation between men of different backgrounds, traditions and capacities and the ability to examine world markets from a more objective point of view—all these factors give the multi-national corporation a clear advantage in the competitive struggle to produce more and better products more profitably and for increasingly larger sectors of the world's population.

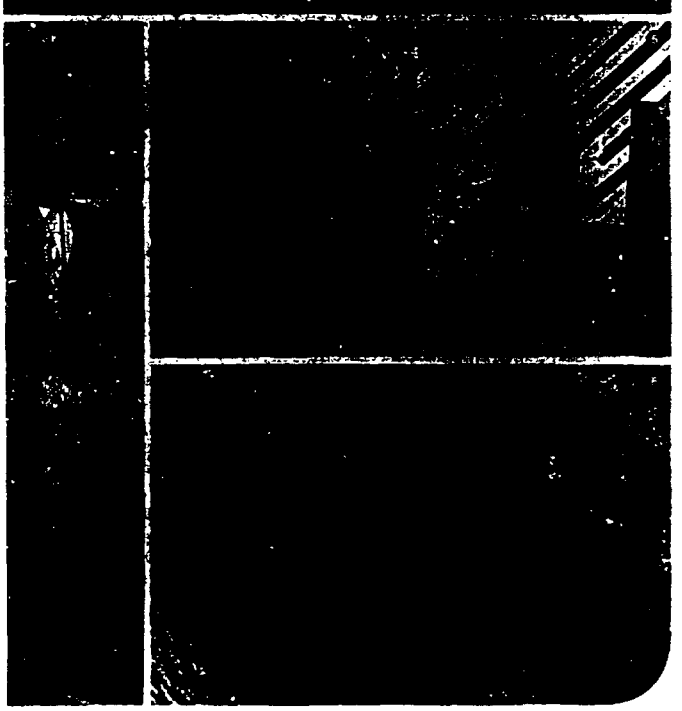
In recent years, however, there has been a disturbing tendency on the part of some legislators and government officials to regress towards protectionist ways of thinking and this tendency deeply concerns us in Bendix management. We are convinced that free trade —the free flow of products, capital, men and ideas across national boundaries —provides the best framework for improving world economic conditions and achieving the political and social aims of a free society.

In summary, 1972 was not only a successful year in which your Corporation again achieved increased profits; it was also a year in which we further positioned ourselves to move forward in all the principal areas of our business. I believe that we have forged a dynamic, effective and professionally competent management team and that we are firmly established in industries which promise to yield major benefits in the years ahead. As we enter 1973, we are confident that your Corporation will continue to achieve the solid and regular progress which is our goal.

December 11, 1972

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1. Bendix computer terminals are being used in reading instruction at Mary M. Bethune Junior High School in Los Angeles, California. Questions generated by a computer appear on the screen of the Bendix terminal at each student's desk and the students respond by the use of a keyboard. The system offers each student continuing individual attention and has been enthusiastically received by educators and students alike.

2. Operating center portions of airport control towers, such as this one at St. Jean Airport near Montreal, are supplied by a unit of our Canadian subsidiary, Aviation Electric Ltd. In addition to operating centers for permanent airport towers, the company also manufactures mobile control towers for use on temporary airstrips and for emergency uses.

3. Bendix demonstrated a Personal Rapid Transit system at Transpo '72, the first U.S. International Transportation Exposition. The system was developed under contract from the U.S. Department of Transportation's Urban Mass Transportation Administration. Two computer-controlled, electrically-powered vehicles, traveling along a 1,200-foot guideway, provided demonstration rides to over 36,000 Transpo visitors, including many federal and municipal transportation officials.

4. Russell D. O'Neal *(left)*, President of Group Operations, and Louis B. Young, Vice President of Aerospace-Electronics Marketing, inspect the new Bendix weather radar system installed on a Cessna Citation business jet. Bendix continues to be one of the most respected names in the general aviation equipment market.

5. A Bendix luggage inspection system, which uses an extremely low-dose, short-pulse X-ray to inspect baggage for weapons, explosives or other contraband, has been purchased by Pan American World Airways. The device virtually eliminates the need for opening and visually inspecting luggage by instantly producing an X-ray image of the luggage contents on a television screen.

6. Scientists are learning more about the earth's surface by analyzing multispectral photographs taken from the orbiting Earth Resources Technology Satellite. A sophisticated system developed by Bendix is being used to process imagery transmitted from the satellite. This photo of California's Monterey Bay area revealed several geological formations not previously known to exist. This information may cause scientists to revise their theories on the crustal structure of the area.

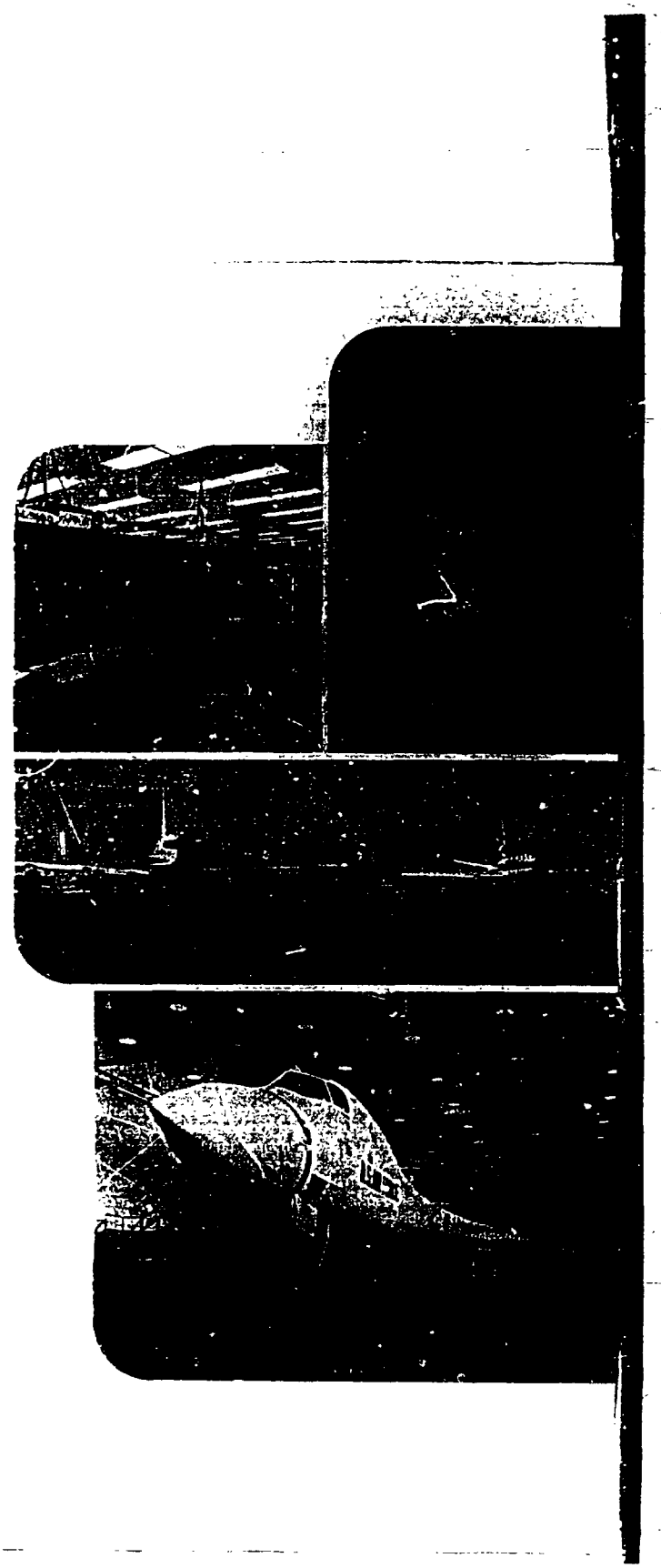
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1. Computer-controlled test equipment developed by Bendix for the U.S. Air Force will be used in maintenance shops to test and evaluate the performance of electronic instruments and systems aboard the new F-15 air superiority fighter. New technologies developed for this system are being adapted for the testing and evaluation of avionics equipment used by commercial airlines.

2. History-making insights into the origin and environment of the moon continued to be provided by a series of scientific stations deployed on the lunar surface by the Apollo 16 astronauts. All of the Apollo Lunar Surface Experiments Packages (ALSEP) deployed during the Apollo program were provided by Bendix to the National Aeronautics and Space Administration.

3. Greater penetration of the air transport market has been achieved by Bendix due in large measure to substantial participation in the Boeing 747 and McDonnell Douglas DC-10 programs. Flight guidance systems, electrical generator systems, wheels and brakes, weather radars and hydraulic actuators are among the major products Bendix supplies to commercial aircraft manufacturers and to airlines.

4. The new B-1 strategic bomber being developed for the U.S. Air Force will be equipped with a number of Bendix products, including air induction controllers and vertical-scale flight instruments. Bendix equipment is used on most military aircraft produced in the United States.



The Aerospace-Electronics Group has concentrated the major thrust of its efforts and resources toward moving more firmly into positions of leadership within those markets in which it is especially strong. At the same time, the group is pursuing longer term goals by applying technology and management techniques acquired from defense and space programs to the development of products, systems and services that improve the quality of life. These efforts include the detection and monitoring of pollution, the identification and mapping of earth resources and the development of automated ground transportation systems for urban areas. Bendix aerospace technology is also being transferred through the group's Advanced Products Division where families of products aimed at improving productivity are showing good growth.

Air Transport

Although the airline market declined markedly in recent years, it now appears to have stabilized and Bendix commercial aviation sales are growing as the result of greater market penetration.

Major equipment provided by Bendix to the aircraft manufacturers and the airlines include flight guidance systems, air data systems, automatic test equipment, digital mini-computers, electrical generator systems, wheels and brakes, weather radars, radio altimeters, VHF transceivers, engine ignition systems and hydraulic actuators.

An example of Bendix prominence within the field of commercial aviation is its weather radar systems which are used by more than 100 airlines throughout the world. Most airlines buying the new McDonnell Douglas DC-10 have specified the Bendix RDR-1F weather radar.

A team composed of Bendix and the Bell Aerospace Company has been awarded a study contract which is expected to lead to the development of a Microwave Landing System for the Federal Aviation Administration. The FAA plans to replace the Instrument Landing System currently in use at many airports with the new Microwave Landing System which will aid pilots in landing their aircraft under conditions of poor visibility and will increase traffic handling capacity at busy terminals.

Responding to the hijacking threat, one airline has placed an order for portable radiographic equipment developed by Bendix to inspect passenger luggage at airports. The Bendix system, which uses an extremely low-dose, short-pulse X-ray to detect guns, explosives and other contraband, is also being considered by other airlines.

General Aviation

A significant improvement in the general aviation market is taking place and Bendix has responded by introducing several new products for private and business aircraft. Among these is a weather radar that represents a significant advance in commercial weather radar technology. Its unique display provides a continuous picture of weather ahead of the aircraft on a standard cathode ray tube. Other new products include an area navigation system and a new version of the popular Bendix autopilot for business aircraft.

Space

The National Aeronautics and Space Administration selected Bendix during the past year to continue work on two major contracts involving launch support and space flight tracking services. Bendix now ranks as the fourth largest prime contractor to NASA, moving up from the seventh position a year ago.

The nation's space program is becoming increasingly concerned with the mapping and monitoring of the resources of the earth and Bendix has developed strong capabilities to assist in this effort. A sophisticated image processing system developed by Bendix is being used to process thousands of electronically generated pictures taken every week from the orbiting Earth Resources Technology Satellite. Data received from the satellite is being used in ecological and environmental investigations conducted by Bendix under contracts with NASA.

The outstanding reliability and performance of Bendix scientific experiments deployed on the Moon during the Apollo missions were instrumental in the selection of the Corporation to design and produce equipment for the Viking missions to Mars and the earth-orbiting High Energy Astronomical Observatory.

Defense

Bendix equipment is used on most military aircraft produced in the United States today. Among the new aircraft in which Bendix is involved are the F-14 and F-15 air superiority fighters, the S-3A anti-submarine aircraft and the B-1 bomber. Bendix products include flight control systems and instruments, engine controls and accessories, landing gear and automatic test equipment.

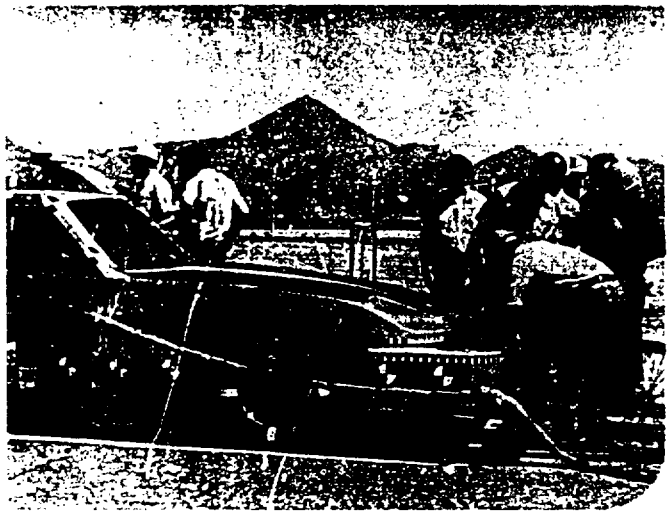
During the year, the Corporation received a five-year renewal of its contract with the Atomic Energy Commission to supply a variety of non-nuclear electrical, mechanical and electro-mechanical devices through the Bendix Kansas City Division.

Ground Transportation

Bendix is developing automated transportation systems for the efficient movement of people in concentrated urban areas, as well as airports. A "people mover" system demonstrated by Bendix at the Transpo '72 exposition has attracted worldwide attention.

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1. William L. Miron *(left)*, President of Group Operations, and H. Richard Ford, Vice President of Worldwide Automotive Marketing, test drive a prototype of a 1974 automobile which will be the first production American car to be equipped with the Bendix Electronic Fuel injection system. Because of its ability to precisely meter fuel and air to the engine, Bendix Electronic Fuel Injection is a potentially important tool in reducing harmful automotive exhaust emissions and improving engine performance over current systems for emissions control.

2. Bendix disc brake production for a wide variety of passenger cars and light trucks continued to increase. Front disc brakes are now standard equipment on a large majority of 1973 passenger cars and Bendix is a leading independent supplier of this brake style.

3. Bicycling for health and recreation is booming in the United States, and Bendix sales of bicycle brakes increased as a result. During the year Bendix developed a new caliper disc brake for bicycles, a major improvement in hand-braking systems.

4. The Experimental Safety Vehicle built by AMF Incorporated for the U.S. Department of Transportation is equipped with an advanced Bendix braking system, including a four-wheel anti-skid system. Bendix rear disc brakes and Hydro-Boost power brake assist are also on the vehicle.

