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Annual Report 1992

**Allied Corporation is a diversified organization whose individual business units are grouped into five major segments, or cores: chemicals, fibers and plastics, oil and gas, electrical and electronic, and health and scientific products.**

**The Bendix Corporation, which Allied acquired on January 31, 1983, has businesses in aerospace-electronics, automotive and industrial products areas.**

**Allied's corporate headquarters is in Morris Township, New Jersey, where three of its operating companies also are based: Allied Chemical Company, Allied Electronic Components Company and Allied Health & Scientific Products Company. Allied Fibers & Plastics Company is based in New York, Union Texas Petroleum in Houston, Texas, and Allied Information Systems Company in Trumbull, Connecticut. The Bendix Corporation is based in Southfield, Michigan.**

**Allied, with Bendix, operates more than 700 plants, research laboratories, sales offices and other facilities worldwide.**

#### **Cover**

**The photo is symbolic of the bridge between the Corporation's chemicals and its fast-growing electronics business—and of the common technologies which link them. Allied is a leading manufacturer of acids, etchants, solvents, cleaning agents and photoresist strippers used to make computer chips, like those found in the circuitry of the Company's sophisticated banking, brokerage, data management and phototypesetting systems. The photo shows a silicon wafer with hundreds of identical chips undergoing a laboratory test at Allied's new electronic chemicals research facility at Buffalo, New York.**

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## In 1982 Allied...

- made the third highest profit in its history
- agreed to acquire The Bendix Corporation and acquired a large minority interest in the Martin Marietta Corporation
- increased domestic oil and gas reserves by 38 percent through an acquisition
- established two new operating companies to expand its electrical/electronic businesses
- continued to increase R&D spending and funding of oil and gas exploration
- improved productivity, reduced costs and cut working capital needs to position itself for faster growth when the economy recovers

(Dollars in millions except per share amounts)	1982	1981	1980
Net sales	<b>\$6,167</b>	\$6,407	\$5,519
Net income	<b>272</b>	348	289
Per share of common stock:			
Net earnings	<b>6.22</b>	9.17	8.15
Cash dividends	<b>2.40</b>	2.35	2.15

**T**he year 1982 was one of deep recession, with its inevitable impact on profitability, but a year nevertheless in which Allied made its boldest and most promising commitment to future growth.

The economic recovery that was widely forecast early in the year for the second half never came. Instead, economic decline turned into economic disaster, the worst recession since World War II.

At the same time, and in part because of the recession, a worldwide oversupply of oil forced prices down and reduced the earnings of our profitable oil and gas operations. And the strength of the U.S. dollar abroad sharply reduced export sales of many products.

In this climate Allied's net income declined to \$6.22 a share, 32 percent below 1981's record \$9.17 but still the third highest in Allied's history. Sales totaled \$6.2 billion, compared to \$6.4 billion the year before.

### **Productivity Improved**

To achieve these results required exceptional efforts in cost cutting, productivity improvement and tighter control over use of capital. Unfortunately, because demand for many of our products declined so sharply, we had to lay off about

6,500 employees during the year.

Against this gloomy backdrop there suddenly appeared, late in the third quarter, an extraordinary opportunity. Two large corporations, Bendix and Martin Marietta, were involved in a takeover battle that appeared to be at a stalemate. When Bendix approached us, we saw the possibility of realizing several of our most important strategic objectives, so we entered into merger negotiations.

### **Merger Approved**

We were able to reach agreements which provided that Allied, without laying out any cash, would acquire Bendix and a 39 percent interest in Martin Marietta. The first stage of the transaction was carried out late in December, and the merger was given final and overwhelming approval by the shareholders of Bendix and Allied at special meetings held on January 31, 1983.

The negotiations and agreements that brought about the merger are far too complex to be repeated here. They were detailed in a 277-page proxy statement distributed to all Allied and Bendix shareholders in advance of the special meetings.

The happy result of this long effort, to which many of the officers and employees of both companies devoted long hours over a period of about five months, is that Bendix, a company with more than \$4 billion in annual sales, is now a subsidiary of Allied. It brings us many new strengths.

Bendix makes high-technology electronics equipment for various aerospace markets. Its products are used in virtually all U.S. fighter planes and in the newest commercial aircraft. Bendix will play a significant role in expanding the electrical/electronic segment of Allied's business, which was started with the acquisition of the Eltra Corporation in 1979 and expanded with the acquisition of Bunker Ramo Corporation in 1981.

Bendix has a leading position in the worldwide automotive business, and its automotive group has remained profitable throughout the long recession. It has an excellent distribution network serving the automotive aftermarket, and we expect this to benefit our other businesses producing automotive products.

Bendix also is an important supplier of computer-controlled machine tools and automated production equipment.

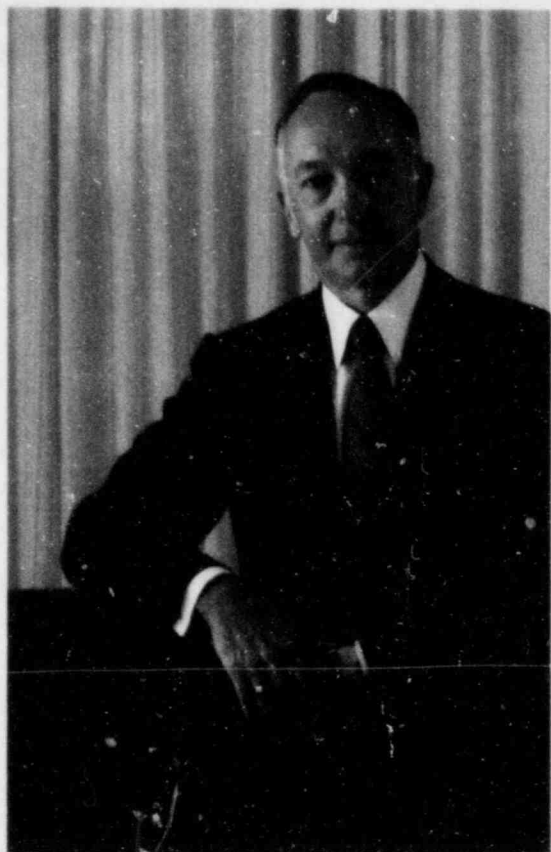
### **Earnings Balance**

Bendix raises the percentage of our profits coming from domestic sources, enabling us to make better use of Allied's tax credits. It improves the balance between income from manufacturing operations and from oil and gas production. And it also increases the average technological level of Allied's businesses, thus helping in our drive to become less dependent on commodity products.

The Bendix and Martin Marietta acquisitions cost Allied \$1.8 billion, a price we think is fair and which leaves us with a debt level that is manageable. We have several options to bring our debt-to-capitalization ratio, which stands at 35.7 percent following the merger, back toward the very low levels we achieved in 1981 and 1982.

Because of the recession, we concentrated a great deal of effort during 1982 on managing for cash flow and increasing the efficiency of all our operations. Eltra and Bunker Ramo were reorganized into two





**Edward L. Hennessy, Jr.**

new operating companies, Allied Information Systems and Allied Electronic Components, and a new Industrial Products Group was formed to provide more effective management for several businesses which are outside the scope of our five cores. Our diverse Canadian operations were regrouped in a new Allied Canada Inc.

The domestic operations of our Union Texas Petroleum subsidiary were strengthened early in the year when Allied, in equal partnership with the Continental Group, acquired Supron Energy Corporation. Supron has large U.S. gas reserves, particularly in the Southwest.

We continued to prune our portfolio of businesses that don't fit into our plans, selling the Converse Rubber Company, Stanley G. Flagg, Borg Textiles and the European seat belt operations during 1982.

In keeping with our long-standing commitment to the chemical industry, we started construction on a plant to produce new water treatment polymers and on a pilot plant to make fluorinated carbon materials, used in new miniature batteries.

#### **R&D Rises**

Because of the severe pressure on earnings, we postponed some capital projects, but we continued to make substantial investment in projects and programs we feel are essential to Allied's future growth. Research and development spending rose from \$152 million in 1981 to \$186 million. Oil and gas exploration expense increased from \$189 million in 1981 to \$245 million. Capital spending totaled \$524 million in 1982, compared to \$609 million in 1981.

The Company's financial condition was significantly improved during the year. Long-term debt was reduced by \$157 million, from 23.3 percent of total capital at December 31, 1981, to 19.5 percent at December 31, 1982. A Company-wide cost reduction program streamlined operations, and inventories were cut back by \$194 million. These and other actions helped position Allied to handle the Bendix acquisition.

