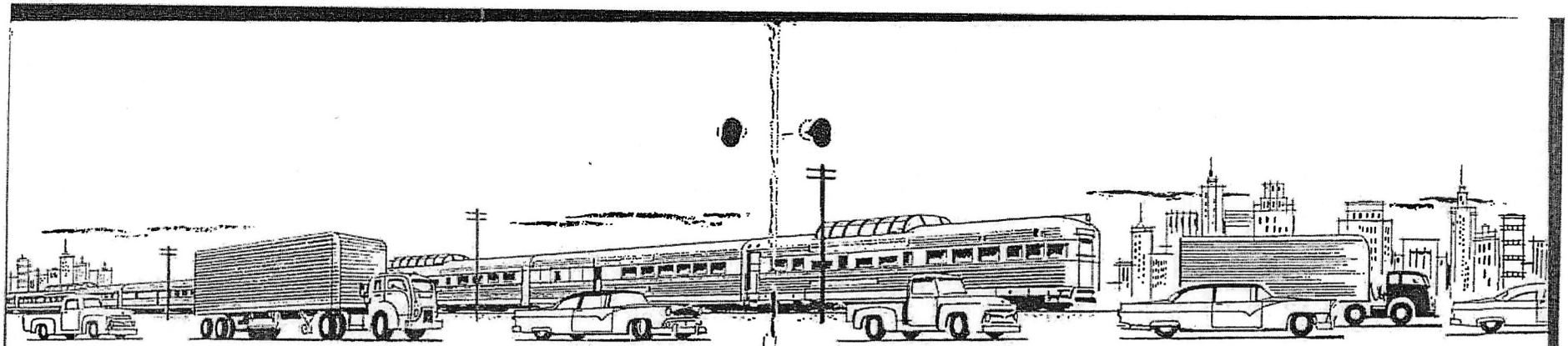
FILE NAME: The Budd Company (BUD)

DATE: 1954

DOC#: BUD004

DOCUMENT DESCRIPTION: Annual Report



ANNUAL REPORT

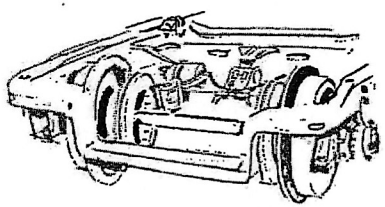
1954

THE BUDD COMPANY

EXHIBIT
Bauer 24
2-8-18 WB
PENGAD 800-631-6989

CONFIDENTIAL-SUBECT TO PROTECTIVE ORDER
BUDD_000021424


BUDD



Budd railway passenger car disc brakes, and Rolakron anti-wheel slide controllers.

PRINCIPAL 1954 CUSTOMERS

Agricultural
- Ferguson
- Ford

Automotive
- American Motors
- Chrysler
- Ford
- Fruehauf
- General Motors
- International Harvester
- Reo Motors
- Studebaker-Packard
- White Motors

Railway
- Atchison, Topeka & Santa Fe
- Baltimore & Ohio
- Boston & Maine
- Canadian National
- Canadian Pacific
- Central Railroad of New Jersey
- Chicago, Burlington & Quincy
- Chicago, Rock Island and Pacific
- Great Northern
- Long Island
- New York Central
- New York, New Haven & Hartford
- Northern Pacific
- Southern Pacific
- Union Pacific

PRINCIPAL FOREIGN LICENSEES

Australia
- Commonwealth Engineering Co., Ltd.

Belgium
- La Brugeoise et Nicaise & Delcuve
- Les Ateliers Métallurgiques à Nivelles

Brazil
- Material Ferroviario S/A "Mafersa"

England
- Pressed Steel Company, Ltd.