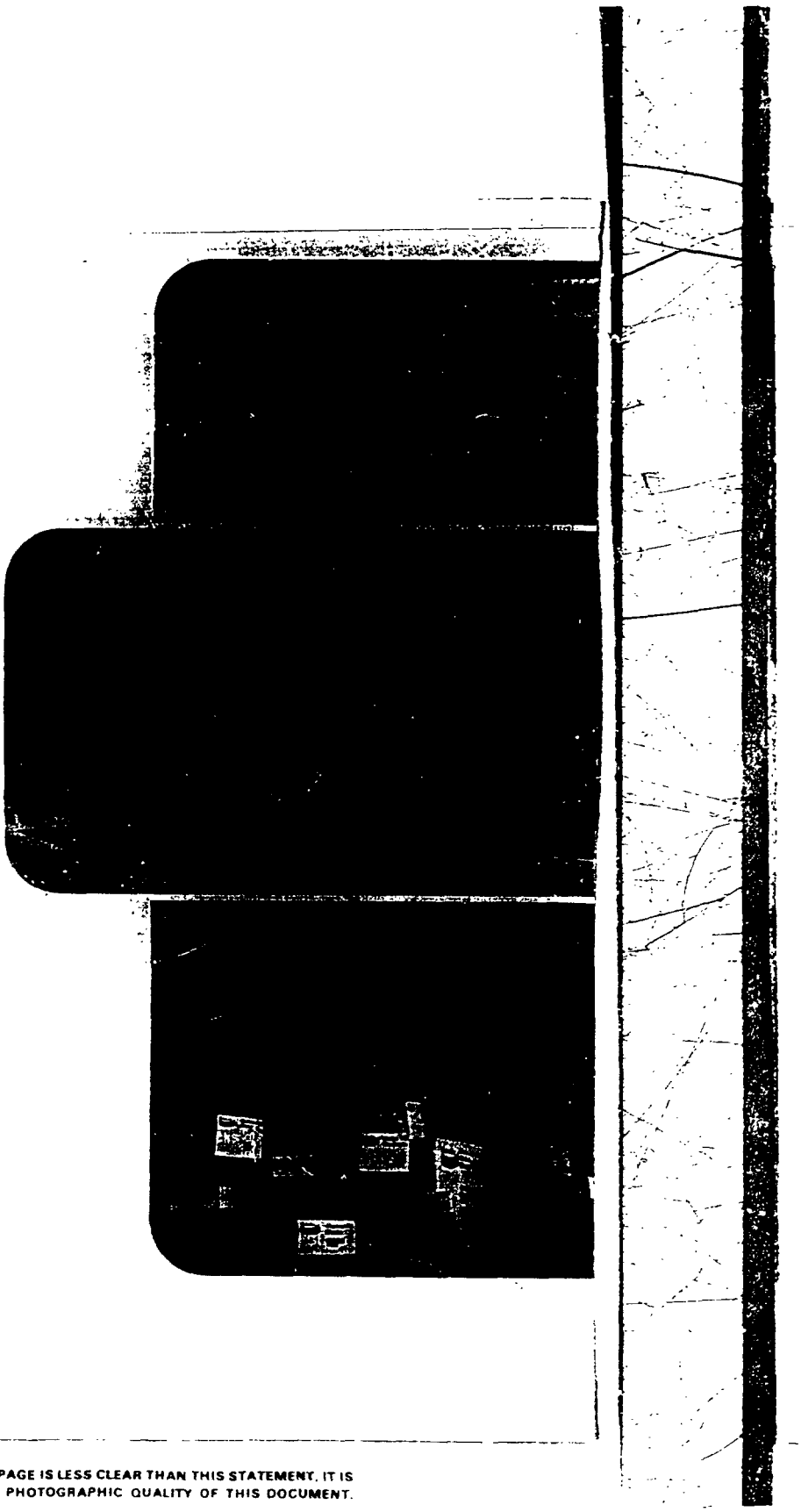
5. As part of its marketing program Fram Corporation, a Bendix subsidiary, sponsored the National Automotive Trouble Quiz, a one-hour television special designed to help viewers measure their knowledge of car care. It featured *(left to right)* race driver Peter Revson; Dave Garroway as host and narrator; commedienne Peggy Cass and actor-comic Louis Nye. The special, aired twice during the year, reached an estimated audience of 20 million viewers.

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1. This Ferrari GTB 4 of the North American Racing Team, equipped with Bendix electric fuel pumps, captured first place in the Grand Touring Class of the 1972 Six-Hour Manufacturers Endurance Championship at Watkins Glen. Bendix fuel pumps have been used in racing and sports cars for over 20 years.

2. The trucking industry continued to be an important source of sales for the Automotive Group which supplies air brake systems and foundation brakes for heavy trucks and truck trailers. Bendix is also developing disc brakes and anti-skid systems for this important and growing market.

3. Bendix is a familiar name in automotive replacement parts throughout the United States and Canada. These parts include disc brake pads, drum brake linings, wheel and master brake cylinders, ignition components and carburetor repair kits.



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Our North American automotive business moved steadily upward, achieving higher sales and profits during 1972.

The strength of the automotive market and a healthy demand for the types of products in which Bendix specializes were important reasons for our sales increases.

The rate of improvement in earnings, which was significantly higher than the sales increase, was largely due to tighter cost controls, the elimination of unprofitable product lines and an improved organization.

This organization has been restructured during the past five years into a strongly market-oriented group able to concentrate on specific market and business areas.

Bendix supplies both the original equipment and aftermarket segments of the automotive industry through the Automotive Group and Fram Corporation, a wholly-owned subsidiary. The Automotive Group specializes in dynamic control systems, principally braking systems which comprise most of the group's activities, and in fuel management systems. Fram is a leading supplier of filters and filtration systems. The bulk of Fram's earnings traditionally have come from automotive activities, although it also has developed a capability in pollution abatement products for industrial and municipal applications.

The Automotive Group took steps during 1972 to expand its production, distribution and service facilities devoted to supplying Bendix products to the automotive aftermarket. In addition, the post of Vice President-Automotive Aftermarket was created within the Automotive Group to direct this increasingly important activity.

Automotive marketing activities during the year were highlighted by substantial increases in the group's penetration of the markets for disc brakes and disc brake friction pads as both original equipment and replacement parts for cars and light trucks.

Several important new products for heavy trucks were announced during the year, notably a compact compressor for air brake systems and a spring parking brake design for highway tractors and trailers.

Development programs continued on disc brakes and anti-skid systems for heavy trucks in anticipation of substantial production demands expected to result from new federal braking standards which will become effective in 1974.

Government standards also promise to contribute to the development of new markets for Bendix in the field of automotive exhaust emission controls, especially for the Bendix Electronic Fuel Injection system. EFI continues to be a potentially important tool that automotive manufacturers can use to aid in the reduction of harmful exhaust emissions. At the same time, the system offers improved vehicle performance and fuel economy in comparison to current systems for emission control.

Bendix will begin limited production of EFI systems for a 1974 U.S. car model and is working with a number of other potential customers.

Further progress was achieved in the development of low-cost anti-skid systems for cars and light trucks during the year. Fuel controls for stationary off-highway gas turbine engines scheduled to be introduced in 1974 underwent further refinement. Air pumps for emissions control systems to be introduced in 1975 are fully designed and tested and are now being readied for production. We have received contracts to produce the new Bendix Hydro-Boost power braking system which will be introduced on light trucks during 1973 and on passenger cars in the 1974 model year.

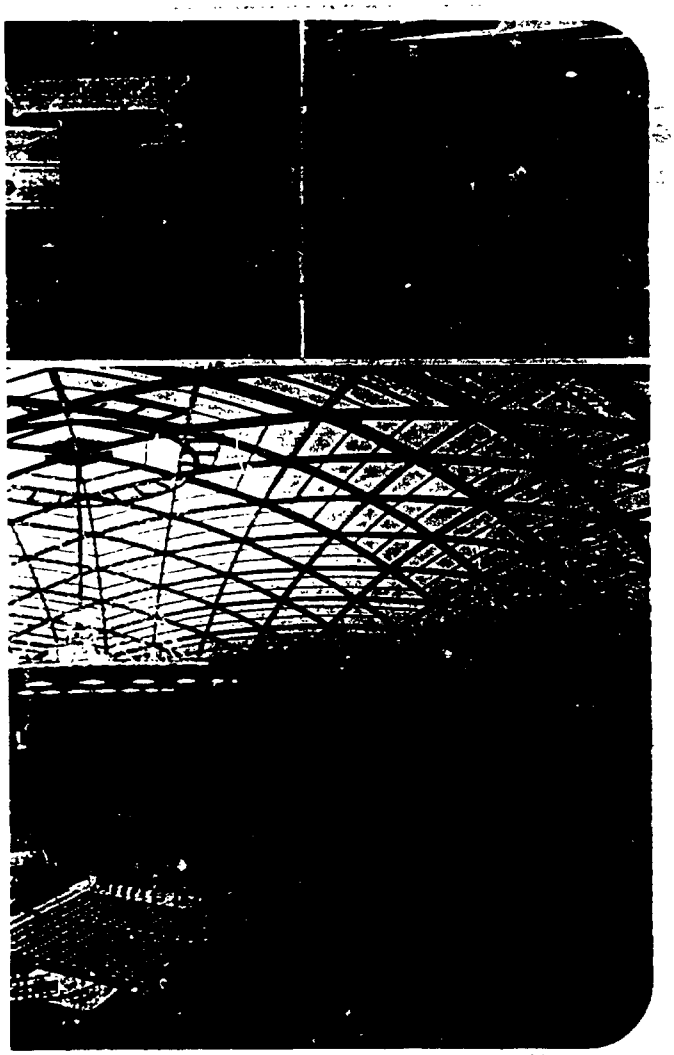
The Automotive Group is expanding production facilities at Frankfort, Kentucky to accommodate increased demand for truck air compressors, at St. Joseph, Michigan to meet increased orders of car and light truck disc brakes, and at Cleveland, Tennessee for the production of friction materials. Construction also was started on a new plant at San Luis Potosi, Mexico where production will begin in 1973 on ignition components and bicycle brakes. Moving these product manufacturing operations to the new plant should enable Bendix to maintain a strong competitive position in these product lines. Fram opened a new manufacturing facility in Sparks, Nevada for assembling air conditioning and heating filters and a new facility at Henderson, North Carolina to produce the raw material used in many types of air filters.



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1. John T. Guyol *(left)*, President of American Forest Products Corporation, and Russell W. Evitt, General Manager of the subsidiary's Amador - Calaveras Division, inspect the newly-opened particleboard plant at Martell, California. The plant is already well on its way to achieving capacity production of 115-million square feet of particleboard annually.

2. American Forest Products' redwood decking and fencing are popular items among home remodelers and do-it-yourselfers since they offer a quick and relatively inexpensive method of patio and fence construction. Both products are sold through a variety of independent retail outlets.

3. Bond Deck, American Forest Products' unique and versatile panelized decking product, is utilized here as the roof for the University of Utah Sports Center. Bond Deck pre-cut panels can be installed at considerably lower cost than conventional roof decking materials.

4. These handsomely illustrated containers are examples of Corrolitho, an American Forest Products process which involves laminating full-color labels to corrugated containers. The result is a package that combines attractiveness with the strength and utility of a corrugated container.

5. California nectarines are being packed in TKV containers for shipment throughout the country. TKV, a proprietary product of American Forest Products, is made of wood and bonded kraft paper to provide a light but strong container for agricultural products.

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1. An aluminum step ladder is assembled at the Larson Division of American Forest Products. While initially supplying wooden step and extension ladders to the agricultural industry, the division has expanded its production and today supplies wooden and aluminum ladders for industrial, commercial and household uses.

2. Youngsters playing shuffleboard in the recreation center of American Forest Products' Gold Ridge Forest development in California reflect the subsidiary's approach to multiple-use management of forest lands. In addition to the growing and selective harvesting of trees American Forest Products' timberlands are managed to provide for recreation, wildlife habitats and watershed control.

3. The manufacture and distribution of wood building products, such as this load of lumber being delivered to an apartment construction site, represents the major portion of American Forest Products' business. The subsidiary currently operates a network of 14 wholesale distribution centers which supply building materials to lumberyards and industrial and commercial accounts.

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Our wholly-owned subsidiary, American Forest Products Corporation, established a new record for sales volume during 1972, principally on the strength of continued growth of the residential construction industry. American Forest Products supplies a variety of wood and aluminum products to the construction industry and other end users, including lumber, plywood, millwork, moldings, particleboard and aluminum siding.

According to government and industry estimates, new housing starts in the 1972 calendar year will exceed 2.2 million units, a level substantially above the previous record set in 1971. Projections indicate that while housing starts in 1973 are not likely to reach the 1972 record, they will approach the 2 million level which constitutes an excellent year for the construction industry as a whole.

American Forest Products operates eight sawmills, a plywood and a particleboard mill and four major lumber processing plants and markets its line of building materials through a network of 14 distribution centers in five states.

The healthy condition of the market for new housing as well as a steady increase in home modernization activity contributed to record sales of the aluminum building materials supplied by Modern Materials Corporation, a subsidiary of American Forest Products. In addition to aluminum siding which makes up the majority of its sales, Modern Materials also supplies aluminum rain carrying equipment, such as rain gutters and downspouts, to home builders and modernizers. During 1972, the production capacity of Modern Materials Corporation's manufacturing facility in Michigan was approximately doubled and the subsidiary expanded its distribution system.

American Forest Products manufactures both corrugated and wooden containers for industrial and agricultural markets. In addition, a proprietary container material named TKV, which consists of laminated wood veneer and kraft paper, gained increased popularity in packaging agricultural products.

Construction was completed during the year on a $10 million particleboard manufacturing facility at American Forest Products' plant at Martell, California. In this highly-automated plant, wood-shavings, sawdust and wood chips are combined under heat and pressure with resin and wax to form boards of high density and strength.

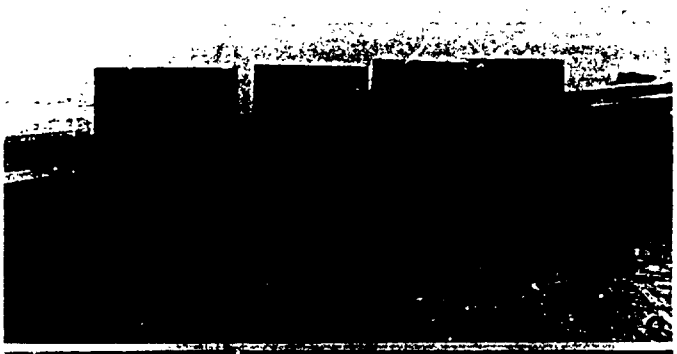
Production capacity of the new plant is 115 million square feet of ¾-inch particleboard annually, which establishes the plant as one of the largest facilities of its type in the country.

