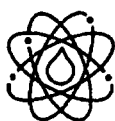


Hydraulic Products



Shipments of hydraulic products in 1965 amounted to \$53,600,000, a five per cent gain over 1964. Sales of industrial hydraulic equipment increased 10 per cent while those for aerospace applications declined slightly.

The United States aerospace business showed sizeable gains in shipments, while Canadian and European shipments were down due to a time lag between the phasing out of older aircraft and the start of high volume production of new planes.

The major markets for industrial hydraulic equipment include earthmoving and construction equipment, mining machinery, metalworking and other industrial equipment. Denison Division in the United States made sales gains in all of its major markets. Denison plants located in four European countries also increased sales in each location.

The advantages of hydraulic power are receiving more recognition from design engineers and it is being employed in new kinds of machines each year. Examples include fully-hydraulic backhoes, hydraulically powered concrete mixers and railway track maintenance machinery that utilizes hydraulic instead of mechanical power for the working tools. Denison has developed equipment for these applications and succeeded in obtaining a significant share of this new business. The marine market also continues to grow both here and abroad.

In the last two years, improved piston and vane pumps with lighter weight and improved durability have been developed and introduced to the market. In 1965 continued progress was made in expanding the line of pumps, motors and controls to include more models and to increase

versatility. The effect of this is to open new applications for Denison equipment.

Denison marketing organizations are being established in several additional countries to extend and intensify sales coverage in areas where the market for industrial hydraulic equipment is developing.

A new office building was completed during the year, in Hilden, West Germany, for the administrative, marketing and engineering departments of the Denison Division in Europe.

Increased needs for both military and commercial aircraft were reflected in a large volume of orders for our airborne hydraulic equipment. Additional orders were received for equipment on the McDonnell F-4 program, General Dynamics' F-111 plane, the Lockheed C-141 transport, Boeing-Vertol helicopters and Grumman military aircraft. An important volume of equipment was also shipped for the Titan III, the Saturn SII and several military missile programs.

In the commercial jet field, the Aerospace Division had an important amount of orders for Boeing aircraft and a growing business with major domestic and international airlines. This commercial business more than doubled in 1965.

Jerry Hydraulics Division in Canada was selected as one of the suppliers for landing gear on the new Boeing 737, the first specification of landing gear for a United States commercial jet plane from a Canadian source.

Aerohydraul Division in West Germany has obtained orders for delivery in 1966 of hydraulic pumps on several new aircraft programs in European countries, including Sweden, West Germany and Italy.

With a large order backlog, the work force at all aerospace hydraulic plants will be increased in 1966 and both shipments and earnings should