I want to thank Allied's 44,000 employees for working so hard and successfully in last year's difficult economic environment. We look forward to the same kind of enthusiastic effort by the 61,000 talented Bendix employees who have now become part of Allied.

We enter 1983 seriously concerned about the state of the U.S. economy. Bendix is expected to make a contribution to Allied's earnings this year after allowing for the expenses of the merger. But the terrible slowdown in industrial activity continues to affect most of Allied's businesses, including Bendix.

Current forecasts suggest that the recovery will be slow. We are convinced that Allied's businesses are positioned to make the most of recovery when it comes and that the addition of Bendix will help make possible, over the next few years, a great new era of profitable growth for Allied.

Edward L. Hennessy, Jr.  
Chairman of the Board  
and Chief Executive Officer

February 2, 1983



**Principal products**

**Chemicals**

Soda ash • electronic, water treatment, fluorine, chrome and fine chemicals  
 • nitrogen and phosphate fertilizers • refractory products • fluorocarbons  
 • hydrofluoric and sulfuric acids • specialty oximes  
 • tar products • uranium hexafluoride • sulfur hexafluoride

**Fibers and Plastics**

Nylon filament and staple fibers • nylon and polyester industrial fibers • nylon apparel fibers • engineered and packaging plastics  
 • fluoropolymers  
 • high-density polyethylene  
 • low-molecular-weight polyethylene • phenol  
 • ammonium sulfate  
 • acetone

**Markets/Industries**

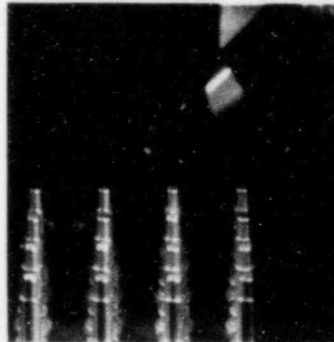
Glass • electrical  
 • electronic • water treatment • paper  
 • automotive • agriculture  
 • steel and aluminum  
 • chemicals • refrigeration  
 • nuclear • refining • fibers  
 • plastics

Residential and commercial carpet • automotive  
 • cordage • electrical  
 • electronic • packaging  
 • containers • additives  
 • fertilizer • coatings



### Oil and Gas

Crude oil and condensate  
 ■ natural gas ■ liquefied  
 natural gas ■ liquefied  
 petroleum gases ■ natural  
 gasoline ■ residue gas  
 ■ ethylene



### Electrical and Electronic

Electrical and electronic  
 connectors and  
 components ■ electronic  
 information systems  
 ■ military intelligence  
 systems ■ phototypesetting  
 equipment and peripherals  
 ■ wire, cable and motors  
 ■ batteries and chargers



### Health and Scientific

Analytical and measuring  
 instruments and apparatus  
 ■ reagent chemicals and  
 diagnostics ■ glassware  
 and plasticware ■ laboratory  
 furniture

Oil refining ■ gas pipelines  
 ■ chemical feedstocks  
 ■ home, farm, utility and  
 industrial fuels

Telecommunications  
 ■ computers ■ military/  
 aerospace ■ brokerage and  
 banking ■ publishing  
 ■ transportation ■ industrial  
 and small engines  
 ■ materials handling

Industrial laboratories  
 ■ medical laboratories  
 ■ educational institutions  
 ■ government laboratories



## Chemicals

**Sales in the chemicals segment were \$1,296 million, a 19 percent decrease compared to 1981's \$1,594 million. Income from operations was \$16 million, an 89 percent decrease compared to 1981's \$148 million.**

intense competitive price pressures caused by an industry-wide oversupply. The result was a substantial drop in profits from the previous year.

There was also a large loss in the traditionally profitable chrome chemicals business—\$27 million. Although somewhat affected by slowdowns in the housing and automotive markets, the business suffered primarily because of problems associated with the introduction of a new manufacturing process. By year-end, however, the situation was corrected.

### Savings Realized

During the year the company implemented a number of cost-cutting and productivity programs which helped offset the shortfalls. A reorganization, designed to reduce staff functions and make each business unit more self-sufficient, resulted in an annualized savings of about \$25 million. Additional savings also were realized through innovative projects improving the productivity of energy, labor and materials in the company's plants and sales and distribution systems.

Although 1982 was not a year of growth for Allied Chemical, its commitment to developing new specialty products and technologies for the future remained strong. The company continued to accelerate funding of its research and development programs, increasing its investment from \$34 million in 1981 to \$38 million in 1982.

The principal targets of its forward research activity are water treatment, electronic and fluorine chemicals. Two new products resulting from this emphasis—*Clarifloc* water treatment polymers and *LuccuLith* photoresists for the electronics industry—are already having initial successes in the marketplace.

In 1982 the company took an-

other of its advances in fluorine chemistry—fluorinated carbon ( $CF_x$ )—from the laboratory to the pilot plant stage. A new facility at the Metropolis, Illinois, plant, scheduled to be operational by mid-1983, will permit larger scale development of  $CF_x$  technology, as well as the introduction of a new group of specialty products for the emerging and fast-growing lithium battery market, where fluorinated carbon is used as a cathode material in the manufacture of batteries for cameras, watches and electronic products.  $CF_x$  also has potential as a lubricant and specialty coating.

### Other Programs

To meet the increasing demand for new, sophisticated refractory products for growth markets and for diversification within the basic manufacturing industries it now serves, the company also opened a new multimillion-dollar research center at State College, Pennsylvania.

In other developments, a licensing agreement was signed with a Japanese firm which permits the company to manufacture and market refractories and equipment for slide-gate systems used in steel-making, and plans to build a new liquid aluminum sulfate plant in Tampa, Florida, in early 1983, were announced. The new plant, the company's third in Florida, will serve industrial and municipal customers who use the product in the manufacture of paper and for treating water.

**D**espite all-out efforts to reduce costs and improve efficiency in its operations, Allied Chemical Company's 1982 performance was disappointing, with sales down and earnings sharply below the previous year's record high levels.

The company operated in a severe economic climate and was affected by the strength of the U.S. dollar which weakened export sales. Nevertheless, most of its businesses, with the exception of fertilizers, soda ash, chrome chemicals and refractory products, affected by the depressed steel industry, held up well. Three businesses—fine chemicals, fluorocarbons and sulfur products—showed gains over the previous year.

In the fertilizer area, sales plunged and the business lost \$36 million. The situation was caused by the very severe depression in the agricultural industry, the company's single largest market, as well as by the high cost of domestic natural gas, the raw material from which fertilizers are made.

Soda ash, the company's volume leader, not only suffered from soft demand in its prime market, glass manufacturing, but also from



Soda ash has been successful in reversing the effects of acid rain in this Adirondack Mountains lake, the initial phase of a long study by the company's technical service representatives at Syracuse, New York, and the state's Department of Environmental Conservation.

## Fibers and Plastics

**Sales in the fibers and plastics segment were \$1,111 million, a 7 percent decrease compared to 1981's \$1,195 million. Income from operations was \$93 million, an increase of 27 percent over 1981's \$73 million.**

For Allied Fibers & Plastics Company, 1982 was a relatively good year. Although sales declined, earnings were up, reflecting good performance in the carpet and industrial fibers businesses and in high-density polyethylene, which made a big recovery from the previous year's slump.

The company's fibers business faced severe competition throughout the year. Nevertheless, it outperformed the industry in general during that period, the eighth year out of the last nine that it has done so. Much of the credit for this achievement in recent years goes to *Anso IV* nylon carpet yarn, which was introduced to the carpet industry about two and a half years ago with great success.

### A New Feature

The technology that produced this advanced fiber, which features built-in soil, stain and static protection, has been extended with the addition of built-in antimicrobial protection, which retards the growth of odor-causing bacteria and fungi.

Called "*Anso IV* with *HaloFresh*," the new fiber recently was introduced in carpet made by most of the industry's major mills. The built-in antimicrobial feature eliminates the need for topical ap-

plication of either soil protector or antimicrobial agent.

In the industrial market, sales were near the level of last year, although earnings increased as a result of improvement in the polyester sector. The company produces heavy-denier, high-tenacity nylon and polyester fibers used in such products as automotive and truck tires, seat belts, hoses and conveyor belts.

