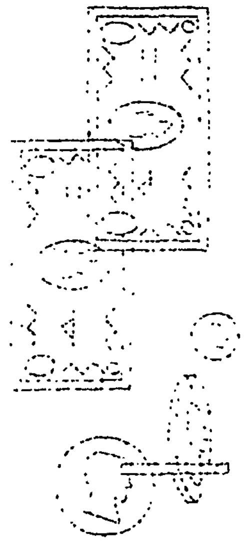

review of the year

shipments and earnings were below 1959 Shipments of $164,586,507 in 1960 were down slightly from shipments of $168,028,632 in 1959. Net earnings fell from $7,681,383, or $4.72 per share, in 1959 to $5,666,874, or $3.48 per share, in 1960. All subsidiaries are consolidated in the Company's financial statements.

orders declined in second half Incoming orders for the first half of 1960 were slightly above those for the last half of 1959, but during the second half of 1960 incoming orders fell sharply below last year's level. Orders received during the first half of 1960 were $87,200,000, but in the second half orders declined to $73,300,000 as the level of business among our major customer industries fell off. Total orders received in 1960 were $160,500,000, compared with $185,600,000 in 1959 and $137,350,000 in 1958.

The Company's backlog of unfilled orders was $40,500,000 at the beginning of 1960, and $30,300,000 at the end of the year. The latter represents approximately two months' shipments at the present rate.

dividends paid were $2.40 per share Dividends totaling $2.40 per share of common stock outstanding were paid during 1960. This equals $3,902,972, or 69 per cent of net earnings.

The Company's policy on dividend payments is to give shareholders reasonable income stability by relating the dividend rate to long-term trends in earnings, rather than allowing it to fluctuate annually. Within this context our policy is to pay out an average of 50 per cent of long-term net earnings as dividends. In years of relatively poor earnings the amount paid out may be greater than 50 per cent, as it was in 1958 and 1960.

no bonuses paid Under an incentive compensation plan approved by shareholders, a bonus may be paid when earnings before taxes exceed $6.00 per share of common stock outstanding. Although earnings for 1960 exceeded that figure by a small amount, Brake Shoe's management and directors felt that results for the year did not justify the payment of incentive compensation.

sales by industry, 1960

Railroads	38.3%
Mining and construction	19.7
Automotive and farm equipment	14.3
Machinery	11.7
Steel and other primary metals	4.8
Aerospace	4.6
Petroleum and chemicals	1.2
Other	5.4
Total	100.0%

inventories increased by $2.7 million Total inventories at the beginning of 1960 were $23,224,714. Purchasing and inventory controls kept year-end domestic stocks of raw material and supplies at a level near that at the beginning of the year, but the starting up of international manufacturing operations resulted in a slight additional increase.

Inventories of finished products and work in process increased by slightly more than $2,300,000 during 1960. This rise illustrates a trend which is current in the American economy. Most businesses are keeping their inventories of raw materials and supplies at the lowest

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