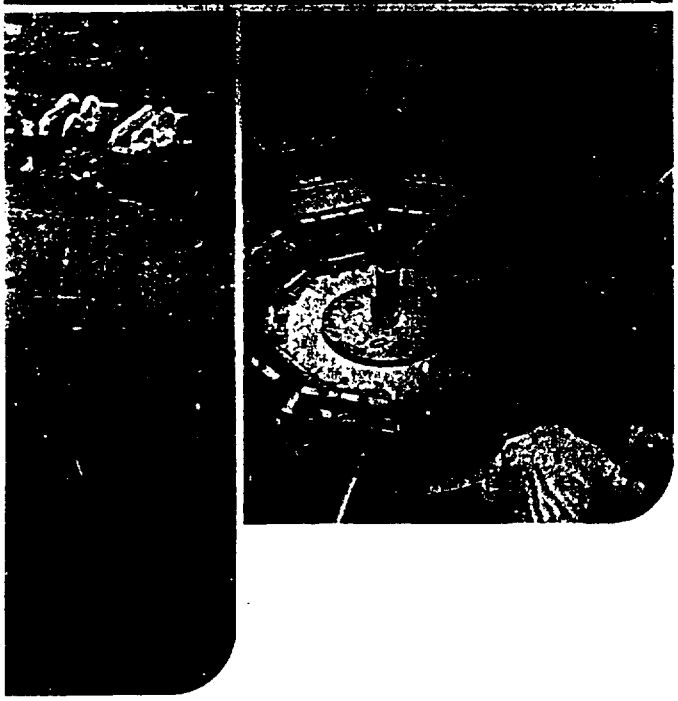
Particleboard is increasingly in demand for use in construction as well as in the manufacture of furniture and cabinetry.

New equipment designed to reduce operating costs has been installed at the Johnsondale, California sawmill and an automated plywood line is scheduled to be installed at the Martell plant during 1973.

A joint program of American Forest Products and the Bendix Research Laboratories to improve the production and processing of lumber through the application of advanced technology moved forward during 1972. Intended to increase product quality and reduce production costs, the program includes advanced devices to more precisely measure, process and grade lumber and in most cases to perform these functions automatically.

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1. Donald S. Jones *(center)*, President of the Industrial Group, and Leon B. Musser *(right)*, Vice President of Industrial Marketing, are shown the new electronic column gage which was introduced at the 1972 International Machine Tool Show in Chicago. Bendix continues to pioneer in the development of sophisticated gaging equipment.

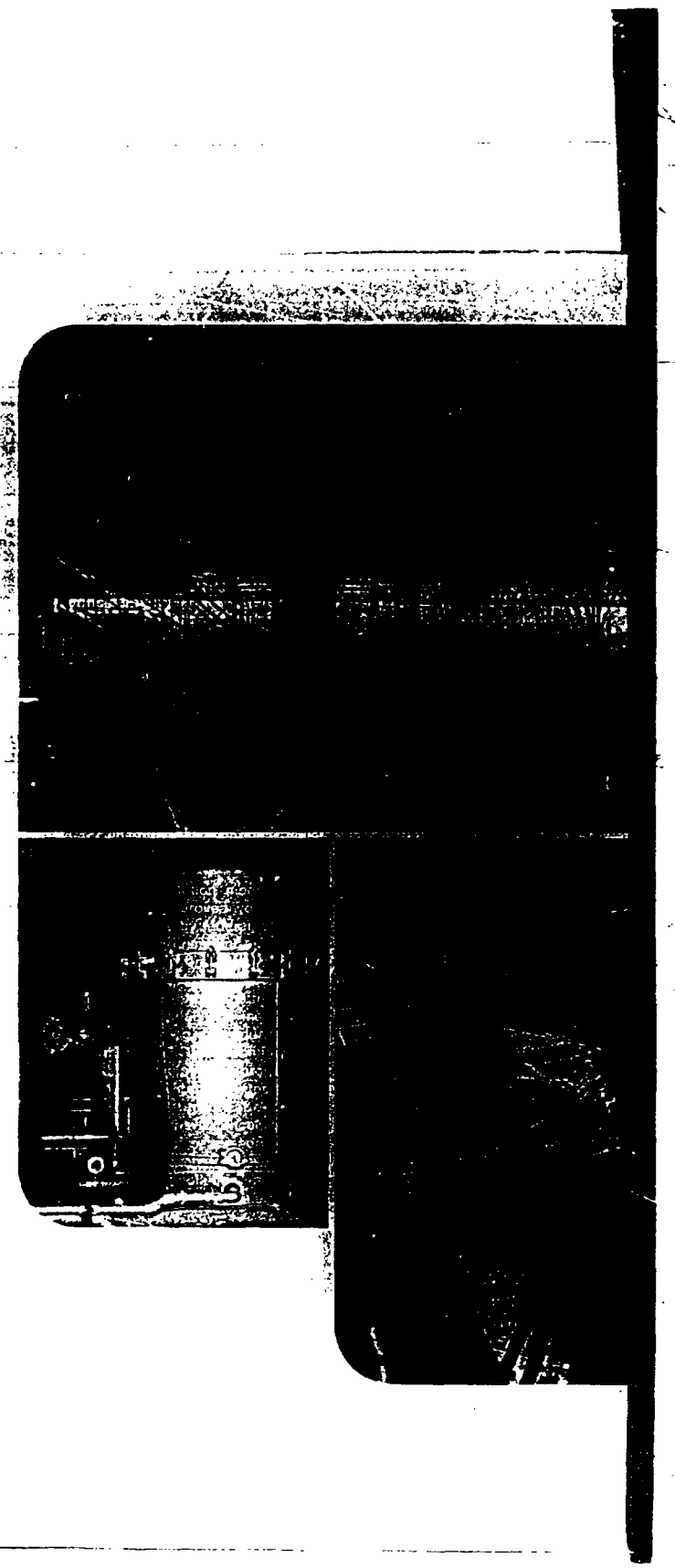
2. Numerical controls provide for computerized operation of machine tools. Bendix introduced four low-cost models during the year and now offers one of the broadest lines of numerical control systems to the metalworking industry.

3. This freighter sank after colliding with another ship in the St. Clair River, disrupting international shipping on the Great Lakes. The U.S. Army Corps of Engineers and its salvage operator employed two massive Bendix Skagit hoists to pull the ship's bow section from the treacherous currents of the narrow channel. One of the two hoists seen at the right is among the most powerful in the world, capable of exerting a half-million pounds of pulling power.

4. Bendix produces a broad line of air pollution monitors such as these and is currently developing equipment for monitoring water pollution to assist government and industry in protecting our environment. Bendix pollution monitors have gained wide acceptance among municipal, state and federal environmental agencies around the world.

5. Two engineers from our domestic subsidiary, Buhr Machine Tool Corporation, prepare a Bendix Buhr Dial Index Machine for production at the new Deutsche Bendix brake plant in Germany. Four of these machines were built for the plant to process brake master cylinders.

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1. A Bendix Buhr computer-monitored transfer machine at our Hydraulics Division is an example of the sophisticated production equipment supplied by Bendix for the metalworking industry. Bendix offers a complete systems capability in manufacturing equipment.

2. Oily water separators are among the waste treatment systems produced by our subsidiary, Fram Corporation. This installation at a major oil company terminal separates gasoline from discharged water and can process up to 350 gallons of waste water per minute. The Fram system has broad waste treatment applications since it can be used to separate any two liquids which have different specific gravities.

3. Bendix continues to be a leading supplier of cutting tools such as these taps installed in a machine built by our subsidiary, Michigan Special Machine Company. Bendix also offers the metalworking industry a full line of abrasive products.

The Industrial Group achieved its sales and profit improvement goals for 1972, reversing the sluggish performance it reported last year. The group's rate of improvement was well above the general upturn of the machine tool industry, which has begun to recover from a marked depression. Improvements in operations, elimination of unprofitable product lines and increased sales of product lines not related to the machine tool industry—such as heavy-duty winch equipment for off-shore applications—were important factors in the group's recovery.

The Industrial Group's improvement in new order bookings, which gained momentum throughout the year, offers a sound base for future business growth. Through the Industrial Group, Bendix has assumed a leading role as a developer and supplier of automated manufacturing systems for the metalworking industry, supplying machine tool controls and plantwide monitoring systems, automatic machining, gaging and grinding wheels, cutting tools and a variety of machine tool components and accessories. These elements of sophisticated production equipment required by the durable goods industry enable Bendix to offer a complete systems capability in the supply of production equipment.

Recent additions to this capability included a line of low-cost open loop machine numerical controls sold by Bendix in the United States under license from Fujitsu Ltd., Tokyo, Japan, and a new electronic gaging system. The group also recently introduced a production line monitoring and data acquisition system and a high-speed grinder for raising productivity through greatly increased rates of metal removal.

Bendix is a leading manufacturer of disc-type grinding machines, which are important tools for the production of the new Wankel rotary engines. Bendix has already delivered grinders and inspection equipment to be used in the production of Wankel parts and growing sales of grinders, automatic machines and gaging equipment are anticipated as worldwide acceptance of the Wankel continues to grow.

The Industrial Group continues to focus its attention on strengthening its organizational and marketing structure. A principal move in this regard during 1972 was the creation within the Industrial Group of the new post of Vice President of Industrial Marketing who is concentrating group efforts on marketing Bendix automated manufacturing systems and coordinating the marketing activities of the various operations in the group.

Winching equipment used to moor floating oil drilling installations and to guide off-shore pipe laying is produced by Skagit Corporation, a Bendix subsidiary which over the years has developed the basic expertise for supplying this specialized market.

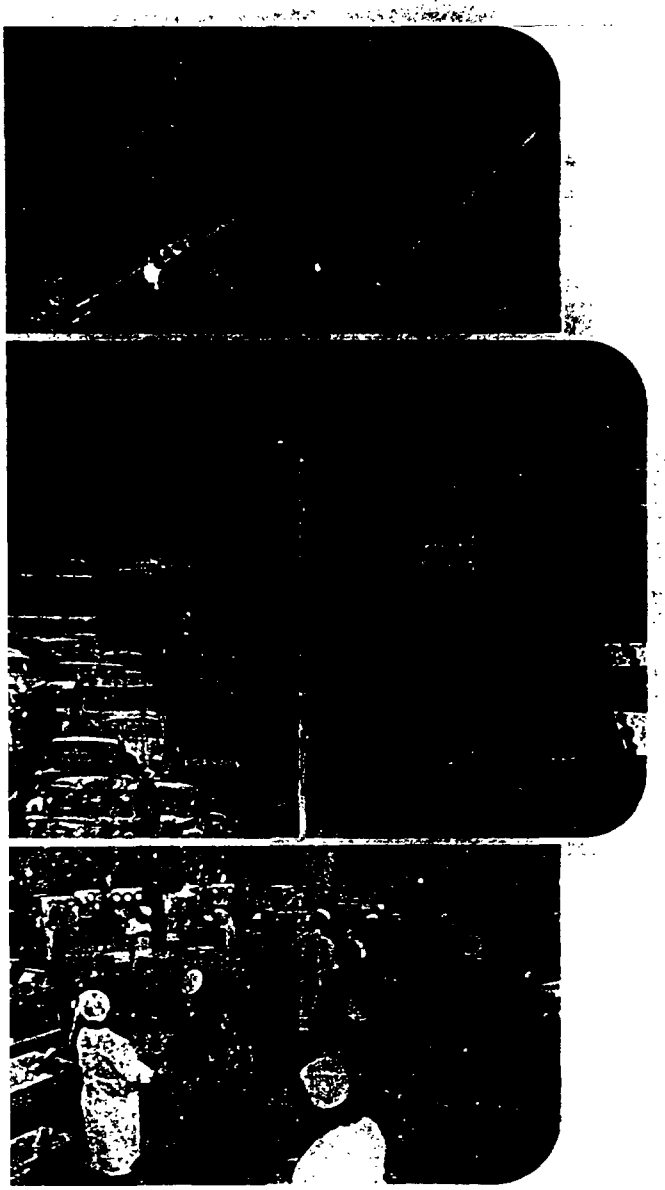
Bendix air pollution monitoring instruments have proved to be well-accepted for use by federal, state and municipal environmental monitoring agencies. Also, a drug analyzer introduced in 1971, which incorporates technologies related to the monitoring and laboratory analytical instruments, experienced strong sales during 1972.

The Industrial Group continued research and development programs at the divisions, with strong support from the Bendix Research Laboratories. These programs have concentrated on the application of space-age technologies in the search for new sensing techniques for pollution monitoring systems and on advanced methods for increasing productivity.





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1. Albert J. Barraud *(left)*, President of our French subsidiary Societe Anonyme D.B.A., and E. Russell Eggers, President of Bendix International, attend the first board meeting of Bendritalia, a joint venture of Bendix and D.B.A. in Crema, Italy. Bendritalia, which manufactures automotive power brakes and hydraulic parts, is Bendix' first Italian manufacturing operation.

2. These automotive alternators are being manufactured at the new Ducellier plant in Etaples, France. Ducellier, a subsidiary of D.B.A., provides automotive batteries, headlights, starters, generators and other electrical equipment to auto makers throughout Europe.

3. Heavy traffic in Sao Paulo, Brazil reflects the growing automotive population of that country. Bendix do Brasil supplies braking components and systems for automobiles, trucks and busses.

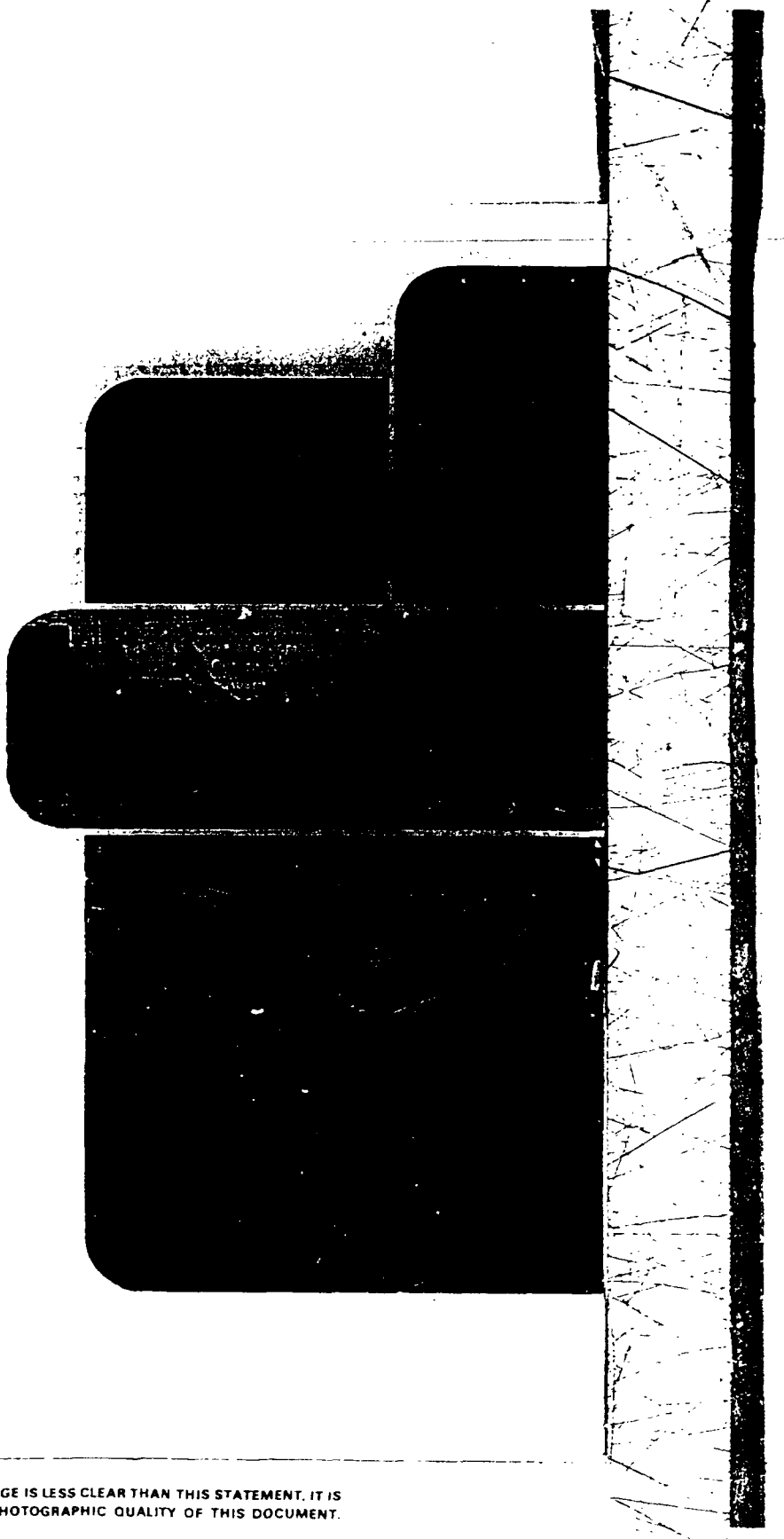
4. A Whitbread brewery truck equipped with a brake system supplied by Bendix Westinghouse Ltd. of Bristol, England passes the Gibraltar Castle Pub near London. This truck is typical of the heavy-duty vehicles which use Bendix Westinghouse brake systems.

