seven plants were on a break-even basis before taxes for the year. These operations are growing rapidly and we believe they will start contributing to earnings in 1963.

Negotiations were concluded during the year for the acquisition in January 1963 of an additional plant in West Germany which has the capabilities to manufacture all of our lines of hydraulic equipment.

Examination of this year's operations shows that we have made substantial progress in our efforts to obtain new products in growing industries and to strengthen our position in the traditional and mature businesses of the company. Brake Shoe's markets have been broadened in recent years to include many industries and geographical areas which were never before served. The following section of the report shows in chart form the changes in the basic product groups and the impact of new products on the company's sales during the last eight years.

This new product activity has brought to Brake Shoe sophisticated capabilities in science and technology completely unknown to the company only a few years ago. By raising the technological content of the company in all areas — research, manufacturing and marketing, we are able to produce a higher level of quality in all of our products. We are constantly accumulating experience in these new areas which lead to better products and better ways to make them.

There are some hazards which accompany business that is dependent upon defense programs and international agreements. Currently, this portion of our business amounts to only 15 per cent of total sales and this is spread among such a large number of programs and contracts that it does not present a threat of any serious proportions.

William B. Given, Jr. retired as chairman on February 1, 1963, following more than fifty-one years of dedicated, selfless service to our company. His strong leadership, keen foresight and warm human qualities contributed greatly to the present day strength and success of Brake Shoe. We are all deeply indebted to him.

Brake Shoe's performance is, in a very real sense, a reflection of general business activity with particular emphasis on the heavy goods industries and transportation. Most economists are somewhat more optimistic than they were a few months ago. Their predictions reflect a better year for world-wide business in 1963, with activity at a higher level in the second half of the year. If these predictions prove to be reasonably accurate, Brake Shoe should do better than the economy as a whole and have improved shipments and earnings in 1963.

Sincerely,

President *Chairman*

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