France
- Société Anonyme des Usines Chausson
- Société Anonyme des Automobiles Peugeot
- Régie Nationale des Usines Renault
- Société Industrielle de Mécanique et Carrosserie Automobile (S.I.M.C.A.)
- Société Lorraine des Anciens Ets. de Dietrich

France (Continued)
- Etablissements Carel Fouché & Cie.
- La Soudure Electrique

Germany
- Ambi-Budd Presswerk, G.m.b.H.
- Bayrische Motoren-Werke A.G.
- Daimler-Benz, A.G.
- Adam Opel, A.G.
- Volkswagenwerk, G.m.b.H.

Italy
- Ansaldo, S.A.
- Fiat, Società per Azioni
- Piaggio & Co.

Portugal
- Sociedades Reunidas de Fabricacoes Metalicas Ltda.

Sweden
- Aktiebolaget Volvo

THE BUDD COMPANY

ANNUAL REPORT

for the year ending December 31,

1954

The Annual Meeting of The Budd Company will be held at the offices of the Company, 2450 Hunting Park Avenue, Philadelphia, at 11 o'clock A.M. on April 20, 1955. Proxies will be solicited on and after March 15, 1955.

CONFIDENTIAL-SUBECT TO PROTECTIVE ORDER

BOARD OF DIRECTORS

DONALD ALEXANDER
San Antonio, Texas

GRISCOM BETTLE
Hobe Sound, Florida

EDWARD G. BUDD, JR.
Philadelphia, Pennsylvania

EVERETT W. CADY
New York, New York

HALTON A. COWARD
Wynnewood, Pennsylvania

JOHN F. HEADLY
Philadelphia, Pennsylvania

ERNEST R. SCHMIDT
Abington, Pennsylvania

DAVID E. WILLIAMS
Bryn Mawr, Pennsylvania

PAUL ZENS
Belleair, Florida

OFFICERS

EDWARD G. BUDD, JR.	*President*
HALTON A. COWARD*	*Executive Vice-President*
ERNEST R. SCHMIDT*	*Executive Vice-President*
J. G. RICHARD HECKSCHER*	*Vice-President*
A. R. LINDSAY	*Vice-President*
RAYMOND F. LITTLEY	*Vice-President*
FITZWILLIAM SARGENT	*Vice-President*
GEORGE E. LALLOU	*Secretary-Treasurer*
EDWARD E. REARDON	*Comptroller*
WILLIAM H. HERRON	*Assistant Comptroller*

TRANSFER AGENTS

$5 PREFERRED SHARES

Philadelphia—Girard Trust Corn Exchange Bank
New York—The Chase National Bank of the City of New York

COMMON SHARES

Philadelphia—Girard Trust Corn Exchange Bank
New York—The Chase National Bank of the City of New York
Chicago—City National Bank and Trust Company of Chicago

REGISTRARS

$5 PREFERRED SHARES

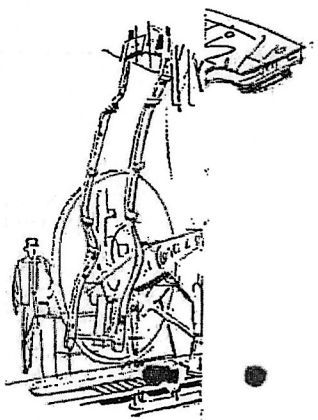
Philadelphia—Fidelity-Philadelphia Trust Company
New York—Bank of the Manhattan Company

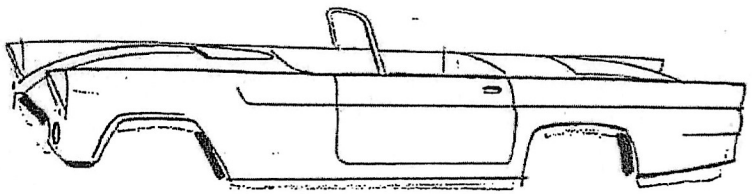
COMMON SHARES

Philadelphia—The Pennsylvania Company for Banking and Trusts
New York—J. P. Morgan & Co., Incorporated
Chicago—The First National Bank of Chicago