5. One of the world's largest brake plants nears completion in Angers, France. This D.B.A. plant will produce drum and disc brakes for the European automotive market. It is one of four new European automotive facilities built during 1972 by Bendix subsidiaries.

6. The highly automated new foundry of Deutsche Bendix Ausrustungs G m b.H. in Neunkirchen, Germany will produce ductile iron castings for automotive disc brakes.

7. Equipment for the Concorde and the A300B Airbus is tested in this laboratory of D.B.A.'s Air Equipement Division in Paris. This division produces a variety of sophisticated equipment, especially hydro-mechanical control devices, for the European aviation industry.

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1. Frederick J. Borheck *(left)*, Senior Vice President of Bendix International, and Tadashi Igarashi, Executive Vice President of Nissan Motor Co. Ltd., a Japanese automobile manufacturer, preview Nissan's new models in a Tokyo showroom. Bendix affiliates in Japan supply braking and steering equipment to the Japanese automotive market.

2. Frenomex, S. A., a Bendix subsidiary in Mexico City, supplies brakes as original equipment and replacement parts to the Mexican automotive market.

3. These busses in Barcelona, Spain are equipped with heavy-duty power steering systems supplied by Bendiberica, S. A., our subsidiary in that city. Bendiberica is the leading supplier of automotive brakes and truck power steering in Spain.

4. Commuter trains in Hamburg, Germany are equipped with disc brake pads made by Jurid Werke G m b.H., a Bendix affiliate. Jurid is Germany's largest producer of friction materials for automotive brake linings, brake pads, clutch facings and railway brake blocks and pads.

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ndix International had a profitable ar in 1972 although its total profit ntribution to our consolidated results s lower than in 1971. Our interna- nal operations felt the effect of soft onomic conditions in some countries well as the impact of start-up costs four new plants in Europe.

Licensing revenues from abroad ached a record level in 1972. During year, 38 new license agreements re concluded, so that at year-end ndix had a total of 487 license agree- nts with 163 licensees in 20 foreign untries. Some of the new Bendix velopments in the field of automotive ety and exhaust emissions control ve been successfully licensed in eign countries and promise substan- future royalties.

Total U.S. exports of the Corporation clined during the year as a result of creased demand abroad for aero- ace products which make up an im- tant segment of export sales.

Total sales of the foreign manufac- ing subsidiaries and affiliates of ndix increased substantially in 1972. e large capital expansion program Bendix in international automotive rkets, particularly in the expanding opean Common Market, recognizes growing tendency on the part of st major automotive manufacturers purchase components across na- al frontiers.

Our construction program included new European automotive plants 1972—new brake plants at Angers, nce and Saarbrucken, Germany; a hly automated ductile iron foundry Neunkirchen, Germany; and a new tory for alternators and other elec- al automotive parts at Etaples in thern France.

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endix' largest subsidiary abroad is D B A. Group which employs 18,000 ple in 22 plants in France. Our nch subsidiary is also a co-investor Bendix in subsidiaries in Germany, Spain and Italy. Both the automotive and aerospace activities of D.B.A. had a good year in 1972, although start-up costs of the new plants in Angers and Etaples moderated the growth in earnings. Of particular importance to D.B.A. is the recent growth of French car exports. Two new automotive sales subsidiaries of D.B.A. in Germany and Italy were particularly successful in their initial year of operation.

Bendix subsidiaries and affiliates in Germany performed well in 1972 despite somewhat unfavorable conditions in the German automotive and capital equipment industries. Our new subsidiary, Deutsche Bendix Ausrustungs, has received initial orders for its brake and foundry operations. The two Bendix friction material affiliates, Jurid and Textar, increased both sales and profits last year. Our two smaller German operations, Teldix in the aerospace industry and Nieberding in the pneumatic gaging field, felt the effects of cutbacks in the German military budget and a depressed market for capital goods.

In Spain, Bendiberica had an exceptionally good year and was able to strengthen its position in the expanding Spanish car market. Our joint venture in the United Kingdom, Bendix Westinghouse Ltd., increased both sales and profit even though operating in a somewhat depressed market for truck brake systems.

Bendix started its first manufacturing operation in Italy in late 1972. Benditalia, a joint venture with D.B.A., will initially produce power brake systems and hydraulic parts for the Italian automotive industry. Facilities are located at Crema, Italy.

Latin America

Our three major manufacturing subsidiaries in Latin America are concentrated in Brazil, Mexico and Argentina where the local car industries are large enough to support local manufacture of brake systems.

Bendix do Brasil maintained its strong position in the Brazilian market and was successful in selling brakes for an expanding number of car models being produced in Brazil. A new foundry, located adjacent to Bendix' brake facility in Campinas, went into production this past year.

In Mexico, Frenomex started production on new wedge brakes and disc brakes. As described in the automotive section of this report, construction has begun on the plant of Bendix Mexicana at San Luis Potosi.

The results of Industrias Bendix in Argentina suffered from the recent political and economic instability in Argentina. While operating results were satisfactory, they were offset by devaluation of the Argentine peso.

Far East

In the Pacific, Bendix has two automotive plants in Australia, a radio plant in Taiwan and two minority investments in Japan in automotive components manufacturers.

During 1972, Bendix increased its participation in Jidosha Kiki in Japan from 15 to 20 percent. This increased Bendix participation was achieved through a formal tender offer, the first of its kind under new Japanese regulations.

Eastern Europe

A number of our European affiliates have been doing business with Eastern European countries for several years. Recently Russia has demonstrated interest in a wide range of Bendix products and technology and we see the prospects for substantial exports to this area over the long run.

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People at Bendix

The management of your Corporation considers the people who make up Bendix to be the company's most valuable asset. Reflecting this conviction, Bendix' concern for its employees pervades all corporate activities and policies and is expressed through programs which reach our employees in both their business and non-business hours.

Beyond the obvious responsibility of providing safe and healthy working conditions, Bendix seeks to assign its employees as far as possible to functions which are personally rewarding and which foster individual development. In addition, Bendix conducts a growing number of programs to provide for the health, education and cultural advancement of our employees, their families and the communities in which they live.

The most important precept which Bendix management insists be followed in all relations with our employees is that of providing equal opportunity for all employees. It is a corporate commitment to select individuals for employment and for advancement solely on the basis of ability and potential, without regard to matters of race, national origin, sex, age or any other characteristics which are unrelated to a person's ability to develop personally and to contribute to the success of the Corporation.

At the close of 1972, Bendix employment around the world totalled approximately 80,000 persons, some 57,000 of whom were employed at Bendix operations in the United States and Canada. Approximately 23,000 were employed in subsidiaries abroad.

The technological character of the Corporation is reflected in the fact that almost half of its personnel in the U.S. and Canada are salaried employees, of whom about 60 percent are in professional or technical assignments.

In addition to increases in wages and salaries, other forms of employee compensation which are not as readily apparent also have increased significantly in recent years. These "fringe benefits" are growing as a result of an increased awareness of the broad needs of employees and their families. The package of fringe benefits provided to our employees in the U.S. and Canada has almost doubled in the last ten years, increasing in value from an average of $1,365 per employee per year in 1963 to $2,707 in 1972.

At the close of the fiscal year, some 16,000 employees were enrolled in the Salaried Employees' Savings and Stock Ownership Plan, which represents approximately 83 percent of those eligible. During the year, Bendix employees invested a total of $10,398,691 in Bendix common stock and government securities and the Corporation contributed $5,199,346 to the plan for the purchase of Bendix stock. Employees now hold approximately 1,288,000 shares of Bendix common stock through the plan.

In recognition of the growing need for increased educational support from the private sector, three new educational assistance programs for Bendix employees and their families were initiated during the year. These new programs supplement the long-established Bendix Educational Assistance Program which finances the cost of academic courses pursued by employees during off-duty hours.

Under one of the new programs, four-year college scholarships are awarded to children of employees who qualify through a competition administered by the National Merit Scholarship organization.

A new Graduate Fellowship Program pays tuition and living expenses of qualified employees while they work toward advanced academic degrees.

A third new program commits Bendix to match the contributions of employees to eligible colleges or universities. Eighty institutions received contributions under this program within the first five months of its adoption.

An emergency assistance program was triggered during the year by one of the worst natural disasters ever to hit the Eastern seaboard, the floods which followed Tropical Storm Agnes.

The floods ravaged Elmira, New York, site of the Motor Components Division, and a large number of employees and retirees were among residents of the area who suffered losses, including many who lost their homes.

Both their fellow employees and the Corporation came to their assistance. Over 35,000 employees donated $64,650 to a disaster fund created to aid the Bendix flood victims and the Corporation contributed $100,000 to the fund. A total of 205 employees and retirees in the Elmira area who suffered losses from the flooding received grants from the disaster fund.

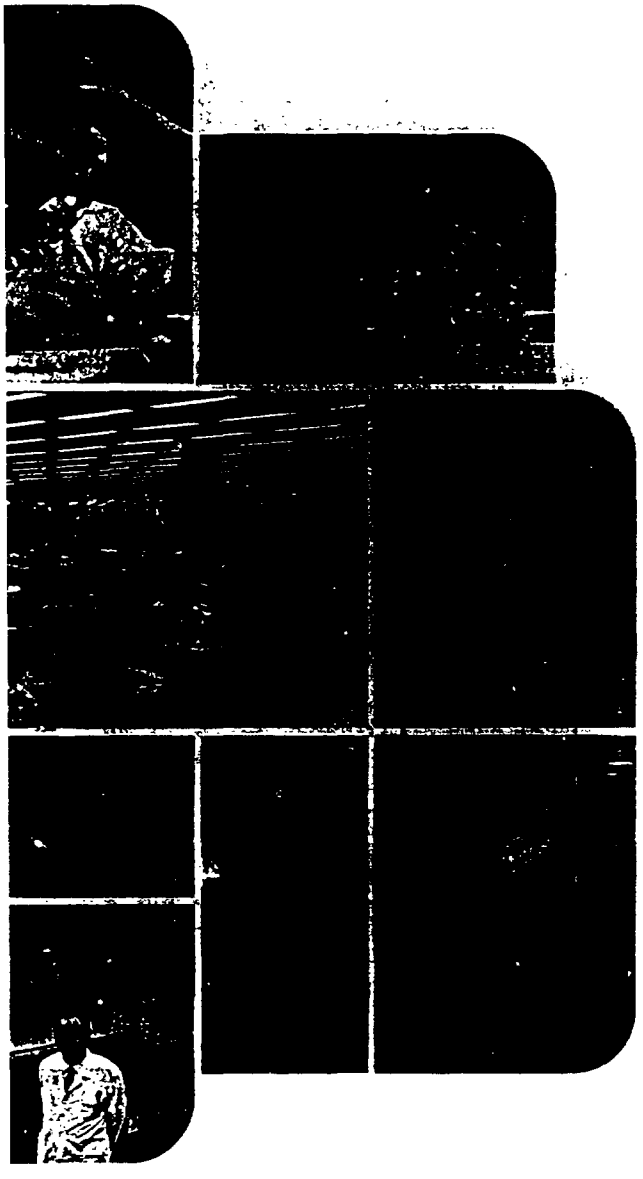
Relations with the labor unions that represent many of our employees continued to be sound during the year. Twenty-four labor agreements were negotiated. The most significant was a new three-year agreement with the International Association of Machinists covering approximately 3,300 employees at the Kansas City Division. The new labor agreements were negotiated on a virtually strike-free basis.

The Suggestion System program continued to be an excellent source of ideas for the Corporation. Approximately 8,250 suggestions for various cost reductions or operating improvements were received from 3,500 employees. Of these, 2,375 suggestions were adopted and are being implemented at substantial savings. Employees received $90,000 in suggestion awards.

Our people again set a record for Bendix participation in the U.S. Savings Bond program with 88 percent of our employees investing through the program.



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1. Charles Clemensen, a salesman for American Forest Products at the Cerritos, California distribution center.

2. Uuno V. Helava is a consulting scientist at the Bendix Research Laboratories whose studies in the field of analytical stereoplotters earned him the Brock Gold Medal, highest award of the International Society for Photogrammetry.

3. Some 60 percent of our salaried employees are in technical or professional assignments, such as these engineers at the Electrodynamics Division.

4. Bendix Chairman and President W. Michael Blumenthal presents a $1,500 check to Benjamin Cowan, one of the 205 Bendix employees and retirees in the Elmira, New York area who received grants from the disaster fund established for victims of Tropical Storm Agnes.

5. Wilbur Schlundt, corporate exhibits manager, prepares for the opening of the Corporation's display at Transpo '72.

6. Alain Chollet, manufacturing manager of the new Ducellier plant at Etaples, France.

7. Clinton Bauman travelled to Antarctica on a three-month project for the U.S. Department of the Interior to precisely locate the position of the South Pole using navigation satellite data.

