factors The company's sales mix included a higher proportion of our newer products which have not yet become fully established and, therefore, did not produce as satisfactory a rate of profit as our traditional products. Increasing wage and employee benefit costs, in excess of improved productivity, could not be offset by higher prices because of competitive conditions in most markets.

Profits from Dominion Brake Shoe Company were lower for two reasons. Although total sales of the company almost equaled sales in 1960, some product lines were lower in volume and price because of competitive situations. Also, the earnings were adjusted downward to reflect the devaluation of the Canadian dollar.

Orders Improved and Backlog Increased

Total orders received in 1961 increased to $189,100,000 from $160,500,000 in 1960. This significant increase came mostly from orders for hydraulic products in Canada and Europe, although orders for our other product lines also improved during the second half of the year.

The backlog of unfilled orders rose to $46,400,000 at year-end, compared with $30,300,000 at December 31, 1960. Over 50 per cent of this year-end backlog was for hydraulic products which normally require a longer lead time from receipt of order to shipment. Orders were continuing at a good rate in the first months of 1962.

Capital Expenditures
Depreciation

Capital Expenditures Remained High

Capital expenditures in 1961, including plants and equipment of Jarry Hydraulics, were $12,608,997. This compares with capital expenditures of $12,118,522 in 1960.

During 1961, our Canadian subsidiary entered into a contract to acquire all of the outstanding stock of Jarry Hydraulics Limited, Canada's leading manufacturer of aircraft landing gear and airborne hydraulic systems and components. The Canadian subsidiary presently holds more than fifty per cent of the outstanding stock of Jarry and is obligated to purchase the remaining shares. The final determination of the purchase price for all shares will depend upon Jarry's earnings over a six-year period under a formula in the purchase agreement.

In September 1961, our AmForge Division purchased surplus forging equipment which has been installed in the division's Chicago plants. The additional equipment provides AmForge's entrance into the extensive market for truck axles and other forged parts which the division could not previously supply.

A program to expand our production of cast steel freight car wheels by 120 per cent was initiated in 1961. The Calera, Alabama plant capacity was increased by 20 per cent. Plants in Toledo, Ohio, and St. Louis, Missouri that formerly made cast iron wheels are in the process of being converted to modern, automated, cast steel wheel plants. Both of these plants will be in full production before the end of 1962.

Another important capital expenditure was an addition to the buildings and equipment at the Elyria, Ohio foundry of Electro-Alloys Division for manufacturing centrifugally cast high alloy tubing.

Capital expenditures for 1962 are currently projected at $13,000,000, of which about half is for normal replacement and modernization. Expenditures for new facilities will include the conversion of the two steel wheel plants and construction of a plant at Marysville, Ohio by the Denison