**Effective January 1, 1935.*

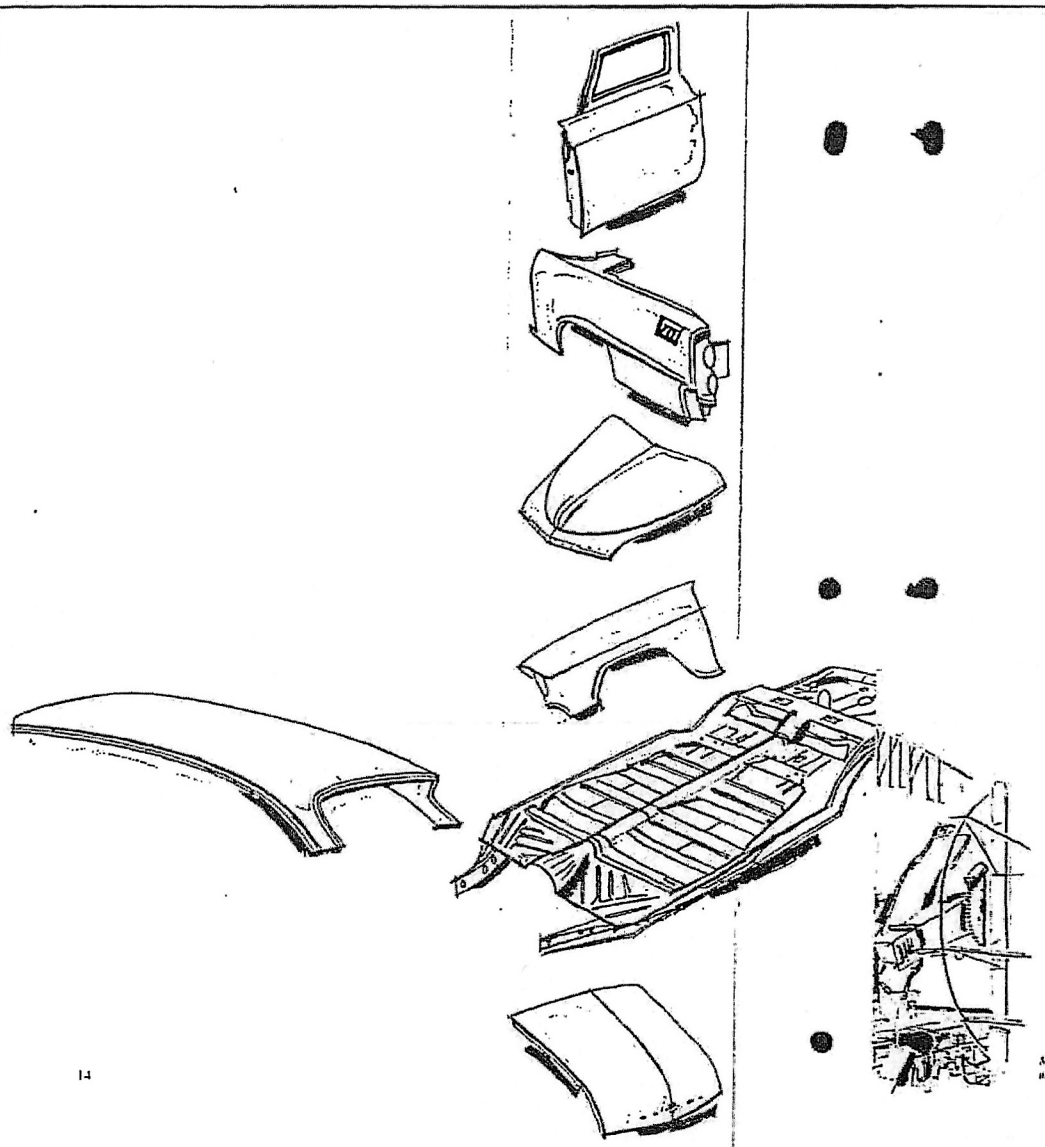
We are a manufacturing supplier to all the principal builders of automobiles and trucks. It may be the entire steel structure of the body (Budd originated the all-steel body) or parts of it—hoods, roofs, body side panels, doors, fenders, floors, trunk lids, as you see illustrated here. Also frames, wheels, hubs, brake drums, and dozens of other components.