Poor market conditions affected apparel fiber performance. A \$30 million modernization program at the Columbia, South Carolina, plant was completed during the year. The expenditure reflects a proprietary process which improves quality, reduces costs and provides flexibility for new products.

### HDPE Improves

In the plastics area, high-density polyethylene (HDPE) sales increased modestly, and earnings improved to a greater extent, aided in part by favorable raw material costs earlier in the year. Raw material costs have been rising over the last few months, however, and severe competition in the marketplace has begun eroding margins. HDPE is used in the fabrication of household chemical, dairy and food containers, among others.

Engineered plastics' income performance was hit particularly hard by general economic conditions in 1982, a period during which substantial investments were made to support the business area's future growth.

### Products Introduced

Several new engineered plastics products, introduced in 1982, are gaining market acceptance. Among

them is a new line of polyester terephthalate molding resins targeted at the growing electronics and industrial markets, a new fluoropolymer film for release applications, and a new fluoropolymer coating system which affords the industrial user a substantial reduction in corrosion damage.

Allied is the world leader in the production and marketing of low-molecular-weight polyethylene, nearly 50 percent of which is sold overseas. Sales declined somewhat as a result of worldwide economic conditions. Nevertheless, earnings improved, helped by cost savings brought about by the closing of a manufacturing plant at Tonawanda, New York. Marketed primarily under the A-C trademark, low-molecular-weight polyethylene is used as an additive in a wide variety of products, from ink to floor waxes.

To develop "*Anso IV* with *HaloFresh*" fibers and other innovative products for its customers, Allied Fibers & Plastics Company spent \$42 million for research and development in 1982, an increase of 20 percent over the previous year.





Carpet of Anso IV nylon fiber is finding increased use in prestige installations subjected to high traffic, such as the Fashion Gallery Fur Salon at Bullock's Beverly Center, Los Angeles. The carpet is Fabrica's "Chenille" in desert rose.

## Oil and Gas

**Sales in the oil and gas segment were \$1,992 million, a 4 percent decrease compared to 1981's \$2,068 million. Income from operations was \$486 million, a decrease of 15 percent compared to 1981's \$570 million.**

**U**nion Texas Petroleum, Allied's oil and gas subsidiary, continued its strong performance in 1982, although lower worldwide prices for oil and lower demand for domestic natural gas reduced sales and income from operations below 1981 levels.

Early in 1982 Allied acquired Supron Energy Corporation and subsequently transferred the producing properties to a partnership equally owned with the Continental Group, Inc. This acquisition improves UTP's balance of domestic to foreign reserves. On an oil equivalent basis, UTP's share of the former Supron reserves increased domestic reserves from 23 percent of UTP's total to 29 percent.

Worldwide net daily production, including production from the company's share of the former Supron properties, averaged 86,000 barrels of crude oil and condensate and 320 million cubic feet of natural gas in 1982, compared to 85,000 barrels and 329 million cubic feet in 1981. Of the 1982 total, foreign net daily production was 68,000 barrels of crude oil and condensate and 135 million cubic feet of natural gas. Domestic net daily production was 18,000 barrels of crude oil and condensate and 185 million cubic feet

of natural gas. Net natural gas liquids production from UTP's processing plants averaged 16,000 barrels per day.

At year-end, estimated reserves, including the Supron acquisition, were 493 million barrels of oil equivalent, down 10 million barrels from 1981 after production of 51 million barrels of oil equivalent.

### Exploration Expense Up

Expenditures essential to future growth increased significantly during the year. Oil and gas exploration expense rose from \$189 million in 1981 to \$245 million in 1982. UTP participated in the completion of 401 exploratory and development wells, including 68 wells drilled on the acquired Supron properties. This resulted in 335 gross (79.47 net) productive wells representing a 37 percent success ratio on exploratory wells and 96 percent on development wells.

UTP's total capital and exploration expenditures, including internal geological and geophysical costs, increased from \$475 million in 1981 to \$482 million in 1982. In 1983 UTP plans to spend \$535 million on capital and exploration programs.

Significant discoveries were made during 1982 in Southeast Texas, the Gulf of Mexico off Louisiana and in the Williston Basin of North Dakota. An active exploration and development program will continue in 1983. In the San Juan Basin of New Mexico alone, UTP plans to participate in the drilling of 120 wells to develop reserves located on the former Supron properties. At year-end, UTP's net undeveloped leaseholds in the U.S. totaled some 2.2 million acres.

### Foreign Production

In the British North Sea, daily crude oil and condensate production in the Piper and Claymore fields, in which UTP has a 20 percent interest, increased slightly from 307,000 barrels a day in 1981 to 315,000 a

day in 1982, 55,000 barrels a day net to UTP.

Net daily production during 1982 from UTP's properties in East Kalimantan, Indonesia, averaged 2,836 barrels of crude oil and condensate and 132 million cubic feet of natural gas, compared to 2,500 barrels and 132 million cubic feet in 1981. Natural gas production will increase substantially in late 1983 with the doubling of capacity at the Bontang LNG plant and with gas sales to a new Indonesian fertilizer facility.

Oil production from five development wells in Pakistan's Khaskeli field, which UTP discovered in 1981, averaged nearly 2,228 barrels daily in 1982, 586 barrels net daily to UTP. Additional drilling will be conducted there in 1983. UTP has a 30 percent ownership.

In 1983 the company plans to participate in 59 exploratory wells to test its foreign properties. These wells will include confirmation drilling in Argentina's Malargue Sur area.

### Gas Processing

For the third consecutive year, liquids production from the 11 gas processing plants UTP operates increased at a rate substantially greater than the industry. In 1983 UTP expects to bring an additional plant on stream in Texas and another in Louisiana and plans further expansion.

Both productivity and profitability were improved in 1982 in Texgas Corporation, a subsidiary that markets liquefied petroleum gas mostly in the eastern half of the U.S. Operations were streamlined through consolidations of selected retail branches and the sale or trade of a number of others. Expanded marketing efforts will increase propane sales to the motor fuel market in 1983.





One of the most active development programs in Union Texas Petroleum's history is under way in the San Juan Basin in New Mexico. Shown is one of the wells that Union Texas completed there in 1982. UTP plans to drill 120 wells in the area in 1983.



## Electrical and Electronic

**Sales in the electrical and electronic segment were \$882 million, a 7 percent increase over 1981's \$825 million. Income from operations was \$3 million, compared to 1981's \$33 million.**

a 21 percent increase over the previous year.

### Electronic Components

In the electronic components area, the Amphenol division felt strong competitive pressures as well as declining conditions in the commercial aerospace and telephony industries. The division, which produces electrical, electronic and fiber optic connectors and associated interconnecting devices, nevertheless increased spending on research and development. The division's telecommunication and special military projects performed well, permitting Amphenol to gain slightly in overall market share.

The Prestolite division, which manufactures a wide range of electronics, wire and motors for the automotive, material handling, farm equipment, marine and construction industries, performed at levels comparable to the markets it serves and had a better than average earnings performance.

Overall sales by C&D Batteries, which manufactures lead-acid batteries for a wide variety of industrial markets, continued at near the level of the year before, although its earnings were down. Sales of batteries used for standby power in telecommunications and uninterruptible power supplies continued strong, almost making up for slumping sales in the industrial lift truck and other motive power markets. C&D's capital expenditures for manufacturing modernization resulted in a strengthening of its competitive position and enabled the unit to gain a larger market share.

### Information Systems

In the information systems area, sales by the Mergenthaler Linotype

Group, which produces and markets phototypesetting products, systems and typefaces, were severely depressed in 1982 and the unit operated at a loss. There were several reasons, among them intense competition and the worldwide recession that resulted in a falloff in business across the group's geographical markets.

The Bunker Ramo Information Systems division, which provides electronic transaction processing systems to the banking, savings and loan, and brokerage industries, increased sales in 1982 over the level of the previous year. However, income, in a year-to-year comparison, dropped because of increased R&D expenditures.

In the past few months the division has introduced expanded information systems that combine the capabilities of the best personal computers and word processors on the market today. Deliveries will begin in 1983. Employing a new microcomputer, the units can be configured as a multiterminal, multi-function office automation system for use by banks, brokerage offices and other financial institutions.

Sales by the Bunker Ramo Electronic Systems division, which is primarily a defense contractor, were up moderately over the year before, and the division was able to turn a loss in 1981 into a small profit in 1982.