8. Workers in the new Deutsche Bendix foundry make a test pour of molten iron to check the quality of the metal.

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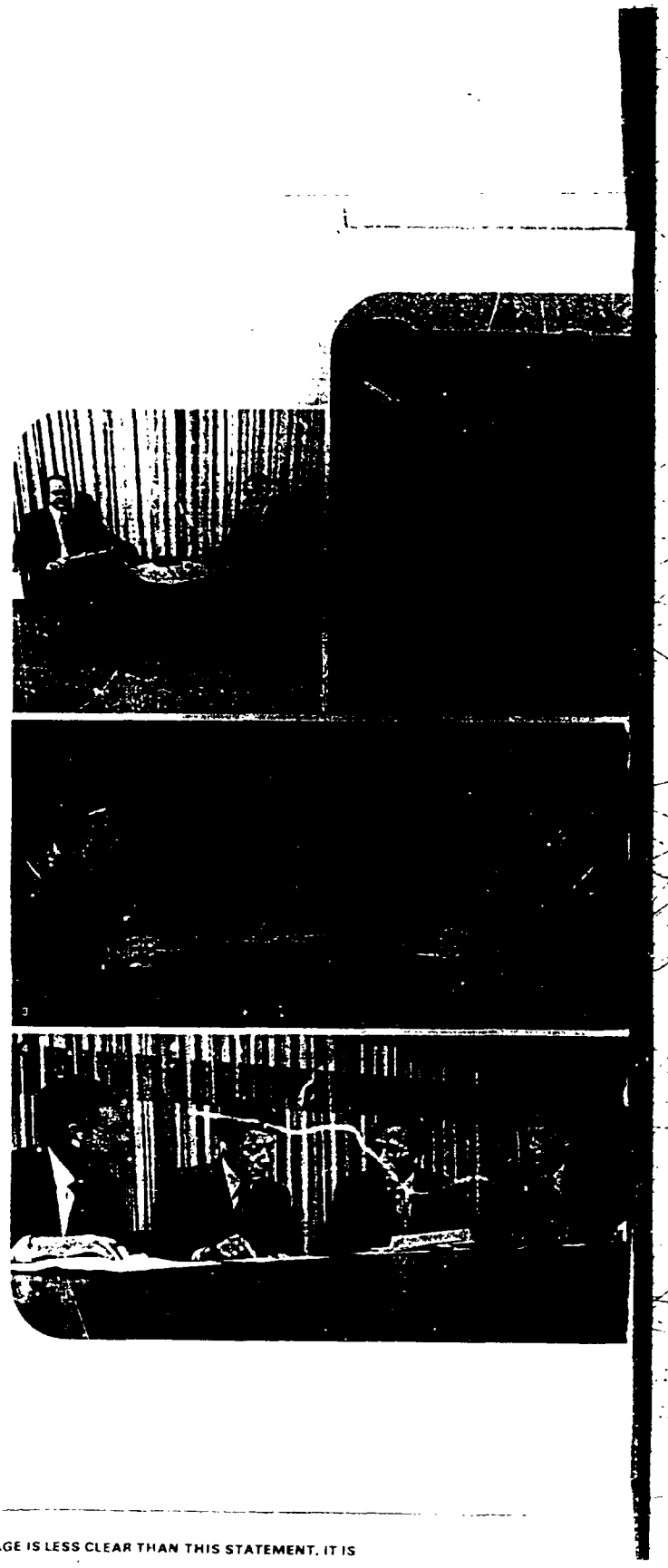
Bendix is endowed with an excellent manpower base from which to draw its operating and staff executive force. Increased effort is being devoted to personnel development to assure that capable executives will be available to fill senior positions in the future.

1. *(left to right)* E. Calvin Johnson, Vice President-Engineering and Research; C. B. Sung, Vice President and Group Executive

2. *(left to right)* Charles E. Heitman, former Vice Chairman and Chief Operating Officer; Thomas V. Malloy, Vice President-Corporate Purchasing; Emil F. Peslar, Vice President-Manufacturing. Mr. Heitman has retired from the Corporation but continues to serve as a member of the Board of Directors

3. *(left to right)* Harold Kaplan, Vice President-Corporate and Public Affairs; John V. V. Bryan, Vice President-Corporate Development; Charles F. Donnelly, Executive Vice President; Ralph E. McGruther, Senior Vice President-Corporate Staff; Harold S. Barron, Secretary and General Counsel

4. *(left to right)* Richey W. Whitesell, Senior Vice President-Investor Relations; F. Joseph Svec, Vice President and Controller; William M. Agee, Executive Vice President; John M. Oishock, Treasurer



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The establishment of a management structure and the selection and development of an executive team to manage a diverse and dynamic corporation such as Bendix is an evolutionary process. Changes in the nature and scope of our company and in the social and economic environment in which we conduct our affairs require a continuous process of adjusting the management structure to meet and, as far as possible, to anticipate changing conditions.

Shortly after the close of the 1972 fiscal year, the Chairman took significant action in this regard by creating the Office of the Chief Executive which is staffed by the five senior officers of the Corporation.

Members of the Office of the Chief Executive in addition to Mr. Blumenthal are two Executive Vice Presidents, Mr. William M. Agee and Mr. Charles F. Donnelly; and two Presidents of Group Operations, Mr. William L. Miron and Mr. Russell D. O'Neal. All are members of the Board of Directors.

In announcing the establishment of the new Office effective December 1, 1972, Mr. Blumenthal said, "Although the management of a multi-industry, multi-national corporation requires the assignment of specific responsibilities to each of our senior executives, it is imperative to the decision making process that more than one key executive be aware of and participate in the major efforts and thrusts of the Corporation's future direction."

In addition to holding primary responsibility for specific operations and staff functions, each member of the Office of the Chief Executive monitors other assigned activities and counsels the senior executive responsible.

Mr. Agee directs all corporate financial functions and will be responsible for the mobile home and recreational vehicle operations which are being acquired from Boise Cascade Corporation.

Mr. Donnelly directs all corporate staff functions as well as the operations of American Forest Products Corporation and Fram Corporation.

Mr. Miron directs the Automotive, Industrial and International Groups as well as the corporate purchasing function.

Mr. O'Neal directs the Aerospace, Electronics and Communications, and Advanced Concepts Groups as well as the corporate manufacturing function.

Mr. Robert B. Hungate was elected President of the Automotive Group, replacing Mr. Miron. Mr. James B. Treacy, a Vice President formerly assigned to Bendix International, was appointed to succeed Mr. Hungate as a Vice President and Group Executive within the Automotive Group.

Mr. H. Richard Ford was assigned to the new position of Vice President of Worldwide Automotive Marketing.

In addition to the assignments which became effective December 1, 1972, a number of officers were elected or reassigned earlier in the year. These include Mr. Donald S. Jones who was elected President of the Industrial Group; Mr. Harold Kaplan who was elected Vice President for Corporate and Public Affairs; Mr. Emil F. Peslar who was elected Vice President for Manufacturing; Mr. F. Joseph Svec who was elected Vice President and Controller; and Mr. Harold S. Barron who was named General Counsel in addition to his former position as Secretary of the Corporation.

Through all of the evolutionary changes in our management structure and realignment of our executive staff, Bendix management is guided by the determination to maintain and to enhance the Corporation's reputation as a quality company. To achieve the quality and integrity of products and of profits Bendix seeks, it is essential that the Corporation have outstanding quality in its personnel, especially in its executive ranks.

Building on the excellent manpower base it has, the Corporation is placing added emphasis on human development and planning. This effort is designed to assure that Bendix will have a competent executive force which understands and is motivated to achieve the Corporation's goals in the years ahead.

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Sales by Major Classifications*

(in millions, except percentages)

	1972		1971		1970		1969		1968	
Commercial-Industrial										
Automotive equipment and service parts	$ 733.4	42%	$ 639.5	40%	$ 590.9	35%	$ 590.2	35%	$ 495.5	32%
Industrial systems and devices	138.2	8	124.1	8	162.0	10	170.6	11	105.9	7
Forest products	214.3	12	168.6	10	148.4	8				
Aviation equipment and service parts	112.8	6	90.2	6	103.7	7	120.0	7	115.8	8
Electrical components and service parts*	19.2	1	15.9	1	18.8	1	22.3	1	20.9	1
Oceanic products and services	2.0		4.3		5.2		4.9		5.2	
Other products and services	80.8	5	93.1	6	99.8	6	92.8	6	80.3	5
TOTAL	1,300.7	74	1,135.9	71	1,128.8	68	1,000.8	60	823.6	53
Government										
Aviation equipment and service parts	195.6	11	200.7	13	245.8	14	349.2	21	353.5	23
Space systems and subsystems	111.2	7	132.1	8	133.3	8	176.9	11	200.6	13
Missile systems and subsystems	56.4	3	59.1	4	79.5	5	54.7	3	69.0	4
Electrical components and service parts*	47.0*	3	38.4	2	42.6	3	45.5	3	46.7	3
Oceanic products and services	21.0	1	11.1	1	14.2	1	22.7	1	35.0	2
Industrial systems and devices	7.9		6.5		8.9		4.7		3.3	
Other products and services	23.4	1	16.0	1	16.9	1	23.8	1	31.7	2
TOTAL	462.4	26	463.9	29	541.2	32	677.5	40	739.8	47
TOTAL	$1,763.1	100%	$1,599.8	100%	$1,670.0	100%	$1,678.3	100%	$1,563.4	100%

*The classification of sales shown has been determined with reference to the end use of the products or services sold rather than with reference to the operating group of the Corporation making the sale. This table excludes royalties and other operating income.

Sales amounts for 1968 through 1970 are as reported in the Corporation's Annual Reports to Stockholders, restated to include the sales of subsidiaries outside the U.S. and Canada. Sales of companies acquired in transactions accounted for as poolings of interests are included for the full year beginning with the year of acquisition.

*Not included in other classifications.

*Includes a special nonrecurring price adjustment of $7.6 million received on a multi-year fixed price contract.

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Financial Statistics

Quarterly Results of Operations
For the Years Ended September 30, 1972 and 1971

	1972 (in millions, except per share amounts)			1971		
	Net Sales and Other Operating Income	Income Before Income Taxes and Minority Interests	Earnings Per Share	Net Sales and Other Operating Income	Income Before Income Taxes and Minority Interests	Earnings Per Share
December 31	$ 396.7	$ 21.4	$ .65	$ 385.9	$15.2	$ .52
March 31*	435.6	24.3	.77	403.7	17.7	.57
June 30	477.5	31.4	.90	419.0	18.8	.62
September 30	459.1	33.6	1.04	404.2	25.9	.85
TOTAL	$1,768.9	$110.7	3.37*	$1,612.8	$78.6	$2.56
Special nonrecurring credit			.19			
Extraordinary items*			(.17)			
TOTAL			$3.39			

*Before a special nonrecurring price adjustment of $7.6 million on a multi-year fixed price contract, which benefitted the second quarter of fiscal 1972 earnings by $3.2 million, or $.19 per share.

*Earnings per share before special nonrecurring credit and extraordinary items reported for the four quarters ended September 30, 1972 add to $3.36 due to rounding of the earnings per share for each of the four quarters.

*During fiscal 1972, extraordinary items (net of income taxes and other income adjustments), which resulted in a net extraordinary charge of $2.8 million, or $.17 per share, were reported.

Earnings

Income before special nonrecurring credit and extraordinary items for 1972 was $56.0 million, or $3.37 per share, an increase of 32 percent on a per share basis over the $2.56 per share for 1971.

During fiscal 1972, the Corporation received a price adjustment of $7.6 million on a multi-year fixed price contract for radio equipment manufactured for the U.S. Navy. As a result of this contract price adjustment, earnings for the year ended September 30, 1972 were benefitted by $3.2 million, or $.19 per share. Also during the year, extraordinary items, which resulted in a net extraordinary charge of $2.8 million, or $.17 per share, were reported. The net effect of the special nonrecurring credit and extraordinary items was to increase fiscal 1972 earnings to $56.4 million, or $3.39 per share.

The extraordinary items for fiscal 1972 consisted of (1) a provision for estimated losses on the disposition of three minor plants and the discontinuance of seven minor product lines of $3.5 million, or $.21 per share, net of income taxes and other income adjustments of $2.2 million; (2) an extraordinary gain on the disposition of the Corporation's common stock investment in Control Data Corporation of $2.3 million, or $.14 per share, net of income taxes and other income adjustments of $1.1 million; and (3) a provision for reduction in market quotation value of other common stock investments of $1.6 million, or $.10 per share, net of income taxes and other income adjustments of $.9 million.

Sales, Royalties, and Other Operating Income

Consolidated net sales for 1972 were $1,763.1 million, an increase of $163.3 million, or 10 percent, over the $1,599.8 million for 1971. Of the $1,763.1 million net sales for 1972, $7.6 million represents the price adjustment described under the heading "Earnings" above. As a result of the implementation of plans and policies adopted a few years ago, the ratio of commercial-industrial sales to government sales continued to increase during fiscal 1972. Commercial-industrial sales of $1,300.7 million accounted for 74 percent of the total 1972 sales, as compared to $1,135.9 million, or 71 percent of 1971 sales.

Royalties and other operating income amounted to $13.4 million for 1972 compared with $13.0 million for 1971.

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Financial Arrangements

Consolidated debt at September 30, 1972 was $300.7 million, a decrease of $31.6 million since September 30, 1971. The debt related to operations outside the U.S. and Canada increased $29.3 million, while the debt related to U.S. and Canadian operations decreased $61.0 million during this period.

The total debt related to U.S. and Canadian operations and operations outside the U.S. and Canada is summarized below:

	(In millions except percentages) 1972		1971	
U.S. and Canadian Operations				
Current	$ 78.1	26%	$134.0	40%
Long-Term				
6¾% Sinking Fund Debentures Due 1992	125.0	42	125.0	38
Other	19.0	6	24.1	7
Total	222.1	74	283.1	85
Operations Outside the U.S. and Canada				
Current	26.9	9	13.3	4
Long-Term				
6% Guaranteed Debentures Due 1979	11.5	4	12.5	4
Other	41.1	13	24.1	7
Total	79.5	26	50.2	15
Less—Unamortized Debt Discount	.9		1.0	
Total	$300.7	100%	$332.3	100%

After the close of fiscal 1972, the Corporation entered into a new bank credit agreement with eleven banks to replace the previous $125 million credit agreement of February 25, 1971. Under the terms of the new agreement, the Corporation may borrow up to $75 million for periods of not more than ninety days, but in no event may the loans mature later than October 1, 1975. Further, on October 1, 1975 the Corporation may borrow up to $75 million for a five year term payable in installments over the term of the borrowing. Borrowings maturing on or before October 1, 1975 will bear interest at the bank prime rate, and borrowings maturing thereafter will bear interest at fractions of a percent over the bank prime rate. The restrictions imposed upon the Corporation under the new agreement are the same as those set forth in the agreement of February 25, 1971.

The new bank credit agreement will provide a source of short-term financing for working capital needs through October 1, 1975 and will provide a source of up to $75 million medium-term debt as of that date, if required. As of September 30, 1972, the bank credit agreement of February 25, 1971 was still effective and $40.0 million of notes, which also bore interest at the bank prime rate, were outstanding under that agreement.

At September 30, 1972, $4.8 million of notes were outstanding under the $12 million Eurodollar revolving credit agreement negotiated during 1971.