CONFIDENTIAL-SUBECT TO PROTECTIVE ORDER

BUDD_000021427



Making and assembling automobile chassis frames.

PRODUCTS

Body Assemblies, Chassis Frames,
Wheels, Hubs and Brake Drums for Automobiles,
Trucks and Highway Trailers.

Railway Passenger Cars and Disc Brakes.

Agricultural Implements.

PLANTS

Of the Budd Company's five manufacturing plants,
two are located in Philadelphia,
two in Detroit and one in Gary, Indiana.

CONFIDENTIAL-SUBECT TO PROTECTIVE ORDER

BUDD_000021428

PERTINENT FIGURES

	1954	1953	1952	1951	1950	1949	1948	1947
Sales for the year	$244,013,101	$336,019,780	$297,980	$318,316	$291,257	$267,168	$219,937	$194,337
Profit after taxes	$6,292,424	$10,829,303	19,091	29,583	40,926	25,358	15,272	5,822
Profit in percent of sales	2.6%	3.2%	9,900	17,100	21,700	10,550	6,200	2,100
Profit per common share	$1.60	$2.88	9,191	12,483	19,226	14,808	9,072	3,722
Dividends (preferred and common)	$4,166,636	$4,169,449	625	625	699	715	715	715
Dividends on each preferred share	$5.00	$5.00	8,566	11,858	18,527	14,093	8,357	3,007
Dividends on each common share	$1.00	$1.00	3,544	5,041*	5,215	2,434	1,564	337
Number of shareholders—preferred and common	25,718	26,409	5,022	6,817	13,312	11,659	6,793	2,670
Profits invested in the business	$2,125,788	$6,659,854	88,466	83,444	76,627	64,998	53,339	46,546
Working capital	$42,234,419	$53,068,459	12,500	12,500	12,500	14,299	14,299	14,299
Book value per common share	$23.90	$23.29	75,914	70,892	64,076	50,640	38,980	32,188
Long-term debt outstanding	$26,000,000*	$28,000,000*	52,226	45,398	44,552	47,087	39,417	37,644
Number of employees (average)	16,678	23,886	55,358	54,950	48,375	39,161	39,806	35,090
Payrolls and other employment costs	$98,367,442	$124,922,289	30,000	17,905	17,505	21,850	26,510	26,755
Average annual earnings of hourly employees	$5,188	$4,523	$ 5.21	$ 8.17	$11.57	$ 7.09	$ 4.18	$ 1.46
Cost of plant investment per employee	$8,567	$5,388	2.79	4.83	6.24	3.04	1.78	.60
All taxes	$11,116,303	$17,379,128	2.42	3.34	5.33	4.05	2.40	.86
Taxes per common share	$3.13	$4.90	1.00	1.45*	1.50	.70	.45	.10
Taxes per employee	$667	$728	1.42	1.89	3.83	3.35	1.95	.76
			21.41	19.99	18.43	14.57	11.21	9.26
			125,000	125,000	125,000	142,994	142,994	142,994
			3,545,967	3,545,967	3,476,439	3,476,439	3,476,439	3,476,439

*Exclusive of $2,000,000 due in the following year which has been charged against working capital.