The Corporation's electrical and electronic core business is managed by Allied Electronic Components Company and Allied Information Systems Company, both formed early in 1982 by the merger of certain businesses of the former Eltra and Bunker Ramo Corporations. Eltra, acquired in 1979, marked Allied's entry in the electrical/electronics field and Bunker Ramo, acquired in mid-1981, broadened and enhanced its base.

Dependent to a large extent on the vitality of industrial and business activity, these businesses were affected by a sluggish economy. While cost reductions helped cushion the impact, there was erosion in earnings in 1982.

Together, Allied's Electronic Components and Information Systems Companies achieved cost reductions in 1982 that amount to about \$40 million on an annualized basis. Administrative and general expenses were greatly reduced and productivity was improved throughout the companies' operations, placing the units in a more competitive position for a strong recovery when business improves.

The two companies also continued their aggressive research and development programs, spending a total of \$40 million,



Before shipment to customers, fiber optic connectors undergo a final inspection at an Amphenol facility at Danbury, Connecticut. This computerized machine checks the diameter and concentricity of a hole finer than a human hair.

## Health and Scientific Products

**Sales in the health and scientific products segment were \$505 million in 1982; income from operations was \$19 million. Fisher Scientific Company, which constitutes this segment, was acquired effective October 1, 1981.**

**T**he Corporation's newest core business in health and scientific products marked its first full year of operation in 1982. Managed by Allied Health & Scientific Products Company, it is, at this time, made up entirely of Fisher Scientific Company, which Allied acquired in the fall of 1981 as an entry into the high-growth opportunities of the health care and other scientific markets.

Fisher Scientific, which manufactures, distributes and sells a broad range of products used in laboratories, exceeded the sales level of its 1981 record year, despite the slowest growth rate in the laboratory supplies markets in a decade. However, in a year-to-year comparison, earnings slumped, reflecting competitive price pressures and costs of expanding its sales force.

Although the company trimmed costs in many areas of its operations, it continued to make a substantial investment towards its future growth. It expanded its sales and marketing staffs by 16 percent in order to penetrate geographical and market areas which were not previously fully covered. This investment accounted for more than 40 percent of the company's total profit decline from 1981. The company

also boosted outlays on research and development by 14 percent, to carry out its commitment to add more high-technology products to its businesses.

Fisher is the leading supplier to industrial labs and the second largest supplier to medical labs. Its products include analytical and measuring instruments, apparatus and appliances; reagent chemicals and diagnostics; glassware and plasticware, and laboratory furniture.

### New Catalog

In 1982 Fisher brought out the latest edition of what is probably its best known "product," a 1,700-plus-page illustrated catalog of virtually all 56,000 Fisher-stocked items. The catalog, issued every other year, is sent to more than 300,000 customers and potential customers around the world.

Among hundreds of new items introduced and included in the catalog is a new version of Fisher's automatic tissue processor. Called the *Histomatic 266MP* and designed for large medical centers, it can process as many as 340 tissue cassettes in a single run. It has an integral microprocessor which enables the user to create and store individualized programs. The company also introduced the new *Contempra* chromatic line of modular steel laboratory furniture. Offered in five attractive colors, with gradations of shades of each color from drawer to drawer, the furniture creates a feeling of airiness new to laboratory installations.

Fisher's sales to medical laboratories, such as those found in

hospitals, clinics and medical centers, benefited from increased demand by health care facilities. Growth of this market is expected to continue for the foreseeable future.

### New Products

Sales to industrial laboratories were relatively strong in 1982, considering the state of the economy. Sales equaled the level of the year before, helped to some extent by the introduction of two new items that were named by Industrial Research Magazine as among the 100 "most significant technical products of 1982." The *Isotemp* ashing furnace, Model 495, combines an integral microprocessor with a unique forced-draft design to provide customers greater flexibility in determining ash and/or volatiles content. The other product is a new Jarrell-Ash solid sampling spectrometer that provides expanded analytical capability.

Fisher Scientific's other major markets, educational and government laboratories, were less robust than the medical and industrial areas, reflecting a reduced level of spending in these segments of the economy.

Allied Health & Scientific Products Company's future plans are to make carefully selected acquisitions in the health care field, including some outside of the laboratory supply business.





For the physically handicapped, Fisher Scientific has introduced a portable, self-contained science station which is adaptable for biology, chemistry or physics studies. The unit above is at Southern Connecticut State College.

**R&D spending increased from \$152 million in 1981 to \$186 million in 1982.**

**O**ne of Allied's most important corporate strategies is to grow through internal development of new technology and new products. To this end the Corporation has been steadily expanding its research staff and programs over the last three years. Funding for R&D has risen from a level of \$70 million in 1979 to \$186 million in 1982, and spending for this purpose, excluding Bendix, is expected to total \$1.2 billion in the 1983-87 period.

Although a significant part of this effort points in new directions, most of the R&D programs seek to develop new or improved products and processes for the Company's existing businesses. In the chemicals area, for instance, new products are being formulated for use as flocculants and sludge dewatering agents in water treatment plants. Such advances will help extend Allied's leadership in water treatment chemicals.

### **Serving Old and New**

Technologies under development in Company laboratories sometimes serve both the newest and oldest of Allied's businesses. The Corporation is a leading supplier of electronic chemicals used to manufac-

ture computer chips, which find wide use in Allied's electronic products. Company scientists are working on new photoresists which will permit production of even more powerful chips, thus adding new products to the electronic chemicals line.

The commercial possibilities of strong new engineering plastics and new fibers are under evaluation. Solid materials with forms and properties not previously available are being produced in the laboratory by using lasers to initiate chemical reactions in gas mixtures. Commercial interest is being shown in Allied's bipolar membranes, which can break salts down into their component acids and bases, using very little energy.

### **Commercialization**

During 1982 Allied Technologies Company was formed to strengthen technological development and help commercialize the most significant laboratory discoveries. Among the fledgling products it is promoting are *Metglas* amorphous alloys, an entirely new class of engineering materials with many advantages, particularly in the ease with which they can be magnetized.

In 1982 the company began to commercialize its *Metglas* products in Japanese markets through a joint venture company established the previous year.

Allied is also participating in a utility industry program to demonstrate that distribution transformers with *Metglas* cores can reduce power losses and save large amounts of energy. *Metglas* alloys

have many other potential uses. Early in 1982 Allied and Emerson Electric Company began a joint program to develop industrial motors using *Metglas* alloys.

### **Company Acquired**

The Nitragin Company, acquired by Allied Chemical Company in 1982 and subsequently transferred to Allied Technologies, will complement R&D work in genetic engineering to develop new strains of rhizobia, the bacteria that convert nitrogen into nourishment for certain forms of plant life. Nitragin, a leading marketer of soil inoculants, will provide the marketing and distribution system for new products evolving from laboratory discoveries.

Allied Technologies is also building a new business in lasers based in part on the development by Allied scientists of synthetic alexandrite crystals. The alexandrite laser is the first tunable solid state laser with potential in commercial and military applications.

During 1982 a scientific alexandrite laser product line was introduced by Apollo Lasers for commercial applications. Other specially designed alexandrite lasers have been delivered to various government agencies for military applications.



Developed by Allied research, bipolar membranes have many possible applications in chemical processing, including reclaiming chemicals from industrial wastes. The membranes, one of which is inspected here by Dr. K. N. Mani, are undergoing evaluation in full-scale pilot operations.



# Corporate Responsibility

**In 1982 the Corporation, together with the Allied Foundation, contributed \$3.8 million to educational institutions and community and cultural organizations. In addition, the Company spent about \$250 million on programs related to environmental protection, employee health and energy conservation.**

**A**llied is responding in a number of ways to President Reagan's call for greater private sector initiative in the solution of public problems. Some of the commitments are new, some are ongoing.

In 1982, for example, the Allied Foundation initiated a program to provide salary support grants to chemical engineering departments at nine American colleges and universities whose graduates are among those most frequently recruited by the Company. The program aims to help retain qualified engineering faculties on the nation's campuses where the lure of higher salaries by the private sector has diminished both the quantity and quality of educators.

Among the ongoing programs in which Allied participates is the Technical Training Project, Inc., a nonprofit organization in Newark, New Jersey, supported by Allied and other private businesses. The program, a 16-week course of classroom study and on-the-job training, prepares young adults for technical careers in science. Opportunities Industrialization Centers (OIC) of America, Inc. is another employment training program which Allied has supported for many years through contributions of money

and management expertise.

