to have a healthy growth for some time. Our companies in Europe should have favorable conditions in which to grow and become firmly established in the next few years.

The new tax laws passed by Congress relating to the taxes on income of companies owned by United States interests are being studied to determine what effect they will have on our future European operations.

Brake Shoe de Mexico, S.A., our brake lining plant in Mexico City, had satisfactory operations in 1962.

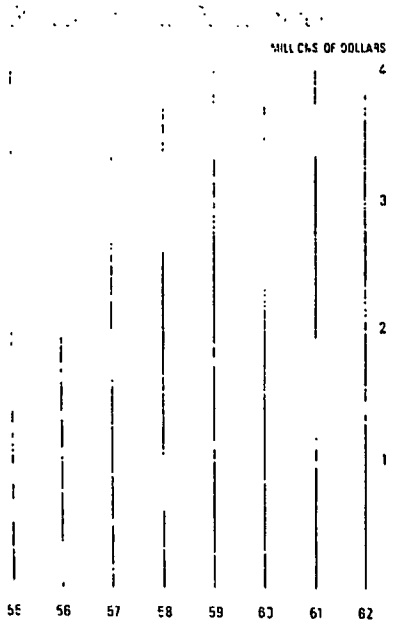
Affiliated Companies

LLOYDS-BRAKE SHOE LIMITED, an English foundry affiliate, enjoyed profitable operations in 1962. In addition to receiving royalties and technical assistance fees, Brake Shoe owns an equity in this company which produces specialty castings, including precision cast tire molds and several of our alloys.

Amsco Mexicana, S. A., in which Brake Shoe holds a major interest, operates a foundry near Mexico City producing manganese and carbon steel castings. This company reached sufficient volume to achieve profitable operations during the second half of 1962 and it is expected that 1963 will bring improved results.

Sifco do Brasil, S/A is the company's forging affiliate which was established in Brazil in 1959. The economic conditions in Brazil worsened considerably during 1962 but the company operated at a profit on the basis of local currency.

In 1962 the company acquired a majority stock interest, with an option to purchase all remaining stock, in Keinath Instrument Company of Columbus, Ohio. This company is a small manufacturer of data recording systems and electronic measuring instruments.



Research and Development Activities

THE company's expenditures for research and development amounted to $3,200,000 in 1962. About half of these funds went for research on hydraulic and related electronic products and systems.

For industrial applications, development of the first of a series of low-cost piston pumps and motors was completed. These new items should enable the Denison Engineering Division to penetrate a greater portion of the low-cost fluid power market both in North America and Europe. Considerable research activity was devoted to hydraulic transmissions for machine tools, earth-moving equipment and other mobile applications. Several transmissions were in the field test stage at the end of the year.

Research and development activities for aerospace products in the past few years can be described in two

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