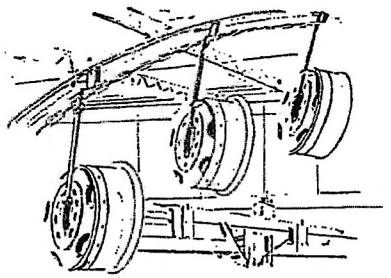
CONFIDENTIAL-SUBECT TO PROTECTIVE ORDER

BUDD_000021429

COMPARISON OF FINANCIAL RESULTS

	1954	1953
FINANCIAL DATA (In thousands of Dollars)		
Net sales and other income	$245,124	$336,547
Earnings before taxes on income	12,392	22,829
Taxes on income	6,100	12,000
Net earnings	6,292	10,829
Dividends on preferred shares	621	625
Earnings on common shares	5,671	10,204
Dividends on common shares	3,546	3,544
Earnings reinvested in business	2,125	6,660
Shareholders' equity	97,110	95,126
Preferred shares—stated value	12,320	12,500
Book value of common shareholders' investment	84,739	82,574
Working capital	42,234	53,068
Plant and equipment—less depreciation	79,389	69,24[illegible]
Long-term debt	26,000	28,000
PER COMMON SHARE		
Earnings before taxes on income	$ 3.32	$ 6.26
Taxes on income	1.72	3.38
Net earnings	1.60	2.88
Common dividends	1.00	1.00
Earnings reinvested in business	.60	1.88
Book value	23.90	23.29
SHARES OUTSTANDING AT END OF YEAR		
Preferred	123,200	125,000
Common	3,545,967	3,545,967

**In addition a 2% stock dividend was paid.*



Steel disc wheels for highway vehicles of all kinds.

TO SHAREHOLDERS OF THE BUDD COMPANY:

The results of operations for the year 1954 are submitted herewith in this Annual Report. Our sales totaled $244,013,101. Profits were $6,292,424, or $1.60 per common share. During the preceding year, sales were $336,019,780, the largest in our history, and profits were $10,829,303, or $2.88 per common share. During 1954 dividends totaling $1.00 on the common stock and $5.00 on the preferred shares were paid.

The decline during 1954 was caused by lower automotive production and by a reduction in defense work. The over-all pattern in the automobile industry was distorted by a severe drop in the sales of several of our important customers. Fortunately, our spread throughout the industry was sufficiently broad to prevent a more serious decline in our own sales.

There is reason to expect that 1955 will be a good automotive year. Important customers, whose sales had fallen below their historic statistical positions, show indications of improving.

The manufacture of wheels, hubs and brake drums for automobiles, busses and trucks has for years been an important part of our business. At present we are operating at a high rate in this field, due primarily to increased schedules of our customers, but also to new business.

Production of stainless steel highway trailer components has improved and will be stepped up further in the second half of 1955.

Our modernization and expansion program, which over the past eight years has represented an expenditure of $84,000,000 is virtually completed. These expenditures enable us to operate more efficiently and to improve our competitive position. We do not, at the present time, contemplate further large capital expenditures.

CONFIDENTIAL-SUBECT TO PROTECTIVE ORDER

BUDD_000021430

As the only major independent producer of automobile body parts, our position in the industry is unique. Relationships with all leading automobile manufacturers are excellent, and our continuing research and development work as well as our growing tool building facilities provide our automotive customers with well developed resources. These capacities made it possible for us to build $29,000,000 worth of automotive dies, jigs and fixtures for our customers' 1955 models.

1954 was a successful year for our railway passenger car business, and it is gratifying to note that high activity in this field in a measure compensated for reductions in our other lines. A total of 181 cars including domes, coaches and sleepers were completed. The high proportion of dome cars (35%) in this total is indicative of the railroads' efforts to increase passenger comfort and enjoyment and thus help them compete more successfully with other methods of public transportation. The backlog of cars on order was 181 at the beginning of 1955. Of 287 mainline cars on order with all builders, 75% will be equipped with the Budd Disc Brake.

Our self-propelled Rail Diesel Car (RDC) has enjoyed the most successful year since its introduction. Fifty-five units were sold to the Boston & Maine and deliveries have already commenced. With these cars, plus nine delivered previously, the railroad plans to revolutionize its commutation service and effect significant savings in operating costs.

