

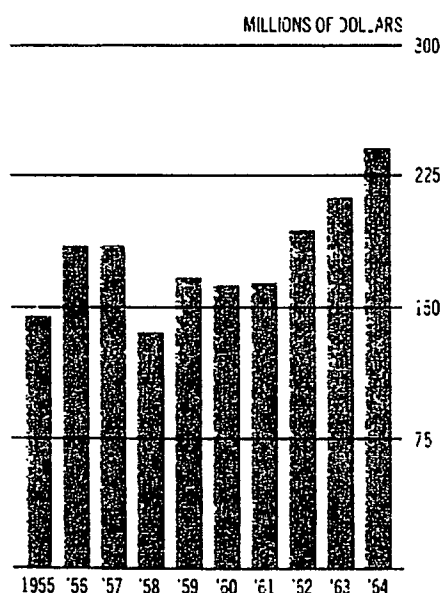
To Our Stockholders:

In 1964 the company reached new all-time records in shipments and net earnings while achieving further growth and improvement in all four major product groups. Aided by a world-wide business climate that was generally favorable, shipments increased 12 per cent and earnings improved 31 per cent over the preceding year.

The increase in shipments was spread throughout all product groups and the ratio of shipments in each group to total company volume remained approximately the same as in 1963. Friction products provided 15 per cent of the sales, hydraulic equipment brought in 21 per cent, railroad products accounted for 26 per cent and 38 per cent was derived from the castings and forgings group.

This progress is the result of several years of careful effort to build a stronger company with more and better products for more segments of industry. Comparing a list of customers for 1964 with a similar list of ten years ago reveals the extent to which the company has changed and broadened its base. Then our products were used largely by transportation and a few major industries in the United States and Canada. Now a wider product line finds application throughout industry in many countries of the world, thereby providing the company with greater stability and potential growth.

Shipments



SHIPMENTS AND EARNINGS

Consolidated shipments in 1964 amounted to \$241,478,130, compared with \$214,668,928 in 1963. Net earnings in 1964 amounted to \$9,762,039, equal to \$5.27 per share, compared with \$7,440,744 or \$4.00 per share in 1963.

This significant increase in earnings was due partially to the larger volume of sales but several additional factors also contributed. The continuing efforts of division managements to maintain tight cost controls and develop more efficient manufacturing and marketing methods brought increased earnings. Start-up costs