

To the Shareholders:

February 8, 1966

The world-wide performance of the Abex organization in 1965 resulted in the highest shipments and earnings in our company's 63-year history.

Several factors contributed to the year's favorable operations. The robust health of the economies of the United States, Canada and western Europe accelerated demand for our products and services, pushing shipments to new heights.

Increased earnings for 1965 were attributable primarily to expanded shipments and to the continued effectiveness of cost controls by all divisions of the company.

1965 was a particularly gratifying year because it brought to fruition some of the efforts of management to reshape the company in recent years. The strength and capacity for growth and progress inherent in a highly diversified industrial organization were reflected in the year's results.

SHIPMENTS AND EARNINGS REACH NEW RECORDS

Consolidated shipments increased for the fifth consecutive year. In 1965 they amounted to \$260,168,235, an eight per cent gain over shipments of \$241,478,130 in 1964.

The gains extended broadly through the four major product groups of the company: friction products, hydraulic equipment, products for the railroads and the castings and forgings group. Activities in each of the groups are discussed more fully in later sections of this report.

Net earnings from operations increased 14 per cent to \$11,104,486, equal to \$6.02 per share, compared with \$9,762,039 or \$5.27 per share in 1964.

Shipments and net earnings from operations per share were:

	1965		1964	
	Shipments	Earnings per share	Shipments	Earnings per share
First Quarter	\$ 64,738,000	\$1.53	\$ 58,089,000	\$1.21
Second Quarter	69,400,000	1.70	61,980,000	1.51
Third Quarter	59,583,000	.99	57,452,000	.92
Fourth Quarter	66,447,235	1.80	63,957,130	1.63
Total	\$260,168,235	\$6.02	\$241,478,130	\$5.27