Last year, a great deal of interest developed in new types of railway passenger equipment, and a number of railroads have joined together as a committee to develop standards for new car design. We have cooperated with members of this committee and feel certain that worthwhile developments will result. In our study and investigation, we have concluded that the special demands of each kind of service require separate solutions.

Our foreign activities have been increased within the past year by the addition of three new railway car licensees and the acquisition of an interest in Etablissements Carel Fouché & Cie, largest French manufacturer in its field. This modern, well-equipped plant for the manufacture of stainless steel railway cars insures us a great advantage in foreign operations, and will also enable us to service our other European licensees more efficiently. There is a current backlog of 402 stainless steel passenger cars among our licensees in France, Belgium, Portugal, Italy and Australia. Income from our automotive licensees continues at a satisfactory rate.

The new Internal Revenue Code provides an alternate method for figuring depreciation charges on an accelerated basis. For the purpose of our 1954 earnings statement, we have continued to provide depreciation charges on Plant and Equipment generally under a method related to volume of production and plant capacity as in the past. However, in filing our Income Tax Return, we intend to use the alternate method with respect to 1954 additions. The consequent tax benefit for 1954 was not material, but we do expect this to provide substantial cash savings in future years.

SHAREHOLDERS' CAPITAL

		1954	1953
Preferred shares			
Authorized—206,806 shares without par value			
Outstanding—125,000 shares designated $5 cumulative preferred		$ 12,500,000	$ 12,500,000
Less 1,800 shares in treasury		(180,000)	
		$ 12,320,000	
Common shares			
Authorized—5,000,000 shares			
1954—$5 par value			
1953—without par value			
Outstanding—3,545,967 shares			
1954—$5 par value		17,729,835	
1953—without par value, stated at			21,742,109
Other capital			
At December 31, 1953	$4,794,253		4,794,253
Transferred from common share account upon adoption of $5 par value	4,012,274		
Discount on 1,800 preferred shares purchased	38,676		
At December 31, 1954	$8,845,203	8,845,203	
		$ 38,895,038	$ 39,036,362

LONG-TERM DEBT

This is a 3¾% promissory note due, commencing in 1954, in annual installments of $1,000,000 plus an amount (not over $1,000,000) equal to 25% of the net income of the preceding year. Any unpaid balance is due in 1972.

Under the loan agreement, $44,549,335 of accumulated earnings at December 31, 1954 may not be used for payment of dividends or purchase of capital shares.

REPORT OF ACCOUNTANTS

To the Board of Directors and the Shareholders of The Budd Company:

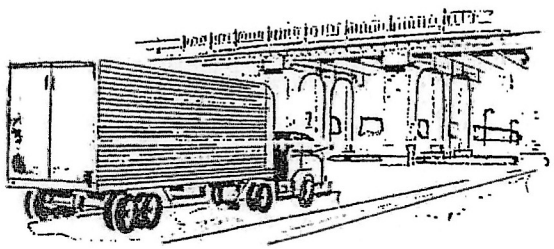
In our opinion, the accompanying statements present fairly the financial position of the Company at December 31, 1954 and the results of its operations for the year in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of the statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

Philadelphia
February 11, 1955

CONFIDENTIAL-SUBECT TO PROTECTIVE ORDER

BUDD_000021431



Stainless steel highway trailer bodies.

