Statement of Consolidated Earnings Retained in the Business

YEARS ENDED DECEMBER 31, 1963 AND 1962

	1963	1962
Beginning of year		
American Brake Shoe Company	$ 45,165,552	$ 42,124,377
The S. K. Wellman Company	5,946,515	5,322,958
Total	51,112,067	47,447,335
Net earnings	7,440,744	7,873,406
Total	58,552,811	55,320,741
Cash dividends paid		
On American Brake Shoe Company common shares, $2.40 per share	4,323,112	3,912,562
On shares of The S. K. Wellman Company	130,278	296,112
Total	4,453,390	4,208,674
End of year	$ 54,099,421	$ 51,112,067

ACCOUNTANTS' OPINION

THE BOARD OF DIRECTORS AND STOCKHOLDERS OF AMERICAN BRAKE SHOE COMPANY:

We have examined the consolidated balance sheet of AMERICAN BRAKE SHOE COMPANY and its subsidiaries as of December 31, 1963, and the related statements of consolidated earnings and earnings retained in the business for the year then ended. Our examination 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. We previously examined and reported upon the consolidated financial statements of the Company and its subsidiaries for the year 1962, except that we did not examine the financial statements of The S. K. Wellman Company, and of its subsidiary, which statements were examined by other certified public accountants whose report thereon was furnished to us. Our opinion expressed herein, insofar as it relates to the amounts included for The S. K. Wellman Company and for its subsidiary, for the year 1962, was based solely upon such report.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of the Company and its subsidiaries at December 31, 1963 and 1962 and the consolidated results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

We have also examined the consolidated statement of source and disposition of funds of the Company and its subsidiaries for the years ended December 31, 1963 and 1962, which statement, in our opinion, is fairly presented.

New York, February 13, 1964

LYBRAND, ROSS BROS. & MONTGOMERY

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