Working Capital Changes and Financial Position

Working capital provided from operations, exclusive of extraordinary items, was $104.9 million for fiscal 1972, as compared to $90.9 million for fiscal 1971. Non-working capital charges against operations for depreciation, depletion, and amortization were $45.6 million and $44.2 million for 1972 and 1971, respectively.

Net working capital at September 30, 1972 was $397.6 million compared with $381.1 million at September 30, 1971. Principal items affecting working capital are set forth in the Consolidated Statement of Changes in Financial Position included with the financial statements.

Stockholders' equity at September 30, 1972 was $604.3 million compared with $574.2 million at September 30, 1971. After allowing for the Preferred Stock outstanding at its liquidation value of $60 per share, equity per common share was $35.32 for 1972 compared with $33.03 for 1971.

Additions to Land, Buildings, and Equipment

During fiscal 1972, consolidated expenditures for land, buildings, and equipment amounted to $78.8 million compared to $66.5 million for 1971. At September 30, 1972, the unexpended balance of approved capital projects amounted to approximately $57.5 million.

Capital Stock

During the year, 53,266 shares of Common Stock were issued under the Corporation's Stock Option Plan at an average price of $30.95 per share and 7,856 shares of Series A $3 Cumulative Convertible Preferred Stock were issued at $21.25 per share under the American Forest Products Corporation Employees' Time Purchase Plan assumed in connection with the acquisition of that subsidiary.

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Also during the year, 40,950 shares of Series A $3 Cumulative Convertible Preferred Stock were converted into 61,425 shares of Common Stock.

Dividends

The Corporation has paid 134 consecutive quarterly cash dividends to holders of its Common Stock beginning in June 1939 and 21 consecutive quarterly cash dividends to holders of its Series A $3 Cumulative Convertible Preferred Stock beginning in September 1967, the first quarter after issuance of this security. During fiscal 1972, quarterly dividends of $.40 per share were paid on the Corporation's Common Stock for a total of $1.60 per share, or $19.7 million. Also during the year, quarterly dividends of $.75 per share were paid on the Corporation's Series A $3 Cumulative Convertible Preferred Stock for a total of $3.00 per share, or $8.4 million.

Unfilled Orders

The consolidated backlog of funded unfilled orders was $634.3 million at September 30,1972, as compared with $554.1 million at September 30, 1971. If contracts for which funds have not been committed were included the September 30, 1972 unfilled orders would increase to $769.0 million. The comparable 1971 figure would be $685.5 million. Commercial orders, particularly in the auto industry, consist of relatively short and frequently renewed commitments, while the government procurement agencies, when ordering the type of products which the Corporation and its subsidiaries supply, issue contracts covering relatively long periods of time. Because of these contracting practices utilized by industry and the government backlog at any given time consists mainly of products and services which will be sold to the government.

Taxes and Renegotiation

Total direct taxes of all kinds for 1972 were $125.1 million, including $51.3 million for U.S. and foreign income taxes. The Corporation's U.S. Federal income tax returns for fiscal 1965 to 1967, inclusive, have been examined by the Internal Revenue Service and certain disputed matters are presently before the Appellate Division of the Service. An examination of the fiscal 1968 and 1969 consolidated U.S. Federal income tax returns for the Corporation and its U.S. subsidiaries is currently in progress. In the opinion of management, adjustments which may arise relating to the Corporation's U.S. Federal income tax returns for all such years will not have a material adverse effect on the consolidated financial statements.

Proceedings under the Renegotiation Act of 1951 for all fiscal years through 1970 have been completed. Proceedings for the purpose of establishing the amounts, if any, of refundable profits have not been completed for fiscal 1972 and 1971; however, in the opinion of management, any amount refundable under such proceedings would not be material in relation to the consolidated financial statements.

Supplemental Compensation

During fiscal 1972, $1,167,700 was awarded to participants in the Corporation's Supplemental Compensation Plan from amounts credited to the Fund with respect to fiscal 1971 and prior years.

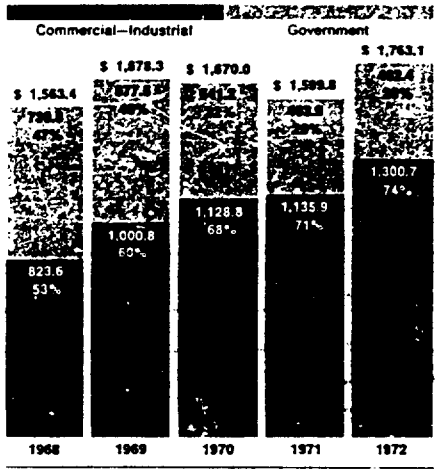
Computations by the Corporation's independent certified public accountants for fiscal 1972 indicate a maximum possible credit to the Fund of $2,658,480, all of which the Salary and Supplemental Compensation Committee credited to the Fund.

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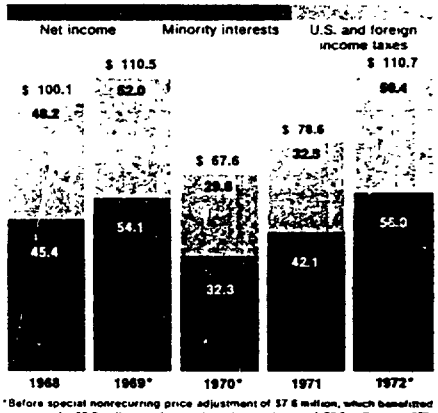
Note to Financial Charts

Data for 1968 through 1970 is as reported in the Corporation's Annual Reports to Stockholders, restated to include that of subsidiaries outside the U.S. and Canada. Data relating to companies acquired in transactions accounted for as poolings of interests is included for the full year beginning with the year of acquisition. All dollar amounts shown are in millions.

Sales by Major Markets



Income Before Income Taxes and Minority Interests*

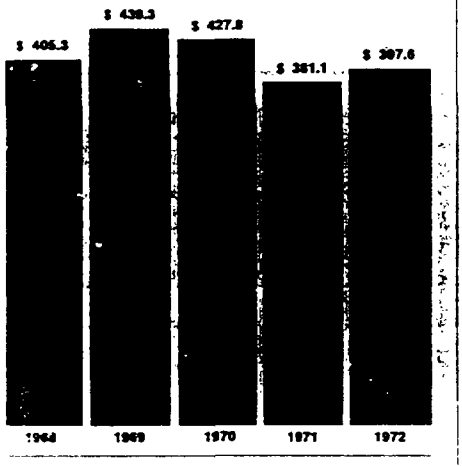


*Before special nonrecurring price adjustment of $7.6 million, which benefitted earnings by $3.2 million and net extraordinary charge of $2.8 million in 1972.

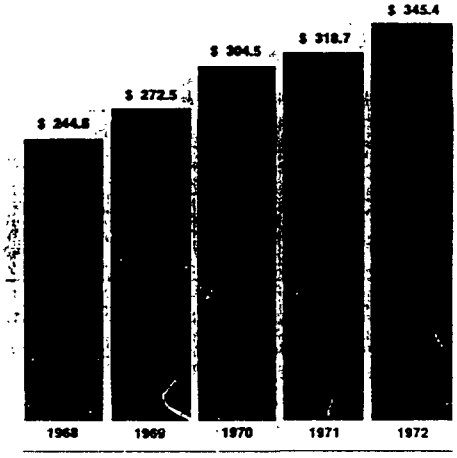
Further, before extraordinary charge of $5.0 million in 1970 and extraordinary income of $5.4 million in 1969.

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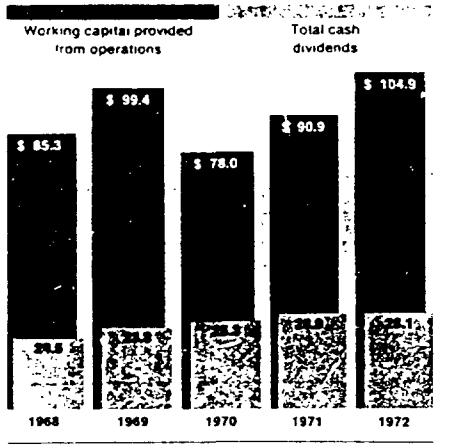
Net Working Capital



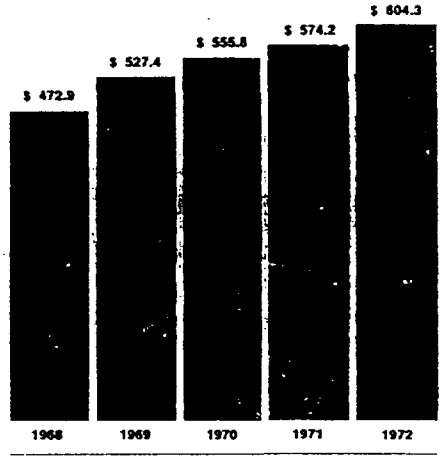
Net Investment in Land, Buildings, and Equipment



Working Capital Provided From Operations, Exclusive of Extraordinary Items



Total Stockholders' Equity



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The Bendix Corporation and Consolidated Subsidiaries

Basis of Financial Statements

Consolidated Financial Statements and Related Matters

The consolidated financial statements for the two years ended September 30, 1972 comprise those of the Corporation and all of its subsidiaries, except for its insurance and finance subsidiaries (which were organized during fiscal 1971). Equity in earnings of the nonconsolidated insurance and finance subsidiaries and associated companies (where the Corporation's equity investments enable the use of significant influence over operating and financial policies) is included in consolidated income currently. The financial statements of subsidiaries outside the United States and Canada generally are included in the consolidated financial statements on the basis of fiscal years ending on August 31.

Financial statements of foreign companies included in the accompanying consolidated financial statements have been translated into United States dollar equivalents at free market rates of exchange; land, buildings, and equipment and related accumulated depreciation (and provisions thereto) are translated at historical rates and other balances generally are translated at rates prevailing during the respective periods. Gains and losses resulting from translation of the financial statements of foreign companies have been credited or charged to income during the respective periods.

During fiscal 1972 a Domestic International Sales Corporation (DISC) was incorporated to avail the Corporation of certain United States income tax benefits relating to export activities as permitted by the Revenue Act of 1971.

Acquisitions and Subsequent Event

On October 18, 1972, the Corporation announced an agreement in principle with Boise Cascade Corporation (Boise) to purchase, for approximately $68.4 million in cash, the properties and assets of Boise's mobile home and recreational vehicle businesses, subject to certain liabilities. The purchase is subject to the approval of the Boards of Directors of the Corporation and Boise, the execution of a definitive contract, and fulfillment of certain other conditions. The agreement further provides that the Corporation may buy the fifty percent interest not presently owned by Boise in a foreign joint venture for a price not to exceed $4.0 million.

During fiscal 1972, sixty-seven percent of the outstanding common stock of one company and the assets and business of another company were acquired in exchange for an aggregate of $1.0 million. During fiscal 1971, the outstanding common stock or the assets and the businesses of six companies were acquired in exchange for an aggregate of $6.5 million and 7,600 shares of Series A $3 Cumulative Convertible Preferred Stock. These acquisitions were accounted for by the purchase accounting principle. Accordingly, the excess, 1972, $.4 million; 1971, $1.1 million, of cost over underlying net assets reported in the financial statements of such companies has been allocated to goodwill, and the accompanying consolidated financial statements for the two years ended September 30, 1972 include the operations of these companies from the dates of purchase to September 30, 1972. In addition, during 1971 fifty percent interests in the common stock of two European companies were acquired for $2.8 million.

On October 30, 1970, the Corporation acquired American Forest Products Corporation (American) in a merger which involved the issuance of 1,287,036 shares of Series A $3 Cumulative Convertible Preferred Stock and the payment of cash of $40.1 million. As to the portion acquired for stock (62.7%), the pooling of interests accounting principle was applied in fiscal 1970. The purchase accounting principle was applied in fiscal 1971 for the portion (37.3%) acquired for cash. The cost of this portion exceeded the underlying net assets reported in the financial statements of American by $17.9 million; this excess was allocated to timber and timberlands based upon an independent appraisal.

Inventories and Contracts in Progress

Inventories are stated at the lower of cost (substantially first-in, first-out, or average) or market (replacement cost or net realizable value). Inventories related to fixed-price contracts are stated at the accumulated cost of material, labor, and manufacturing overhead, less costs proportionate to amounts billed, but not in excess of amounts

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timated to be recoverable.
Title to certain assets included in inventories and ıntracts in progress is vested in the U.S. Govern- ent under the contractual arrangements by which ogress payments were received from the govern- ent.

nd, Buildings, and Equipment

Land, buildings, and equipment are stated at st. Depreciation is generally provided on a aight-line basis over the estimated service lives the respective classes of property. Fully depre- ıted assets still in service are not included in property accounts.

nber and Timberlands

Depletion of timber is provided on footages re- ved at rates based on estimated recoverable ber in each tract. Such depletion is credited ctly to the asset accounts.

odwill and Patents

Goodwill arising prior to November, 1970 repre- ıts the excess of cost over the amount ascribed the net assets of going businesses purchased ce 1956 and is not amortized; goodwill arising m acquisitions entered into after October, 1970 amortized on a straight-line basis over a forty ır period. Such amortization was not material in ıtion to consolidated net income for fiscal 1972 1971.

Purchased patents are stated at cost, less amortization, and are amortized over their estimated economic lives. The Corporation has followed the practice of charging the cost of internally developed patents to income as incurred.

United States and Foreign Taxes on Income

The Corporation and its consolidated subsidiaries follow the practice of providing deferred income taxes on timing differences between financial and taxable income.

Investment credit is deferred and amortized over the estimated useful lives of the assets to which it applies.

Research and Development

Research and development expenses are generally charged to income as incurred.

Government Contracts and Subcontracts

Profits on contracts are taken into income in proportion to billings made in accordance with the terms of the contracts, most of which are subject to renegotiation under the Renegotiation Act of 1951. Proceedings for the purpose of establishing the amounts, if any, of refundable profits have not been completed for fiscal 1972 and 1971; however, in the opinion of officials of the Corporation, any amount refundable under such proceedings would not be material in relation to the consolidated financial statements.

countants' Opinion

SKINS & SELLS
rtified Public Accountants

1200 Guardian Building
Detroit 48226

November 15, 1972

The Board of Directors and Stockholders of
Bendix Corporation:

re have examined the consolidated balance sheet of The Bendix Corporation and consolidated subsidiaries as of tember 30, 1972 and 1971 and the related consolidated statements of income, surplus, and changes in financial ition for the years then ended. Our examination was made in accordance with generally accepted auditing standards, accordingly included such tests of the accounting records and such other auditing procedures as we considered essary in the circumstances.

n our opinion, the previously mentioned consolidated financial statements present fairly the financial position of The dix Corporation and consolidated subsidiaries at September 30, 1972 and 1971 and the results of their operations the changes in their financial position for the years then ended, in conformity with generally accepted accounting ciples applied on a consistent basis.

