

W.R. Dyer

STANDARD INDUSTRIAL LITHOGRAPH COMPANY
ANN ARBOR, MICHIGAN

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CLEVITE

CORPORATION

1961

THIRD QUARTER
REPORT

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UNITED STATES
ATOMIC ENERGY COMMISSION
WASHINGTON 25, D. C.

To stockholders and employees:

During the seasonally low third quarter our sales and other revenues totalled \$21,076,543, and earnings were 51 cents a share.

In last year's third quarter sales and revenues were \$21,687,997 and earnings were 60 cents a share.

Summarized comparisons follow:

	3rd Quarter		9 Months	
	1961	1960	1961	1960
Sales and other revenues*	\$21,076	\$21,688	\$67,777	\$73,098
Income before tax*	2,063	2,510	7,041	10,431
Earnings*	1,008	1,180	3,432	5,110
Per common share:				
Earnings	.51	.60	1.75	2.65
Dividends	.30	.30	.90	.90
Percent earnings to sales and other revenues	4.8%	5.4%	5.1%	7.0%

*In thousands of dollars

With our automotive customers involved in labor difficulties in addition to the usual model changes and vacation periods, the third quarter brought reduced bearing business. Because of improvements in organization and operations put into effect earlier in the year, we were able to handle the lower volume with good efficiency.

Although demand for semiconductors continued to grow rapidly and our sales in units were half again as great as a year ago, our dollar volume declined and our profit position deteriorated.

Significant cost reductions in our semiconductor operations were achieved during the quarter and we expect continuing progress in this respect. We have strengthened our organization. We are making important advances in developing new and improved products and getting them into commercial production.

Excellent results were reported by our other electronics units. Our instruments business exceeded expectations, as did shipments of piezoelectric elements and devices. Our programs to broaden the markets for these products continued successfully. Further licens-

Consolidated Results of Operations

	Nine Months	
	1961	1960
Revenues		
Sales of product	\$66,639,285	\$71,863,569
Other revenues	1,138,003	1,234,093
Total revenues	<u>67,777,288</u>	<u>73,097,662</u>
Costs		
Employment costs:		
Wages and salaries	\$28,729,099	\$29,438,266
Employee benefits	3,196,845	3,382,953
Materials, supplies, services, etc.	24,840,251	26,436,556
Depreciation of plant and equipment	2,850,318	2,324,010
Real estate and other taxes	1,119,804	1,084,892
Federal and foreign taxes on income	3,609,000	5,321,000
Total costs	<u>64,345,317</u>	<u>67,987,677</u>
Earnings	<u>\$ 3,431,971</u>	<u>\$ 5,109,985</u>

Note: The financial information in this report is subject to year-end audit.

ing agreements were signed under our piezoelectric patents, and others are in negotiation.

Our replacement bearing business continues at peak levels. Use of our rubber-and-metal components continues to grow; first shipments of a new product, Clevebloc, were made for use in an advanced design of automotive suspension. Our Canadian operation had an outstanding quarter, with record sales of powder metal parts as well as conventional sleeve bearings.

* * *

In August we settled for \$2,800,000 a claim asserted by the government in connection with contracts for approximately \$21,000,000 of torpedoes and related equipment that we produced over an eight-year period beginning in 1950. Since the settlement was applicable to past years, it will be reflected as a charge to surplus in our next annual report and will have no effect on 1961 earnings.

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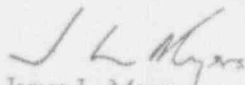
We announce with regret the retirement from our Board of W. Russell Burwell, who served with distinction for 27 years as an officer and director of Clevite Corporation or its constituent company, The Brush Development Company.

We also regret the resignation of Gordon N. Thayer, who joined our Board three years ago when he was vice president of The Ohio Bell Telephone Company and who is now in New York as vice president of operations of American Telephone and Telegraph Company.

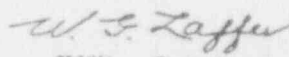
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Strike difficulties in the automotive industry appear to be nearly over, and prospects for good business in the fourth quarter are favorable. While we do not expect any sudden change in the basic situation confronting the semiconductor industry, we are encouraged by many improvements taking place in our own operations. For the year as a whole, our earnings will be below 1960, but will still be creditable.

We expect that our automotive business will be good in 1962, and that the severe problems in the semiconductor industry will diminish. With our organization and our facilities in better condition than ever, results should be well ahead of this year.



James L. Myers
Chairman



William G. Laffer
President

Cleveland, Ohio
October 23, 1961