Allied's support of private sector initiative has taken other forms. Chairman Hennessy and other Allied executives participated in the President's Private Sector Survey on Cost Control, aimed at eliminating waste and improving efficiency in the federal government. They also participated in a similar effort initiated in New Jersey by Governor Thomas Kean.

In communities where Allied has facilities, the Company and employees are active in civic and human service programs. At both community and national levels, Allied also provides financial support to many organizations.

In 1982, contributions by the Allied Foundation and the Corporation totaled \$3.8 million. Of this, \$1.6 million was in aid to education and \$2.2 million was in grants to community and cultural organizations.

Protecting the environment is another way in which Allied demonstrates its social concern. During 1982, the Company invested \$34 million in environmental improvement projects and spent about \$88 million to operate all the environmental improvement facilities now in place.

## Value Out of Waste

A high priority has been Allied's search for material and fuel value in plant waste streams in order to minimize waste treatment while improving productivity. At a plant in Baton Rouge, Louisiana, a waste hydrochloric acid stream is processed to produce calcium chloride for use in oil drilling. And at several plants, methods have been developed to use by-products safely as fuel. This permits recovery of heat value from the waste and eliminates the cost of off-site disposal.

While complying with existing environmental legislation, Allied is

working with the Environmental Protection Agency (EPA) to improve the cost-effectiveness of controls through innovative approaches. For example, a proposal now before the EPA will reduce capital costs at the Company's agricultural operations in Geismar, Louisiana, by some \$1.5 million with no adverse impact on the environment.

Allied also has extensive programs to protect employee health and safety. In 1982 the Company spent about \$115 million on efforts directly related to the health of its workforce. Millions more were spent on indirect health-related programs such as toxicological research, which helps to protect the health of customers and the general public, as well as employees.

## Safety Improves

In the area of safety, Allied improved its performance for the seventh consecutive year, reducing by 23 percent its number of industrial accidents compared to 1981. The Company's "Strive for Excellence" program, designed to promote on-the-job safety, is being expanded to promote accident prevention for employees and their families at home.

As in previous years, Allied's efforts to save energy by improving the energy efficiency of its plant operations continued aggressively. The Company spent over \$14 million in 1982 to carry out a wide range of energy projects in a number of its plants, thereby maintaining spending levels of previous years. With 1972 as the benchmark year, the Company had, by 1982, reduced its use of energy per unit of production by 17.7 percent. This was about two percent less than the year before because most plants were operating at reduced capacity.



Gregory McLeod, a plastics laboratory technician, joined Allied about two and a half years ago after training at Technical Training Project, Inc., a private, nonprofit organization that trains youths for technical careers in science.

**T**he Bendix Corporation, now a subsidiary of Allied, is one of the nation's leading manufacturers. In 1982 the company, whose fiscal year ended September 30, had revenues of \$4.1 billion—the second highest in its history—and income from continuing operations of \$138 million.

The year 1982 was the first year out of the last 12 that Bendix revenues and income from continuing operations failed to set new records. In the period from 1971 through 1981, revenues climbed from \$1.4 to \$4.4 billion, while income from continuing operations rose from \$39 to \$205 million. The merger will enhance Allied's profits in 1983 and in the years to come.

Founded in 1924 by Vincent Bendix, who ten years earlier had invented a starter device that eliminated the need for hand cranking automobile engines, Bendix today is a respected force in the aerospace-electronics, automotive and industrial markets. Many of Bendix' products fit well with those produced by Allied. More importantly, Bendix opens the door for expansion of some Allied businesses, particularly in the sale of electronic products to government markets.

William M. Agee is chairman and chief executive officer of Bendix

and has been elected president of Allied Corporation and a member of its Board of Directors. Alonzo L. McDonald is president of Bendix. With headquarters in Southfield, Michigan, Bendix has some 85 divisions, subsidiaries and affiliates and employs over 61,000 people around the world.

Bendix' Aerospace-Electronics Group, with headquarters in Arlington, Virginia, provides products and services for commercial, military and general aviation markets worldwide and for America's defense and space programs.

In fiscal 1982 the group's revenues amounted to \$1,585 million and operating profits totaled \$161 million. The major portion of this business is with the U.S. government.

#### **Bendix A Pioneer**

Automatic flight control systems, pioneered by Bendix more than 50 years ago, are part of an extensive list of products which the company provides for the aviation industry. Others are aircraft wheels and brakes; airborne radar systems; communications, navigation and identification equipment; electric power generating systems; ignition and fuel control systems; electro-mechanical and hydraulic components; engine and flight instruments; motion sensing and air data systems, and test and checkout equipment.

For space and nonaviation defense programs, Bendix provides systems for guidance and control of missiles and space vehicles; fuel

controls and electric-generating and navigation equipment for military ground vehicles; acoustic submarine detection equipment; test and checkout equipment; precision components for tactical missiles, and field engineering, management and support services.

In 1982 the Aerospace-Electronics Group maintained at record levels its investment in research, new product development and capital programs which are expected to benefit the group in the mid-'80s and beyond. The projects included the continuing development of cockpit avionics, brake systems and hydraulic actuators for the Boeing 757 and 767 jet transports, which are expected to reach substantial production levels by the middle of this decade, and avionics sensors, electronic cockpit displays and advanced electrical generating systems for the growing commuter and business aircraft markets.

Bendix' Automotive Group, with headquarters in Southfield, Michigan, supplies systems and components to domestic and foreign manufacturers of cars, light trucks and heavy vehicles, and also supplies a variety of replacement parts.

In fiscal 1982, automotive operations' revenues totaled \$1,968 million and operating profits amounted to \$169 million.





Boeing Aerospace Electronics Group manufactures a  
variety of components and systems for commercial,  
general aviation and military aircraft, such as this  
U.S. Air Force F-16 fighter-bomber.

A Bendix brake system for a truck is shown in the top left corner of the page.



## Leader in Brakes

Bendix is the world's leading independent producer of automotive brake systems. In addition to brake systems and components, the company's original-equipment products include friction materials and a variety of engine management systems and components.

Bendix' aftermarket business, which accounts for about half of the Automotive Group's sales, consists of replacement parts for car and truck brake systems, plus *Fram* air, oil and fuel filters and *Autolite* spark plugs. *Fram* and *Autolite* have important market positions in the aftermarket.

Bendix' worldwide automotive business is about evenly divided between U.S. and international markets, primarily in Europe.

A number of innovative products are contributing to the group's technological reputation. They include an electronically controlled diesel fuel injection system which has been licensed for production, a miniaturized power steering valve and a newly designed power brake booster. In 1982 the group began production of new *Autolite* copper-core spark plugs that provide higher efficiency and longer life than conventional plugs, and of an electronic fuel injection system for one of the newly introduced U.S. automobiles.

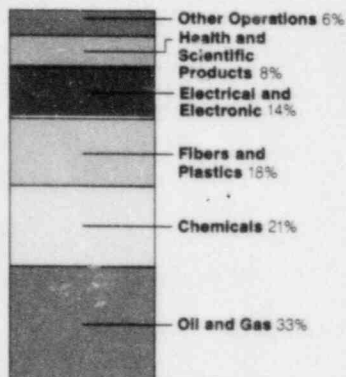
Bendix' Industrial Group, with headquarters in Cleveland, Ohio, manufactures machine tools and a variety of other production equipment and systems primarily for the metalworking industry. The group had revenues of \$560 million in fiscal 1982 but operated at a loss because of a sharp drop in demand in most of the more than 40 product markets it serves.

With the acquisition of Warner & Swasey in early 1980, Bendix became the nation's second largest machine tool company. The Indus-

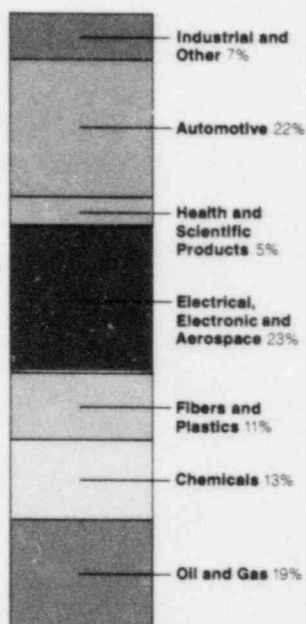


The Industrial Group is making substantial investments in development of factory automation of the future, including the newly announced manufacturing systems concept shown at the 1982 International Machine Tool Show in Chicago.