Haskins & Sells

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The Bendix Corporation and Consolidated Subsidiaries

Consolidated Statement of Income
For the Years Ended September 30, 1972 and 1971

	1972	1971
	(in millions, except per share amounts)	
Income:		
Net sales	$1,763.1	$1,599.8
Royalties and other operating income	13.4	13.0
Equity in earnings of nonconsolidated subsidiaries and associated companies	1.2	1.2
Other income	4.0	6.9
TOTAL	1,781.7	1,620.9
Deductions From Income:		
Cost of sales	1,378.7	1,271.7
Selling, service, patent, and administrative and general expenses	216.8	200.3
Provision for depreciation, depletion, and amortization	45.8	44.2
Interest expense	23.4	24.1
Other expenses	.6	2.0
Minority interests in earnings of subsidiaries	4.3	3.7
Provision for United States and foreign taxes on income	53.3	32.8
TOTAL	1,722.5	1,578.8
Income Before Extraordinary Items	59.2	42.1
Extraordinary Items—Net of Income Taxes and Other Income Adjustments	(2.8)	
Net Income for the Year	$ 56.4	$ 42.1
Earnings Per Common and Common Equivalent Share:		
Income before special nonrecurring credit and extraordinary items	$3.37	$2.56
Special nonrecurring credit	.19	
Income before extraordinary items	3.56	2.56
Extraordinary items, net of income taxes and other income adjustments	(.17)	
Net income	$3.39	$2.56

During fiscal 1972, the Corporation received a price adjustment of $7.6 million on a multi-year fixed price contract for radio equipment manufactured for the U.S. Navy. As a result of this contract price adjustment, earnings for the year ended September 30, 1972 were benefitted by $3.2 million, or $.19 per share.

See Notes to Consolidated Financial Statements on pages 40, 41, and 42 and the information presented on pages 34 and 35 which constitute an integral part of this statement.

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Consolidated Balance Sheet
September 30, 1972 and 1971

	1972	1971
Assets	(in millions)	
CURRENT ASSETS:		
Cash	$ 27.7	$ 36.8
Marketable securities (at lower of cost or market)	7.4	13.9
Trade receivables (less allowance for doubtful receivables, 1972, $3.0 million; 1971, $2.6 million)	289.8	261.9
Inventories and contracts in progress (less progress payments)	421.2	423.6
Prepaid expenses	17.3	14.7
TOTAL CURRENT ASSETS	763.4	750.9
INVESTMENTS IN NONCONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES	27.8	21.3
LAND, BUILDINGS AND EQUIPMENT (less accumulated depreciation and amortization, 1972, $229.9 million; 1971, $231.5 million)	345.4	318.7
TIMBER AND TIMBERLANDS (less depletion)	35.1	36.9
GOODWILL AND PATENTS (less amortization)	53.3	54.2
MISCELLANEOUS ASSETS	10.2	17.3
TOTAL	$1,235.2	$1,199.3
Liabilities and Stockholders' Equity		
CURRENT LIABILITIES:		
Notes payable:		
Banks	$ 82.1	$ 131.5
Other	22.9	15.8
Accounts payable	116.8	103.4
U.S. and foreign taxes on income	34.0	20.9
Other taxes, payrolls, and sundry accrued liabilities	110.0	98.2
TOTAL CURRENT LIABILITIES	365.8	369.8
LONG-TERM DEBT	195.7	185.0
DEFERRED INCOME TAXES	19.2	21.5
MINORITY INTERESTS	50.2	48.8
STOCKHOLDERS' EQUITY:		
Preferred Stock (liquidation preference, 1972, $168.3 million)	21.1	21.4
Common Stock	63.4	62.8
Surplus:		
Capital (arising from capital stock transactions)	57.2	55.7
Earned	472.2	443.9
Total	613.9	583.8
Less—Cost of treasury stock	9.6	9.6
STOCKHOLDERS' EQUITY—NET	604.3	574.2
TOTAL	$1,235.2	$1,199.3

See Notes to Consolidated Financial Statements on pages 40, 41, and 42 and the information presented on pages 34 and 35 which constitute an integral part of this statement.

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The Bendix Corporation and Consolidated Subsidiaries

Consolidated Statements of Surplus
For the Years Ended September 30, 1972 and 1971

	1972	1971
	(in millions)	
Capital Surplus:		
Balance at beginning of the year	$ 55.7	$ 54.4
Add		
Capital stock transactions of pooled companies		.1
Excess of sales price over par value of Common Stock sold under stock option plan	1.4	6
Excess of sales price over stated value of Series A $3 Cumulative Convertible Preferred Stock sold to employees	.1	4
Excess of market value over cost of treasury stock utilized in connection with the acquisition of purchased company		.2
Balance at end of the year	$ 57.2	$ 55.7
Earned Surplus:		
Balance at beginning of the year	$443.9	$427 4
Add		
Net income for the year	56.4	42 1
Transfer of reserve for contingencies		2.5
Transactions applicable to pooled companies		(1)
Total	56.4	44 5
Deduct—Cash dividends:		
Common Stock—$1 60 per share	19.7	19.5
Series A $3 Cumulative Convertible Preferred Stock—$3 00 per share	8.4	8.5
Total	28.1	28.0
Balance at end of the year	$472.2	$443.9

See Notes to Consolidated Financial Statements on pages 40, 41, and 42 and the information presented on pages 34 and 35 which constitute an integral part of these statements

Consolidated Statement of Changes in Financial Position
For the Years Ended September 30, 1972 and 1971

	1972	1971
	(in millions)	
Sources of Working Capital:		
Operations:		
Income before extraordinary items	$ 59.2	$ 42.1
Add (Deduct) items not affecting working capital:		
Provision for depreciation, depletion, and amortization	45.6	44.2
Minority interests	4.3	3.7
Provision for deferred income taxes	(3.0)	2.1
Equity in earnings of nonconsolidated subsidiaries and associated companies	(1.2)	(1.2)
Working capital provided from operations, exclusive of extraordinary items	104.9	90.9
Extraordinary items affecting working capital	1.6	
TOTAL	106.5	90.9
Increases in long-term debt	20.0	12.0
Disposals of land, buildings, and equipment	5.3	11.0
Proceeds from stock options exercised and employee stock purchase plan	1.8	1.3
Decrease (Increase) in miscellaneous assets	7.5	(2.6)
TOTAL	141.1	112.6
Applications of Working Capital:		
Additions to land, buildings, and equipment	78.8	66.5
Purchase of American Forest Products Corporation Common Stock		40.1
Cash dividends	28.1	28.0
Decreases in long-term debt	9.3	15.4
Increase in investments in and advances to nonconsolidated subsidiaries and associated companies	5.3	.5
Changes in minority interests, exclusive of minority interests in earnings	2.9	3.0
Acquisitions of net assets and businesses, less working capital provided, 1972, $.1 million; 1971, $1.7 million	.6	4.2
Net increase (decrease) in timber and timberlands	(.3)	.3
Miscellaneous	(.3)	.2
TOTAL	124.6	159.3
Increase (Decrease) in net working capital	16.5	(46.7)
Net working capital at beginning of the year	381.1	427.8
Net working capital at end of the year	$397.6	$381.1
Working Capital Changes—Increase (Decrease):		
Cash and marketable securities	$(15.6)	$ (6.9)
Trade receivables	27.9	(13.3)
Inventories and contracts in progress	(2.4)	14.4
Prepaid expenses	2.6	(2.1)
Notes payable	42.3	(29.2)
Accounts payable	(13.4)	(6.1)
U.S. and foreign taxes on income	(13.1)	(8.3)
Other taxes, payrolls, and sundry accrued liabilities	(11.8)	4.8
Increase (Decrease) in net working capital	$ 16.5	$(46.7)

See Notes to Consolidated Financial Statements on pages 40, 41, and 42 and the information presented on pages 34 and 35 which constitute an integral part of this statement.

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The Bendix Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

Foreign Operations

Net assets, net sales, and net income from companies outside the United States and Canada included in the consolidated financial statements as of September 30 are summarized below:

(in millions)	1972					
	Europe	Latin America	Australia	Other	Total	1971
Current assets	$118.3	$ 14.3	$ 10.4	$ 3.2	$146.2	$132.5
Other assets	119.2	9.4	6.8	2.3	137.7	109.1
Total	237.5	23.7	17.2	5.5	283.9	241.6
Liabilities	130.7	10.2	8.9	3.5	153.3	116.4
Minority interests	48.9		1.1		50.0	48.7
Total	179.6	10.2	10.0	3.5	203.3	165.1
Net assets	$ 57.9	$ 13.5	$ 7.2	$ 2.0	$ 80.6	$ 76.5
Net sales of subsidiaries outside the U.S. and Canada					$327.5	$284.1
Net income from companies outside the U.S. and Canada					$ 4.3	$ 6.7

Inventories and Contracts in Progress

Inventories and contracts in progress are summarized below:

	(in millions)	
	1972	1971
Inventories	$406.8	$394.9
Contracts in progress	53.7	44.0
Total	460.5	438.9
Less—Progress payments	39.3	15.3
Remainder	$421.2	$423.6

Land, Buildings, and Equipment

The composition of land, buildings, and equipment-net at September 30, 1972 and 1971 is summarized below:

	(in millions)	
	1972	1971
Land and improvements	$ 27.7	$ 25.6
Buildings	172.0	153.7
Machinery and equipment	350.6	347.2
Construction in progress	25.0	23.7
Total	575.3	550.2
Less—Accumulated depreciation and amortization	229.9	231.5
Land, buildings, and equipment—Net	$345.4	$318.7

Timber and Timberlands

The provision for depletion of timber and timberlands was $1.5 million and $1.1 million for 1972 and 1971, respectively.

Goodwill and Patents

Goodwill and patents at September 30 are summarized below:

	(in millions)	
	1972	1971
Goodwill	$ 51.2	$ 51.7
Patents	2.5	2.6
Total	53.7	54.3
Less—Accumulated amortization	.4	.1
Remainder	$ 53.3	$ 54.2

Notes Payable and Long-Term Debt

Under the terms of a bank credit agreement dated February 25, 1971, under which loans aggregating $40.0 million were outstanding at September 30, 1972, the Corporation has agreed not to permit consolidated net current assets, exclusive of loans under the agreement, to decline below $330 million.

Exclusive of current maturities, long-term debt at September 30 comprised:

	(in millions)	
	1972	1971
Debt of The Bendix Corporation:		
6⅝% Sinking Fund Debentures Due 1992	$125.0	$125.0
Other	4.7	1.8
Debt of U.S. and Canadian subsidiaries:		
8% Guaranteed Debentures Due 1979	11.5	12.5
Banks	.2	.9
Other	14.1	21.4
Debt of other consolidated subsidiaries:		
Banks	40.8	20.9
Other	.3	.5
Total	196.6	196.0
Less—Unamortized debt discount	.9	1.0
Remainder	$195.7	$195.0

Under the sinking fund provisions of the indenture for the 6⅝% Sinking Fund Debentures Due 1992, cash payments of $6,250,000 will be required each year beginning December 1, 1974 or, in lieu thereof, the Corporation may deliver reacquired Debentures to the sinking fund agent. The Debentures are callable, under certain conditions, at the option of the Corporation, at prices ranging from 105⅛% at September 30, 1972 to 100% at December 1, 1987 and thereafter.

The debt instruments contain various restrictions and covenants relating to creation of funded debt; the most restrictive of these provides that senior funded indebtedness may not exceed 40%, and funded indebtedness may not exceed 50%, of consolidated funded indebtedness and stockholders' equity.

The minimum aggregate annual maturities of principal amount of long-term debt in each of the five fiscal years subsequent to September 30, 1972 are as follows: 1973, $11.7 million (included in current liabilities); 1974, $11.1 million; 1975, $15.9 million; 1976, $15.3 million; 1977, $24.8 million.

United States and Foreign Taxes on Income

The provision for United States and foreign taxes on income and deferred investment credit included in deferred income taxes are summarized below:

	(in millions) 1972	1971
Provision:		
Current	$ 56.3	$ 30.7
Deferred	(3.7)	2.9
Deferred investment credit	.7	(.8)
Total	$ 53.3	$ 32.8
Deferred Investment Credit:		
Balance at beginning of the year	$ 4.1	$ 4.9
Investment credit		
Earned	1.7	
Amortized	(1.0)	(.8)
Total	.7	(.8)
Balance at end of the year	$ 4.8	$ 4.1

Capital Stock

The number of authorized and issued shares, shares held in treasury, and par or stated values of the Corporation's capital stock at September 30 are set forth below:

	Shares 1972	1971
Preferred Stock, no par (authorized, 7,000,000 shares, issuable in series)—		
Series A $3 Cumulative Convertible Preferred Stock (authorized, 1972, 3,001,000 shares of $7.50 stated value each; entitled to $60 per share in liquidation):		
Issued	2,815,934	2,819,028
Treasury	10,200	10,200
Common Stock (authorized, 25,000,000 shares of $5 par value each):		
Issued	12,675,287	12,560,243
Treasury	331,200	331,200

The Series A $3 Cumulative Convertible Preferred Stock is convertible into Common Stock at the rate of 1.5 shares of Common Stock for each share of Series A $3 Cumulative Convertible Preferred Stock, subject to adjustment in certain events. The Series A $3 Cumulative Convertible Preferred Stock is redeemable, at the Corporation's option, on or after June 30, 1975, initially at $70 per share (decreasing by $1 per share annually from June 30, 1976 through 1985, and thereafter at $60 per share).

Capital stock reserved for various purposes at September 30, 1972 is summarized below:

	Shares
Common Stock:	
Conversion of Series A $3 Cumulative Convertible Preferred Stock issued	4,223,701
Employee Stock Option, Supplemental Compensation, and Stock Purchase Plans	633,902
Purchase agreements	75,258
Total	4,933,561
Series A $3 Cumulative Convertible Preferred Stock—Purchase agreements	50,172

Stock Option Plan

Under the Stock Option Plan, as amended, certain employees have been granted options to purchase Common Stock at prices which represented 100% (95% for options granted prior to January 1, 1964) of the fair market value, as adjusted for stock dividends and stock splits, on the dates the options were granted. No option may be exercised earlier than one year from the date on which the option is granted and generally options become exercisable in three equal annual installments beginning with the first anniversary of the date of grant.

Certain information with respect to the Plan is summarized below:

	Number of Shares Under Option	Option Price Per Share
October 1, 1970	409,911	$21.50 to $51.75
Granted	182,750	26.40 to 75.75
Exercised	24,739	21.50 to 41.00
Terminated or cancelled	193,676	21.50 to 51.75
September 30, 1971	374,244	21.50 to 49.00
Granted	88,400	40.15 to 46.15
Exercised	53,266	21.50 to 46.15
Terminated or cancelled	39,738	21.50 to 48.65
September 30, 1972	369,640*	21.50 to 49.00

*Includes 157,249 shares exercisable.

The maximum number of shares for which additional options might be granted under the Plan was 105,910 shares, 114,934 shares, and 64,680 shares at October 1, 1970, September 30, 1971, and September 30, 1972, respectively.

