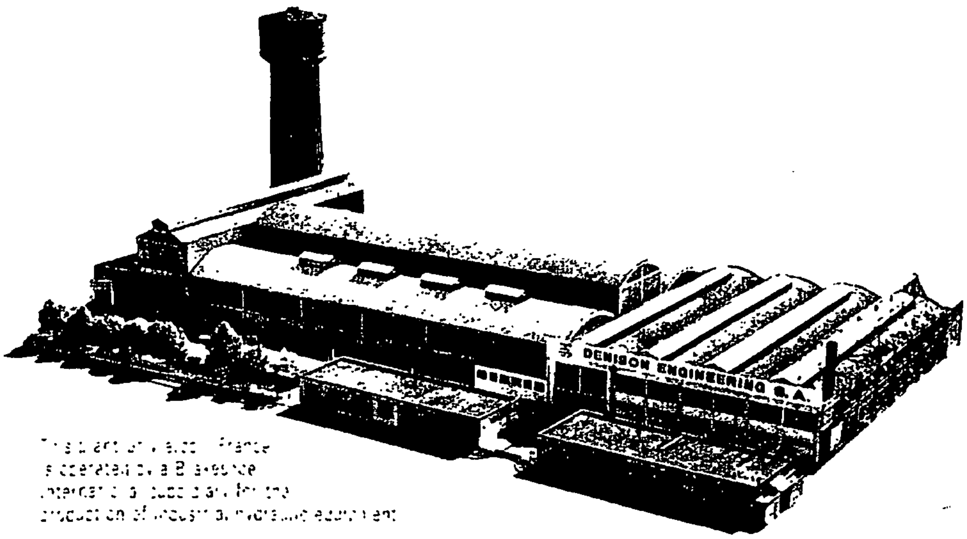
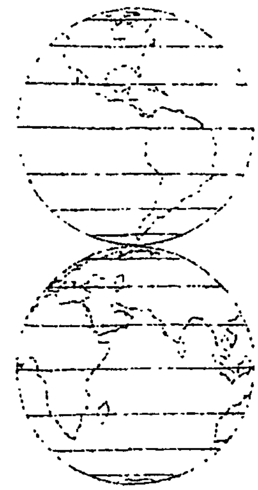
international operations



[illegible]



Canada Dominion Brake Shoe Company, Ltd., operates six divisions which manufacture automotive brake lining, manganese steel castings, molds for rubber and plastics production, and railroad brake shoes and trackwork. In 1960, shipments and earnings of the Canadian firm increased slightly over those in 1959. These increased earnings reflect the improvement in efficiency gained at Joliette Steel Division following an expansion and modernization program completed in 1959.

At the same time that Brake Shoe acquired Bridgwater Machine Company's Mold Division in the United States, Dominion Brake Shoe acquired that firm's Canadian affiliate, now operated as the Bridgwater Machine Division of Dominion Brake Shoe. This was a major item of capital expense during 1960, and total capital expenditures were therefore substantially higher than depreciation accruals. During 1961, capital expenditures are expected to be less than depreciation.

Europe Brakeshoe International, S.A., is a wholly-owned Swiss subsidiary which comprises nine manufacturing, service and sales companies in England, Belgium, France, and West Germany. Brakeshoe International serves the European market for industrial and airborne hydraulics and automotive brake lining.

In order to assure sound development of the European firm, most of its subsidiaries are managed by nationals of the countries in which they are located, and coordination of their activities is provided by corporate headquarters in Geneva. Alfred H. Munkenbeck, Jr., who had been active in the formation of the Swiss firm as secretary and treasurer of American Brake Shoe, was named general manager of Brakeshoe International, and transferred to Geneva in 1960. Bernard G. Drummond, who had been director of overseas operations, also moved to Geneva as assistant to the general manager.

Brake Shoe's investment in Europe is substantial. However, the vast potential of the Common Market and "Outer Seven" countries can best be tapped by local manufacture. In making this investment, Brake Shoe is developing future earnings at relatively low cost.

If the European economy continues strong, 1961 should be a satisfactory year for the Swiss firm. Orders are being received at a good rate by most units.

Mexico Operations of Brake Shoe de Mexico, S.A., a wholly-owned subsidiary manufacturing automotive brake lining, improved during 1960. The firm has returned a profit in each full year of operation since it was founded in 1957.

Together with a Mexican company, Brake Shoe in 1960 formed Amsco Mexicana, S.A., a foundry company producing manganese, carbon, and alloy steel castings. This firm will serve the Mexican construction, mining, and cement industries which are increasingly difficult to serve from the United States because of import restrictions. Amsco Mexicana operates a modern foundry near Mexico City, and Brake Shoe will receive royalties and a share of the earnings of this Mexican company.

Brazil Brake Shoe has a one-third interest in a forging company near Sao Paulo, Brazil. formed to serve the Brazilian automobile and farm equipment markets. This firm's plant went into operation at the beginning of 1960, producing drop and upset steel forgings. For the fourth quarter of 1960, the firm earned a small profit. The current backlog of unfilled orders assures full production for the coming year.