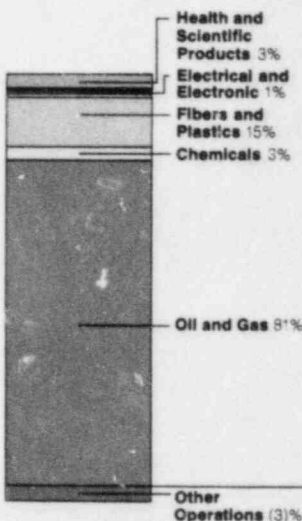
**Allied**  
\$6.2 billion



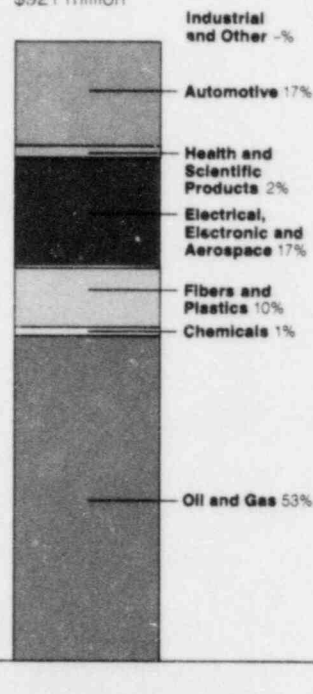
**Allied and Bendix Combined**  
\$10.3 billion



**Allied**  
\$598 million



**Allied and Bendix Combined**  
\$921 million



trial Group supplies automated transfer, material handling and assembly equipment; computer-controlled turning, grinding, boring, cutting, bending and shearing equipment; automatic gauging, measuring and inspection equipment; flexible machining systems; computer-control systems, and precision cutting tools and machine accessories.

Other operations produce telescoping-boom hydraulic excavators and material handlers for a variety of construction and industrial markets and piping systems for the power-generating, refining, petrochemical and other processing industries.

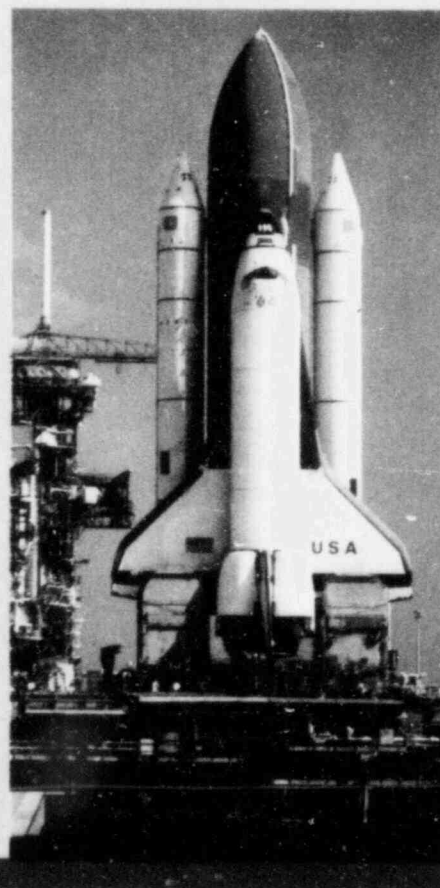
To improve its position in factory automation and flexible manufacturing systems, the group recently concluded several technology agreements with European and Japanese companies and is investing heavily in internal development of new automation products.

### Interest in Marietta

In the same series of transactions that resulted in the Bendix merger, Allied acquired 39 percent of the common stock of Martin Marietta Corporation. Formed in 1960 and based in Bethesda, Maryland, Martin Marietta is a diversified company with six business segments.

The company increased both its sales and earnings in nine of ten years ending in 1981. In 1982, sales of \$3.5 billion continued at a record level; earnings fell to \$91.6 million.

Its aerospace unit, the company's largest, is a high-technology operation involved in the design, development and manufacture of major defense and space systems such as the giant external expendable liquid fuel tank and other systems for the space shuttle, the Titan III space launch system and systems for the MX missile program. Its other business areas include aluminum, cement, chemicals, construction aggregates and data systems.



A Space Shuttle Columbia is mated to the External Tank and Solid Rocket Boosters on the Mobile Launcher Platform. The shuttle is being moved by a crawler-transporter at the Kennedy Space Center.



## Consolidated Statement of Income

Allied Corporation

(Dollars in millions except per share amounts)

Years ended December 31	1982	1981	1980
Net sales	<b>\$6,167</b>	\$6,407	\$5,519
Cost of goods sold (exclusive of DD&A)	<b>4,361</b>	4,455	3,824
Depreciation, depletion and amortization (DD&A)	<b>382</b>	347	271
Selling, general and administrative expenses	<b>639</b>	534	434
Total costs and expenses	<b>5,382</b>	5,336	4,529
Income from operations	<b>785</b>	1,071	990
Other income-net	<b>89</b>	21	45
Nonrecurring items	<b>(11)</b>	29	(28)
Interest and other financial charges	<b>(84)</b>	(88)	(81)
Income before taxes on income	<b>779</b>	1,033	926
Taxes on income	<b>507</b>	685	637
Net income	<b>272</b>	348	289
Preferred stock dividend requirement	<b>(68)</b>	(38)	(23)
Earnings applicable to common stock	<b>\$ 204</b>	\$ 310	\$ 266
Earnings per share of common stock*	<b>\$ 6.22</b>	\$ 9.17	\$ 8.15

\*Earnings per share of common stock are based upon the weighted average number of shares outstanding during each year as follows: 1982, 32,810,044 shares; 1981, 33,840,648 shares and 1980, 32,610,944 shares. No dilution results from outstanding convertible preferred stock and stock options, the only common stock equivalents.

## Consolidated Statement of Retained Earnings

(Dollars in millions except per share amounts)

Years ended December 31	1982	1981	1980
Balance at beginning of year	<b>\$1,290</b>	\$1,057	\$ 858
Net income	<b>272</b>	348	289
Other	<b>(12)</b>	1	3
Dividends:			
Preferred redeemable stock	<b>(69)</b>	(37)	(23)
Common stock (1982-\$2.40 per share; 1981-\$2.35 per share and 1980-\$2.15 per share)	<b>(79)</b>	(79)	(70)
Balance at end of year	<b>\$1,402</b>	\$1,290	\$1,057

The Other Financial Statement Data and Notes to Financial Statements on pages 32-51 are an integral part of these statements.

# Consolidated Balance Sheet

Allied Corporation

(Dollars in millions)

December 31	1982	1981
<b>Assets</b>		
Current assets:		
Cash and short-term securities and time deposits, at cost approximating market	\$ 176	\$ 181
Accounts and notes receivable	728	933
Inventories	647	841
Prepaid expenses and other current assets	73	56
Total current assets	1,624	2,011
Investment in The Bendix Corporation	893	—
Investment in Martin Marietta Corporation	301	—
Other investments and long-term receivables	376	226
Property, plant and equipment less accumulated depreciation, depletion and amortization (1982—\$2,374; 1981—\$2,063)*	2,858	2,866
Other assets	220	241
Total assets	\$6,272	\$5,344
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	\$ 769	\$ 974
Short-term borrowings	38	53
Accrued liabilities	302	286
Other current liabilities	99	60
Total current liabilities	1,208	1,373
Long-term debt and capitalized lease obligations	700	857
Deferred income taxes	287	335
Accrued pension obligations	79	89
Other liabilities	205	199
<b>Preferred redeemable stock</b> (aggregate liquidation preference: 1982—\$619; 1981—\$625)	586	591
<b>Adjustable Rate Series E Cumulative Preferred Stock</b> (held by Bendix)	1,194	—
<b>Common stock and other shareholders' equity</b>		
Capital—common stock—Authorized 100,000,000 shares (par value \$1 per share); issued: 1982—35,448,911 shares; 1981—34,127,879 shares	669	629
Common stock held in treasury, at cost: 1982—198,954 shares; 1981—384,188 shares	(10)	(19)
Cumulative foreign exchange translation adjustment	(48)	—
Retained earnings	1,402	1,290
Total common stock and other shareholders' equity	2,013	1,900
Total liabilities and shareholders' equity	\$6,272	\$5,344

\*The Company follows the successful efforts method of accounting for oil and gas activities.

The Other Financial Statement Data and Notes to Financial Statements on pages 32-51 are an integral part of this statement.

