

engaged in the machining and fabrication of industrial hydraulic equipment. This plant is now producing Denison products.

The company now operates 44 plants in the United States, 9 in Canada, 8 in Europe and 1 in Mexico. Manufacturing capacity in all product lines is sufficient to handle our anticipated increase in sales and further expansion of any major proportions will not be required in 1964. Capital expenditures for this year are presently budgeted below the level of 1963 and will be less than anticipated depreciation charges.

UNITED STATES OPERATIONS

Sales of the United States divisions amounted to \$174,000,000, representing 81 per cent of total consolidated shipments. The sales gain in the United States was small, occurring mainly in railroad products. However, we had not expected to equal the large gains made in 1962.

The healthy economy in 1963 continued to bring high-level production in our important customer industries such as automotive, mining, steel, construction equipment and farm machinery. Railroads also experienced increased traffic and better operating results. In contrast, curtailment of some defense programs and changes in military procurement procedures resulted in cutbacks or stretch-outs of some orders on the books.

The current rate of incoming orders and the production schedules of many of our major customers indicate a continuing high volume for our business in the United States.

CANADIAN OPERATIONS

Sales of the Canadian divisions, amounting to \$25,800,000, represented 12 per cent of total consolidated sales.

The Canadian economy showed healthy gains for the year and the monetary situation remained stable. Greater production by the mining industry, which is basic to that country's economy, sustained the demand for the products of our two foundries. Plants producing automotive brake lining and railroad trackwork operated at about the same levels as in the previous year, and the tire mold plant recorded a substantial gain in sales.

Shipments of Jarry Hydraulics Limited increased slightly in 1963. More notable, however, was their outstanding success in obtaining design and production contracts on important new programs for United States and Canadian military aircraft which will carry on for several years.

The Canadian government has in recent years passed measures intended to encourage more Canadian participation in the owner-

RETURN ON STOCKHOLDERS' EQUITY