INVENTORIES

	1954	1953
Work in process and steel, at lower of current cost or estimated realizable amount:		
Work in process	$ 17,214,681	$ 21,723,544
Steel	9,010,569	13,097,094
Other materials and supplies, at current cost	5,452,400	6,670,357
Provision for obsolescence, etc.—(deduct)	(821,000)	(891,000)
Tools, dies and jigs chargeable to customers	2,782,117	2,117,820
	$ 33,638,767	$ 42,717,815

PLANT AND EQUIPMENT

	1954	1953
Buildings, cost	$ 32,279,503	$ 30,704,205
Machinery and equipment, cost	107,647,454	95,041,682
	$139,926,957	$125,745,887
Deduct depreciation	63,224,205	59,190,204
	$ 76,702,752	$ 66,555,683
Land, cost less $265,502 special amortization	2,686,531	2,689,531
	$ 79,389,283	$ 69,245,214

For some time the desirability of broadening the base of our operations has become more evident. A phase of this program has been the creation of a new vice presidency and a new selling organization with the objective of increasing defense sales in fields where there is the best opportunity to serve the defense program with a maximum of continuity.

We are also in the process of negotiations on another important phase of our diversification through an offer to purchase the assets of the Continental Diamond Fibre Company for common shares of our company. This transaction, which has already been approved in principle by the Boards of Directors of both companies, is subject to the approval of the Continental Diamond shareholders at their annual meeting on April 27, 1955. This move, if consummated, will provide us with a well established position in a new field, principally in the production of plastic laminates, fibre, industrial tapes, mica insulation and moulded plastics.

Despite the lower volume of sales and profits 1954 was a year of major improvement, and one in which the strength of your company was significantly increased. With better control over our costs of production, new and improved products to offer our customers, and a stronger organization from an administrative standpoint, we look forward to the coming year with confidence.

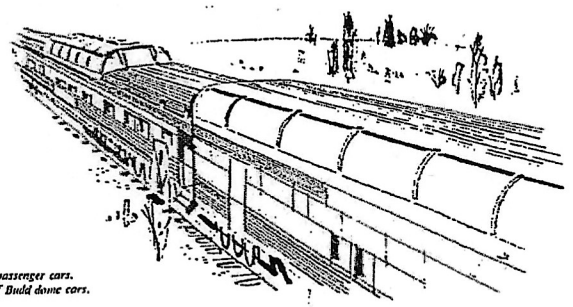
It should be recorded that your management is grateful for the wise guidance and support of the Board of Directors and for the good efforts of the people in the organization.

Respectfully submitted,

Edward G. Budd Jr.

President

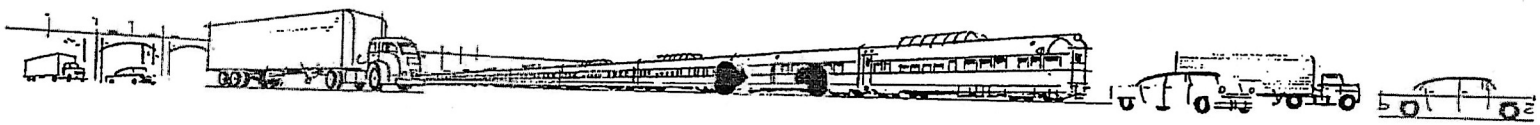
Philadelphia, Pa.
February 25, 1955



All-stainless steel railway passenger cars. Illustrated are two types of Budd dome cars.

CONFIDENTIAL-SUBECT TO PROTECTIVE ORDER

BUDD_000021432



THE BUDD COMPANY

(A Pennsylvania Corporation)

RESULTS OF OPERATIONS

	1954	1953
Products sold	$244,013,101	$336,019,780
Royalties and miscellaneous income	1,111,074	527,589
	$245,124,175	$336,547,369
Costs allocated to the year:		
Inventories brought forward from previous year.	$ 42,717,815	$ 47,843,113
Materials, supplies, services purchased, etc.	116,835,815	174,627,159
Payrolls and other employment costs	98,367,442	124,922,289
Depreciation of plant and equipment	4,746,394	5,223,208
Property taxes, interest and rents	3,703,052	3,820,112
	$266,370,518	$356,435,881
Deduct—Inventories carried forward to next year.	33,638,767	42,717,815
Total costs allocated to the year	$232,731,751	$313,718,066
Profit before taxes on income	$ 12,392,424	$ 22,829,303
Estimated taxes on income:		
State income tax	$ 250,000	$ 500,000
Federal normal and surtax	5,850,000	11,500,000
	$ 6,100,000	$ 12,000,000
Profit for the year	$ 6,292,424	$ 10,829,303