# Consolidated Statement of Changes in Financial Position

Allied Corporation

(Dollars in millions)

Years ended December 31	1982	1981	1980
<b>Funds from operations</b>			
Net income	\$ 272	\$348	\$289
Add (deduct) items not affecting funds:			
Depreciation, depletion and amortization	382	347	271
Gain on sale of Canadian oil and gas properties	—	(194)	—
Provision for write-off of investment and other assets	—	189	14
Other—net	(119)	(6)	34
Total funds from operations	535	684	608
Changes in working capital—net*	217	(179)	(125)
Dividends on common and preferred stock	(148)	(116)	(93)
Other—net	86	70	75
Funds retained in the business	690	459	465
<b>Financing transactions</b>			
Issuance of preferred stock to finance acquisitions	1,194	331	—
Issuance of common stock	137	19	237
Issuance of notes and revenue bonds	131	93	24
Reduction in long-term debt and capitalized lease obligations	(288)	(230)	(91)
	1,174	213	170
<b>Funds required for capital additions and other changes</b>			
Investments in Bendix and Martin Marietta	(1,194)	—	—
Acquisitions (excl. working capital and cash acquired—\$302)			
Property, plant and equipment, investments and other assets	—	(468)	—
Long-term liabilities and debt assumed	—	112	—
Additions to property, plant and equipment	(524)	(609)	(533)
Changes in assets held for disposal	—	112	(6)
Changes in other investments and long-term receivables	(140)	70	(64)
Proceeds from property, plant and equipment retired or sold	130	71	45
Repurchases of common and preferred stock	(93)	(16)	—
Net proceeds from sale of Canadian oil and gas properties	—	237	—
Write-off of investment and other assets	—	(189)	(14)
Cumulative translation adjustment	(48)	—	—
	(1,869)	(680)	(572)
<b>Increase (decrease) in cash and short-term securities</b>	\$ (5)	\$ (8)	\$ 63
<b>*Analysis of changes in working capital</b>			
Accounts and notes receivable	\$ 205	\$(148)	\$(29)
Inventories	194	(240)	1
Prepaid expenses and other current assets	(17)	(20)	(3)
Current assets held for disposal	—	38	61
Accounts payable	(205)	301	(95)
Short-term borrowings	(15)	20	(147)
Other liabilities	55	(130)	87
	\$ 217	\$(179)	\$(125)

The Other Financial Statement Data and Notes to Financial Statements on pages 32-51 are an integral part of this statement.



## 1982 Compared with 1981

### Financial Condition

The Company significantly improved its inventory and long-term debt balances during 1982. Improved management of working capital and the effect of dispositions reduced inventories by \$194 million. The percent of long-term debt to total capital declined from 23.3 at December 31, 1981, to 19.5 at December 31, 1982. The Company had \$176 million available in cash and marketable securities for its operations compared with \$181 million at December 31, 1981.

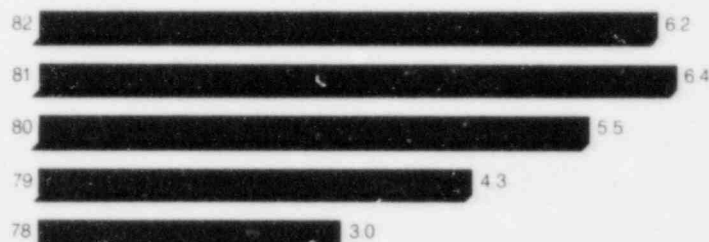
At December 31, 1982, the ratio of current assets to current liabilities was 1.3X compared to 1.5X at December 31, 1981. The Company's short-term liquidity was much stronger than this ratio indicates because the inventory value on the balance sheet is significantly below its current replacement cost. A significant portion of inventories is valued on a LIFO accounting basis which calculates inventories at costs and prices at the time the Company adopted LIFO. On an adjusted basis, the current ratio at December 31, 1982, would be 1.6X compared to 1.7X at December 31, 1981. This ratio and its implications must also be viewed in context of the Company's ready access to cash through a credit agreement, under which a maximum of \$2 billion may be borrowed. Although the Company has not borrowed under the credit agreement in 1982, it has served as support for the issuance of commercial paper. Commercial paper outstanding was as high as \$476 million during the year, with none outstanding at year-end.

In March 1982 the Company sold its Converse and Stanley G. Flagg Divisions for a total consideration valued at approximately \$127 million, consisting of cash, long-term notes and stock. As part of the proceeds from the sale of Converse, the Company received a minority common stock interest in the purchaser.

In April 1982 the Company completed the acquisition of the Supron Energy Corporation, and the Supron producing properties were transferred to a partnership owned equally by the Company and The Continental Group, Inc. Continental had provided one half of the funds for the acquisition. The acquisition was financed, in part, with the proceeds of a nonrecourse production payment financing (repayable out of revenues from production of the

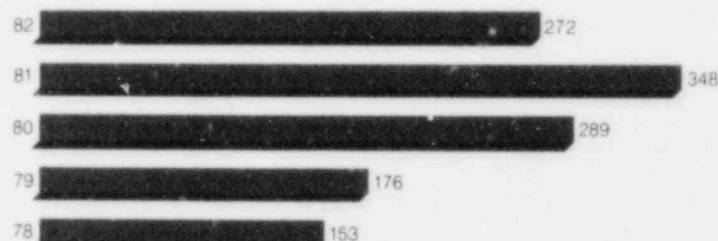
### Net Sales

(in billions)



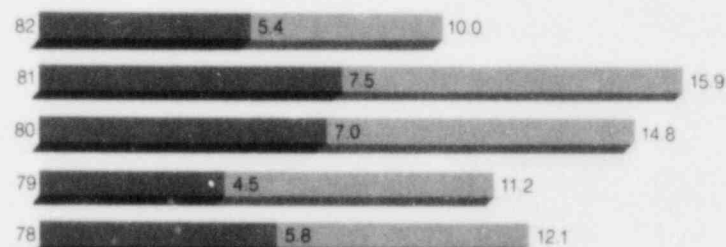
### Income from Continuing Operations

(in millions)



### Return on Assets from Continuing Operations

(percent) ■ After-tax ■ Pre-tax\*



\*Adjusted for the difference between taxes provided, principally for foreign operations, and U.S. tax rates and nonrecurring items.

Data relating to the above charts are presented in the Selected Financial Data table on pages 52 and 53.

former Supron properties) entered into by the partnership and with the issuance of Money Multiplier Notes (zero coupon) for which the Company received net proceeds of \$98 million. The Money Multiplier Notes financing was completed in May 1982 with future payments comprising principal and interest in the aggregate of \$450 million; however, because the Notes have serial maturities, at no time during the life of these Notes should the aggregate liability exceed \$229 million.

During 1982 the Company spent \$524 million for capital expenditures versus \$609 million in 1981, representing a 14 percent decrease. Funds for the capital expenditure program came mainly from operations. Spending was allocated to the various business segments as follows:

	1982		1981	
(Dollars in millions)	Amount	% of Total	Amount	% of Total
Chemicals	\$103	20%	\$136	23%
Fibers and plastics	74	14	81	13
Oil and gas*	249	47	317	52
Electrical and electronic	60	11	38	6
Health and scientific products	9	2	2	—
Other operations and unallocated corporate	29	6	35	6
	<b>\$524</b>	<b>100%</b>	<b>\$609</b>	<b>100%</b>

\*This amount does not include capital expenditures of \$26 million for Unicon Producing Company, an equity partnership.

The Company's total capital spending in 1983 is currently projected to approximate \$650 million, including \$150 million by Bendix.

In 1982 the Company sold investment tax credits and Accelerated Cost Recovery System tax depreciation deductions, relating to 1982 capital expenditures, under the provisions of the Economic Recovery Tax Act of 1981, for \$29 million.

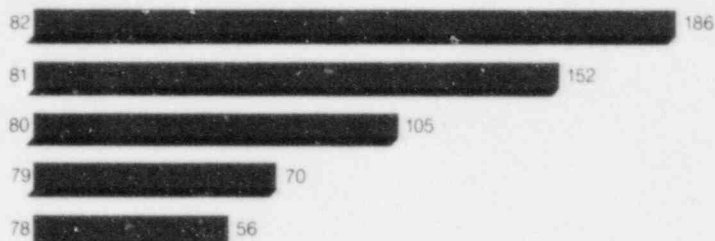
In 1982 the Company repurchased more than 2.4 million shares of common and preferred stock for \$93 million under previously announced repurchase programs. The Company has authority to repurchase up to an additional 0.3 million shares of common stock and up to the total outstanding number of shares of Series D Convertible Preferred Stock (at December 31, 1982, 1.5 million shares were outstanding).