Employee Pensions

The Corporation and certain of its consolidated subsidiaries have pension plans for eligible employees. Pension expense, which includes amortization of prior service costs over a period of 30 years, was $15.2 million and $14.9 million for 1972 and 1971 respectively.

The Corporation's policy is to fund pension costs accrued. As of the latest date of determination, the actuarially computed value of vested benefits for certain of these plans exceeded the total assets of the pension funds and balance sheet accruals by approximately $56.5 million.

Earnings Per Common and Common Equivalent Share

Earnings per common and common equivalent share has been computed based upon the average number of common and common equivalent shares outstanding of 16,613,387 shares and 16,481,781 shares for 1972 and 1971, respectively. The Corporation's Series A $3 Cumulative Convertible Preferred Stock and options on Common Stock are classified as common stock equivalents and are therefore included in the average number of common and common equivalent shares outstanding.

Commitments and Contingencies

The Federal Trade Commission is challenging the acquisition and seeking divestiture of the net assets and business of Fram Corporation (Fram), acquired by the Corporation in June 1967. Pending final determination of this matter, the Corporation has agreed to maintain Fram as a separate subsidiary and to take no steps to impair Fram's economic and financial position. The net sales and net income of Fram included in the Consolidated Statement of Income for the years ended September 30, 1972 and 1971 are as follows:

	(in millions) 1972	1971
Net sales	$152.0	$143.5
Net income	10.1	9.1

There are various other suits pending against the Corporation and its consolidated subsidiaries, some of which are for substantial amounts. It is the opinion of officials of the Corporation, on the basis of information furnished by counsel, that the ultimate liability, if any, resulting from such suits will not materially affect the consolidated financial position or results of operations of the Corporation and its consolidated subsidiaries.

Certain properties and equipment are leased under long-term agreements for varying periods (generally from 4 to 25 years) and are renewable in many instances. The minimum annual rentals under such leases at September 30, 1972 approximate $4.6 million.

Extraordinary Items

The extraordinary items included in the fiscal 1972 results of operations are summarized below:

	(in millions) Amount	Earnings Per Share
Provision for estimated losses on the disposition of three minor plants and the discontinuance of seven minor product lines, net of income taxes and other income adjustments of $2.2 million	$ (3.5)	$ (.21)
Disposition of common stock investment in Control Data Corporation, net of income taxes and other income adjustments of $1.1 million	2.3	.14
Provision for reduction in market quotation value of common stock investments, net of income taxes and other income adjustments of $.9 million	(1.6)	(.10)
Total	$ (2.8)	$ (.17)

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Financial and Statistical Summary

Amounts for 1968 through 1970 are as reported in the Corporation's Annual Reports to Stockholders, restated to include the amounts relating to subsidiaries outside the U.S. and Canada. Amounts relating to companies acquired in transactions accounted for as poolings of interests are included for the full year beginning with the year of acquisition.

Financial Data	1972	1971	1970	1969	1968
		(In millions, except per share amounts)			
Net sales, royalties, and other operating income	$1,776.5	$1,612.8	$1,680.1	$1,688.4	$1,573.6
Income before U.S. and foreign taxes and before minority interests*	110.7	78.6	67.6	110.5	100.1
Per $1.00 of sales, etc.	.062	.049	.040	.065	.064
U.S. and foreign income taxes*	50.4	32.8	29.6	52.0	48.2
Minority interests	4.3	3.7	5.7	4.4	6.5
Income before special nonrecurring credit and extraordinary items*	56.0	42.1	32.3	54.1	45.4
Per $1.00 of sales, etc.	.032	.026	.019	.032	.029
Cash dividends, Preferred	8.4	8.5	4.6	3.8	3.4
Common	19.7	19.5	20.7	20.0	17.1
Earnings retained	28.3	14.1	2.0	35.8	24.9
Stockholders' equity at September 30	604.3	574.2	555.8	527.4	427.9
Net working capital at September 30	397.8	381.1	427.8	439.3	405.3
Net plant and equipment at September 30	345.4	318.7	304.5	272.5	244.5
Depreciation	43.8	42.5	40.3	35.5	32.6
Capital expenditures	78.8	66.5	55.0	57.2	53.8
Wages and salaries	595.6	605.5	632.4	669.3	624.5
Total taxes	125.1	95.5	88.2	114.4	105.2
Unfilled orders (funded) at September 30	634.3	554.1	574.0	691.6	771.3

Per Common Share Data

Income before special nonrecurring credit and extraordinary items*	$ 3.37	$ 2.56	$ 1.95	$ 3.65	$ 3.24
Cash dividends per share	1.60	1.60	1.60	1.60	1.40
Stockholders' equity at September 30*	35.32	33.03	31.75	34.78	33.10

Statistical Data

Number of stockholders (in thousands) at September 30: Preferred	5.1	5.4	4.2	4.0	4.0
Common	35.9	37.8	39.4	37.5	28.1
Number of shares (in millions) outstanding at September 30: Preferred	2.8	2.8	2.8	1.5	1.1
Common	12.3	12.2	12.2	12.5	12.2
Number of employees (in thousands) at September 30*	74.7	73.4	79.3	84.7	87.0

Before a special nonrecurring price adjustment of $7.6 million on a multi-year fixed price contract which benefitted 1972 earnings by $3.2 million or $.13 per share, also before extraordinary items (net of income taxes and other income adjustments) which resulted in a net extraordinary charge of $2.8 million or $.17 per share in 1972.

Further before an extraordinary charge (net of income taxes) of $5.0 million or $.30 per share in 1970 and extraordinary income (net of income taxes) of $5.4 million or $.36 per share, in 1969.

After allowing for Series A $3 Cumulative Convertible Preferred Stock at liquidating value of $60 per share.

Exclusive of employees at Kansas City Division.

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Directors

W. M. AGEE
Executive Vice President

W. M. BLUMENTHAL
Chairman, President and
Chief Executive Officer

C. M. CARDIN
Chairman—Paribas Corporation

H. B. CUNNINGHAM
Chairman of the Executive and
Finance Committees—
S. S. Kresge Company

C. F. DONNELLY
Executive Vice President

R. G. FOLSOM
Former President—Rensselaer
Polytechnic Institute

A. P. FONTAINE
Former Chairman and
Chief Executive Officer—
The Bendix Corporation

P. F. HARTZ
President—Hartz Corporation

C. E. HEITMAN
Former Vice Chairman and
Chief Operating Officer—
The Bendix Corporation

H. J. LOYND
Former Chairman and
Chief Executive Officer—
Parke, Davis & Company

W. L. MIRON
President—Group Operations

C. S. HARDING MOTT
President and Trustee—
Charles Stewart Mott
Foundation

R. D. O'NEAL
President—Group Operations

L. F. POLK
President—Louis Polk, Inc.

R. W. PURCELL
Consultant to Rockefeller Family and
Associates

F. C. REED
Partner—Hughes Hubbard & Reed

G. R. VILA
Chairman, President and
Chief Executive Officer—
Uniroyal, Inc.

Officers

W. M. BLUMENTHAL*
Chairman, President and
Chief Executive Officer

W. M. AGEE*
Executive Vice President

C. F. DONNELLY*
Executive Vice President

W. L. MIRON*
President—Group Operations

R. D. O'NEAL*
President—Group Operations

E. R. EGGERS
President—Bendix International

R. B. HUNGATE
President—Automotive Group

D. S. JONES
President—Industrial Group

J. E. BEVINS
Senior Vice President and Group Executive

R. E. McGRUTHER
Senior Vice President—Corporate Staff

R. W. WHITESELL
Senior Vice President—Investor Relations

E. E. HUPP
Vice President and Group Executive

W. C. PURPLE
Vice President and Group Executive

C. B. SUNG
Vice President and Group Executive

J. B. TREACY
Vice President and Group Executive

C. E. ROWETT
Vice President and Group Manager

F. J. BORHECK
Vice President

N. M. GEORGITSIS
Vice President

J. V. V. BRYAN
Vice President—Corporate Development

H. R. FORD
Vice President—Worldwide Automotive
Marketing

E. C. JOHNSON
Vice President—Engineering and Research

H. KAPLAN
Vice President—Corporate and Public Affairs

H. C. KOENIGSMARK
Vice President—Financial Systems

T. V. MALLOY
Vice President—Corporate Purchasing

E. F. PESLAR
Vice President—Manufacturing

F. J. SVEC
Vice President and Controller

L. B. YOUNG
Vice President—Aerospace-Electronics
Marketing

J. M. OLSHOCK
Treasurer

H. S. BARRON
Secretary and General Counsel

* Member—Office of the Chief Executive

Counsel

HUGHES HUBBARD & REED
New York, New York

Auditors

HASKINS & SELLS
Detroit, Michigan

Transfer Agents

BANKERS TRUST COMPANY
New York, New York

OFFICE OF THE
BENDIX CORPORATION
Southfield, Michigan

Registrars

FIRST NATIONAL BANK
OF CHICAGO
Chicago, Illinois

MORGAN GUARANTY TRUST
COMPANY OF NEW YORK
New York, New York

CHASE MANHATTAN BANK, N.A.
New York, New York

Trustee (6¾% Debentures)

MANUFACTURERS HANOVER
TRUST COMPANY
New York, New York

The Corporation's 1973 Annual Meeting of Stockholders will be held at 2 p.m. on Thursday, February 22, 1973 at the Executive Offices of the Corporation. Friday, January 12, 1973 is the record date for determining the stockholders entitled to notice of, and to vote at, the Annual Meeting of Stockholders.

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orporate

e Bendix Corporation, Executive Offices
Southfield, Michigan
ndix International
New York, New York
ndix Research Laboratories
Southfield, Michigan

erospace-Electronics roup

vanced Products Division
Southfield, Michigan
rospace Systems Division
Ann Arbor, Michigan
ation Electric, Limited
Montreal, Quebec
onics Division
Fort Lauderdale, Florida
ndix Field Engineering Corporation
Columbia, Maryland
mmunications Division
Baltimore, Maryland
ctric & Fluid Power Division
Eatontown, New Jersey
ctrical Components Division
Sidney, New York
ctrodynamics Division
Sylmar, California
ctro-Optics Division
Sturbridge, Massachusetts
ergy Controls Division
South Bend, Indiana
vironmental Science Division
Baltimore, Maryland
er Division
Madison Heights, Michigan
ruments & Life Support Division
Davenport, Iowa
sas City Division
Kansas City, Missouri
nch Support Division
Kennedy Space Center, Florida
rigation & Control Division
Teterboro, New Jersey
cess Instruments Division
Bonceverte, West Virginia
ted Geophysical Corporation
Pasadena, California
st Coast Aerospace Support Division
Burbank, California

tomotive Group

omotive Development Center
New Carlisle, Indiana
omotive Electronics Division
Newport News, Virginia
Automotive Service Division
South Bend, Indiana
Bendix Automotive of Canada, Limited
Windsor, Ontario
Bendix-Westinghouse Air Brake Division
Elyria, Ohio
Brake & Steering Division
South Bend, Indiana
Electronic Fuel Injection Division
Troy, Michigan
Friction Materials Division
Troy, New York
Fuel Devices Division
Detroit, Michigan
Hydraulics Division
St. Joseph, Michigan
Motor Components Division
Elmira, New York

Forest Products Group

American Forest Products Corporation
San Francisco, California
Amador-Calaveras Division
Martell, California
Amador Central Railroad
Martell, California
American Box Division
San Francisco, California
American Forest Properties, Inc.
Arnold, California
Building Materials Division
San Francisco, California
Corrugated Container Division
Santa Fe Springs, California
Larson Division
Santa Clara, California
Modern Materials Corporation
Southfield, Michigan
Mt. Whitney Division
Johnsondale, California
South Sierra Division
North Fork, California
Stockton Division
Stockton, California

Fram Corporation

Fram Corporation
East Providence, Rhode Island
Automotive Division
East Providence, Rhode Island
Canadian Fram, Ltd.
Chatham, Ontario
Fram Argentina, S.A.I.C.
Buenos Aires, Argentina
Fram Canada, Ltd.
Stratford, Ontario
Fram de Venezuela, S.A.
Caracas, Venezuela
Fram Europe, Ltd.
Glamorgan, England
Fram (New Zealand) Limited
Auckland, New Zealand
Fram Filters (South Africa) (Pty.) Ltd.
Transvaal, South Africa
General Products Division
Henderson, North Carolina
Industrial Division
Tulsa, Oklahoma
Industrial Fabricating Division
Tulsa, Oklahoma
Texas Pipe Bending Company
Houston, Texas

Industrial Group

Abrasives Division
Jackson, Michigan
Automation & Measurement Division
Dayton, Ohio
Buhr Machine Tool Corporation
Ann Arbor, Michigan
Industrial Controls Division
Detroit, Michigan
Industrial Tools Division
South Beloit, Illinois
Michigan Special Machine Company
Warren, Michigan
Skagit Corporation
Sedro Woolley, Washington

Other Subsidiaries

Bendix Credit Corporation
Southfield, Michigan
Bendix International Finance Corporation
New York, New York

International Subsidiaries, Affiliates & Offices

Argentina
Industrias Bendix S.A.I.C. y F.
Buenos Aires

Australia
The Bendix Corporation Australia Pty. Limited
Rockdale, N.S.W.
Bendix Mintex Pty. Limited
Ballarat, Victoria

Brazil
Bendix do Brasil Equipamentos Para Autoveículos Ltda.
Sao Paulo

England
Bendix Limited
London
Bendix Westinghouse Limited
Bristol

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France
Societe Anonyme D.B.A.
Paris
Air Equipement Division
Asnieres
Automotive Division
Saint-Ouen
Compagnie Francaise des Accumulateurs Electriques (C.F.A.E.)
Gennevilliers
Division Technique
Drancy
Ducellier et Cie
Paris
Groupe Electronique Automobile
Drancy
Societe Francaise d'Equipements pour la Navigation Aerienne (S.F.E.N.A.)
Velizy-Villacoublay
Societe Industrielle des Comprimes de l'Ouest
Le Mans
Societe Roto Diesel
Blois
Societe Soprom
Les Mureaux
Societe STOP
Saint-Ouen

Germany
Bendix International G.m.b.H.
Frankfurt
Deutsche Bendix Ausrustungs G.m.b.H.
Saarbrucken
D.B.A. Vertriebs G.m.b.H.
Saarbrucken
Jurid Werke G.m.b.H.
Hamburg
Nieberding & Co. G.m.b.H.
Neuss
Tenax G.m.b.H.
Heidelberg
Textar G.m.b.H.
Leverkusen

Italy
Benditalia, S.p.A.
Crema
D.B.A. Italia, S.p.A.
Torino

Japan
Akebono Brake Industry Co., Ltd.
Tokyo
Bendix Japan Limited
Tokyo
Jidosha Kiki Kaoushiki Kaisha
Tokyo

Mexico
Bendix Mexicana, S.A.
San Luis Potosi
Frenomex S.A.
Mexico City

Netherlands
Bendix B.V.
Breda

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Taiwan
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