for new plants and new products were considerably lower in 1964 than in recent years. Consequently, some plants and products, particularly in hydraulic equipment and freight car wheels, showed substantial improvement in operating results. Also, reduction in the federal income tax rate in 1964 increased earnings by $360,000 or 19 cents per share.

Earnings before taxes increased from 6.9 per cent of sales in 1963 to 8.1 per cent in 1964. The return on stockholders' equity also improved, as indicated by the accompanying chart.

DIVIDENDS

Dividends totaling $2.50 per share were paid in 1964 compared with $2.40 in the previous year. In the final quarter, the Board of Directors raised the quarterly dividend rate to 70 cents per share. The December payment was the 250th consecutive quarterly cash dividend paid to shareowners.

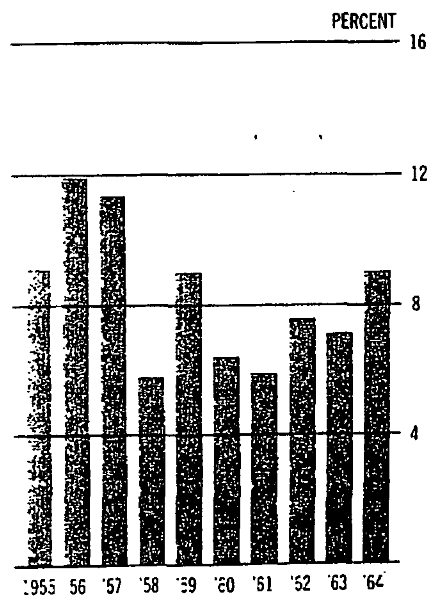
ORDERS AND BACKLOG

Total orders received in 1964 were the highest in company history, amounting to $260,300,000. Orders exceeded shipments by approximately eight per cent. As a result, the backlog of orders at year end was a record $70,700,000 contrasted with $56,100,000 a year previous. The product mix of the backlog was in good balance among the four major product groups.

CAPITAL EXPENDITURES AND DEPRECIATION

Capital expenditures for 1964 amounted to $7,913,369, compared with $11,124,517 in 1963. Charges for depreciation and amortization increased to $10,423,323 from $9,645,690 the preceding year. The major portion of capital expenditures during 1964 went into cost reduction programs and normal replacement of equipment. Capital expenditures planned for this year are higher than in 1964 and are ex-

Return on Stockholders' Equity



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