ACCUMULATED EARNINGS

Accumulated earnings at beginning of year	$ 56,089,443	$ 49,429,589
Profit for the year per statement above	6,292,424	10,829,303
	$ 62,381,867	$ 60,258,892
Deduct—Dividends to shareholders on:		
Cumulative preferred shares, $5 per share	$ 621,000	$ 625,000
Common shares, $1 per share	3,545,636	3,544,449
	$ 4,166,636	$ 4,169,449
Accumulated earnings at end of year	$ 58,215,231	$ 56,089,443

STATEMENT OF FINANCIAL POSITION

	December 31, 1954	December 31, 1953
CURRENT ASSETS:		
Cash	$ 15,949,482	$ 27,203,934
Receivables from customers	25,984,846	20,444,261
Inventories*	33,638,767	42,717,815
Prepaid insurance, taxes, etc.	1,335,117	1,335,779
TOTAL CURRENT ASSETS	$ 76,908,212	$ 91,701,789
LESS: CURRENT LIABILITIES:		
Payable to material suppliers and others	$ 15,588,404	$ 9,246,469
Accrued payrolls, taxes, interest, etc.	9,051,674	9,024,145
Customers' advances on contracts	—	4,439,395
Due in following year on long-term debt*	2,000,000	2,000,000
Estimated income taxes and renegotiation	8,033,715	13,923,321
TOTAL CURRENT LIABILITIES	$ 34,673,793	$ 38,633,330
NET CURRENT ASSETS	$ 42,234,419	$ 53,068,459
MISCELLANEOUS INVESTMENTS AND OTHER ASSETS	1,486,567	812,132
PLANT AND EQUIPMENT LESS DEPRECIATION*	79,389,283	69,245,214
TOTAL ASSETS LESS CURRENT LIABILITIES	$123,110,269	$123,125,805
DERIVED FROM:		
LONG-TERM DEBT, NOT DUE IN FOLLOWING YEAR*	$ 26,000,000	$ 28,000,000
SHAREHOLDERS' CAPITAL*	$ 38,895,038	$ 39,036,362
ACCUMULATED EARNINGS INVESTED IN THE BUSINESS	58,215,231	56,089,443
	$ 97,110,269	$ 95,125,805
	$123,110,269	$123,125,805

**See following pages.*

CONFIDENTIAL-SUBECT TO PROTECTIVE ORDER

BUDD_000021433

Service Request# 20177726730

State of Delaware

SECRETARY OF STATE
DIVISION OF CORPORATIONS
P.O. BOX 898
DOVER, DELAWARE 19903

8137136
ROVEN-KAPLAN LLP
2190 NORTH LOOP WEST, SUITE 41
SUITE 410
HOUSTON
HOUSTON, TX 77018

12-26-2017

ATTN: JOHN D ROVEN

DESCRIPTION		AMOUNT
489116 - CONTINENTAL-DIAMOND FIBRE CORPORATION 4100 Plain Copy		
	Plain Copy Fee	$38.00
	Expedite Fee, 24 Hour	$20.00
489116 - CONTINENTAL-DIAMOND FIBRE CORPORATION 4100 Plain Copy - 1 Copies		
489116 - CONTINENTAL-DIAMOND FIBRE CORPORATION 4100 Plain Copy - 1 Copies		
489116 - CONTINENTAL-DIAMOND FIBRE CORPORATION 4100 Plain Copy - 1 Copies		
	TOTAL CHARGES	$58.00
	TOTAL PAYMENTS	$58.00
	BALANCE	$0.00

Group 5
Sticker on
Page 2