

ment and expansion of newer product lines which have exhibited greater growth and profit potentials.

The sale involved three steel forging plants, two of which were in Chicago and one in Azusa, California, employing about 1,000 people. This will reduce shipments by about \$25,000,000 annually but the effect upon operating earnings will be negligible. However, the sale resulted in a loss of \$644,012 after taxes which has been recorded as a special item of loss and is not reflected in the operating earnings for 1965.

We are pleased to have made the sale in a manner which assures the continuation of the business in the best interests of customers and employees.

UNITED STATES OPERATIONS

Shipments of the United States divisions amounted to \$212,964,000, representing 82 per cent of the consolidated total.

Most of the company's plants operated at higher levels of production than in the previous year. The high level of employment prevailing in the United States has brought a short supply of skilled and semi-skilled workers and a shortage existed in some company plants. Competition for qualified workers is likely to continue while the economy remains at present high levels and, in some plants, this condition may hamper production and increase costs.

Manufacturing departments of all divisions have continuing programs to increase operating efficiency and reduce costs through improved plant layout and better machinery utilization. These programs helped to improve profit ratios for the year. 1966 plans include the installation in several plants of numerical tape controlled machining facilities which will reduce costs.

In 1965 the company experienced production shutdowns in several plants due to floods, storms, and a prolonged strike discussed on page 14. In the Denver area, two foundries and a company warehouse were seriously damaged by flood waters and a considerable amount of production was lost, resulting in a loss before taxes of \$460,000 to the company. Later in the year, a windstorm hit two of our plants in the Chicago area and caused minor damage and loss in production.