FILE NAME: Keene (KNE)

DATE: 1964

DOC#: KNE015

DOCUMENT DESCRIPTION: Excerpt from Annual Report - 1964
Review of Operations

711031

1964 REVIEW OF OPERATIONS

Operations for 1964 showed a 67% increase in sales over 1963. Sales amounted to $22,011,321 in 1964 compared to $13,207,983 in 1963. Despite this record growth of sales, a disappointing loss resulted, amounting to $981,548 compared to net income of $217,916 for 1963. This loss can be attributed to three significant events which occurred during the year.

In February 1964 the Company acquired the insulation contract division of Mundet Cork Corporation. The operations of this division accounted for most of the Company's increased activity. However, the acquisition involved start-up and other related nonrecurring expenses which contributed materially to the loss for the year. These expenses are now behind us and management looks forward to significant progress by this division in 1965 and future years.

In our annual report for 1963 we outlined the arrangements made with MacAndrews & Forbes Company of Camden, New Jersey, for the manufacture and finishing of mineral board and tile acoustical products. Unfortunately, these arrangements proved to be completely unsatisfactory and were terminated (for the reasons outlined in the notes to financial statements). The Company is presently seeking to recover the losses sustained by it by arbitration under the rules of the American Arbitration Association.

The joint venture which the Company entered into with the Pall Corporation in 1962 to make fiber glass pipe covering was assigned to the Certain-teed Fiber Glass Corporation in July 1964. The original experimental machinery was abandoned. The investment in this equipment and other related costs resulted in extraordinary expenses of $629,326. The development of improved machinery proceeded under the joint venture agreement at a cost of $333,000. On February 10, 1965, after the new equipment was completed, it was mutually agreed to terminate the joint venture. The machines are being installed at our Trenton plant, and fiber glass pipe covering will be produced at that location. We have every expectation that the operation of this equipment will contribute favorably to future profits.

During the year the International Division concluded licensing agreements with Swedish and Japanese firms. This Division continued to give technical assistance to our various foreign licensees. On October 1, 1964, Mr. Harold L. Humes assumed the responsibilities of Technical Director of this Division.

On October 1, 1964, Mr. William H. Hill announced his retirement. Mr. Hill founded Baldwin-Hill Company in January 1935 and was its President until August 1956. At that time he became Chairman of the Board of Baldwin-Ehret-Hill, Inc. He served in that capacity until August 1960 and as Chairman of the Executive Committee until April 1963, when he resigned to devote his time to the international operations. In July 1964 Mr. Anthony J. Dilenno joined the Company as Director of Finance and was elected a Vice President in March 1965.

The losses incurred during 1964 are not of a continuing nature. The Company is in a sound financial condition and earnings are anticipated in 1965.

Our employees have been most cooperative during this year of readjustment. We are grateful for their loyal support. With them we look forward with confidence to the challenge of the coming year.

Alvin M. Ehret, Jr.
Chairman of the Board

Edward R. Stevens
President