The Company's long-term debt and capitalized lease obligations decreased by \$157 million, from \$857 million to \$700 million, because of the effect of two exchanges of the Company's common stock (more than 3 million shares were issued) for outstanding indebtedness, the repurchase of debentures in the open market and the classification of notes due April 1983 to current liabilities.

In December 1982 the Company acquired, in a two-step transaction, 55 percent of the outstanding common stock of The Bendix Corporation and obtained

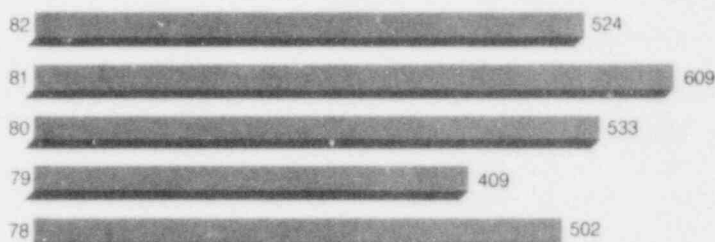
#### Research and Development Expenditures \*

(in millions)



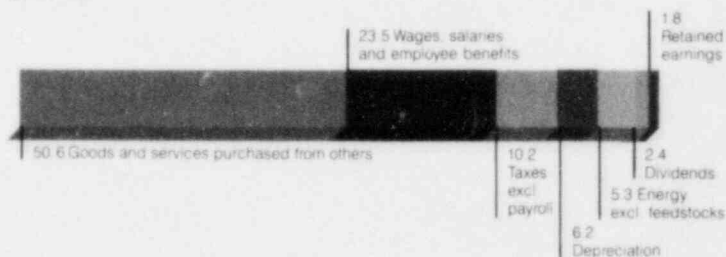
#### Property, Plant and Equipment Additions \*

(in millions)



#### Distribution of 1982 Revenue Dollar

(percent)



\*Data relating to the above charts are presented on page 43

approximately a 39 percent equity interest in Martin Marietta Corporation. Bendix, which upon consummation of the merger of Bendix and a subsidiary of Allied (Bendix' shareholders approved the merger and the Company's shareholders approved the issuance of more than 15 million shares of common stock in connection with the acquisition, both on January 31, 1983) will become a consolidated subsidiary of Allied. Bendix had cash and marketable securities of \$148 million at September 30, 1982 (Bendix' fiscal year-end) and a ratio of current assets to current liabilities of 1.0X. The low ratio of current assets to current liabilities and the high level of long-term debt at September 30, 1982, reflects Bendix' acquisition of approximately 25 million shares of common stock of Martin Marietta for \$1.2 billion.

Bendix currently has commitments under revolving credit agreements with various banks totaling \$490 million

pursuant to which borrowings of \$424 million were outstanding on September 30, 1982, and short-term borrowing agreements with various banks terminating in August and September 1983 totaling \$709 million pursuant to which borrowings of \$440 million were outstanding on September 30, 1982.

At September 30, 1982, Bendix had \$832 million of long-term debt (excludes current portion for 1983 of \$90 million) outstanding with aggregate annual maturities of \$109 million for fiscal 1984 and for substantially reduced amounts in each of the three fiscal years thereafter. It is anticipated that funds generated by Bendix' continuing operations will be sufficient to meet its current liabilities, exclusive of the approximately \$440 million of short-term borrowings referred to above. Bendix anticipates that, following the merger, appropriate arrangements will be made with respect to these borrowings and \$80 million of other indebtedness which matures prior to March 1984.

After the merger the Company and its consolidated subsidiaries, including Bendix, will have a ratio of long-term debt to total capitalization of approximately 36 percent on a pro forma basis, 16 percentage points higher than the Company's ratio at December 31, 1982.

The Company has set a goal of reducing its outstanding long-term debt by approximately \$300 million. As a result, assuming the Company's total capitalization otherwise remains at a constant level, the ratio would be reduced to the 33-34 percent range, a level which the Company believes would be consistent with maintaining the credit ratings accorded its publicly held debt securities prior to the merger. The Company currently expects that it will be able to achieve this goal over a period of three to six months following the merger through a combination of liquidation of portfolio investments and reductions in working capital requirements, any of which could come from either Allied or Bendix.

In the longer term the Company intends to reduce its long-term debt further by seeking joint venture partners for its soda ash and fertilizer businesses, sales of real estate and other non-manufacturing assets and the divestiture of certain operating businesses.

See Note 2 of Notes to Financial Statements for additional information relating to Bendix and Martin Marietta.

## Results of Operations

Net sales in 1982 totaled \$6.2 billion, a decrease of \$0.2 billion, or 4 percent, compared to 1981. Excluding recent acquisitions and divestitures, comparable sales are down 10 percent, reflecting lower sales volumes as all

segments were impacted by the continuing effects of the recession.

Net income for 1982 was \$272 million, or \$6.22 a share, compared to 1981's \$348 million, or \$9.17 a share. Earnings per share were affected by the issuance in the second half of 1981 of preferred redeemable stock for acquisitions which reduced the amount of income applicable to common stock.

Depreciation, depletion and amortization increased \$35 million, or 10 percent, and selling, general and administrative expenses increased \$105 million, or 20 percent, reflecting the inclusion in 1982 of full period results of Bunker Ramo and Fisher Scientific, acquired in the second half of 1981. Excluding these acquisitions, depreciation, depletion and amortization was \$15 million higher, while selling, general and administrative expenses were \$13 million lower than last year.

Other income-net increased \$68 million, mainly reflecting profits from the exchanges of common stock for debentures and the favorable effect of foreign currency items.

The nonrecurring charge in 1982 of \$11 million and the net nonrecurring gain in 1981 of \$29 million are discussed in Note 4 of Notes to Financial Statements.

The effective tax rate was 65.1 percent, 1.2 percentage points lower than the rate for 1981. The lower 1982 rate reflects the impact of the debt/equity swaps and the realization of tax benefits of \$16 million relating to the sale of tax benefits. In 1982 the Company realized the final portion (\$23 million) of the prior years' tax benefits to be recognized under the 1980 U.S.-U.K. Tax Treaty. See the tax data in the Other Financial Statement Data for further information.

The following discusses sales and income from operations (adjusted) by segment: (Dollars in millions)

	1982	1981	Increase/ (Decrease)
<b>Chemicals</b>			
Sales	<b>\$1,296</b>	\$1,594	\$(298)
Income from operations (adjusted)	<b>16</b>	148	(132)

Sales volumes and income were lower for agricultural products, chrome chemicals, soda ash, refractory materials and tar products. The effects of the recession have been most severe in those markets chemicals serve, mainly agriculture, automotive, steel and housing. Fine chemicals, fluorocarbons and sulfur products showed gains over the previous year. Inventory reductions during the year resulted in liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years. The effect of the inventory reductions was to increase income from operations by \$10 million compared to an increase of \$22 million in 1981.

	1982	1981	Increase/ (Decrease)
<b>Fibers and plastics</b>			
Sales	<b>\$1,111</b>	\$1,195	\$(84)
Income from operations	<b>93</b>	73	20

Sales decreased because of the disruption of operations at the Frankford, Pennsylvania phenol plant as a result of a fire and explosion, lower export sales and lower



sales of engineered plastics and apparel fibers. Sales of high-density polyethylene and home furnishings increased. Income was higher because of substantially lower raw material costs and higher sales volumes for high-density polyethylene, partly offset by the lower sales and margins for engineered plastics and apparel fibers. In addition inventory reductions during the year resulted in liquidations of LIFO inventory quantities, which increased income from operations by \$16 million in 1982.

<b>Oil and gas</b>	<b>1982</b>	1981	Increase/ (Decrease)
Sales	<b>\$1,992</b>	\$2,068	\$(76)
Income from operations (adjusted)	<b>486</b>	570	(84)

Sales and income were lower because of the worldwide decline in crude oil prices, higher exploration expenses and reduced demand for domestic natural gas and crude oil. Higher sales of liquefied natural gas in Indonesia and crude oil in Spain and Pakistan were partial offsets. Inventory reductions during the year resulted in liquidations of LIFO inventory quantities, which increased income from operations by \$23 million in 1982.

<b>Electrical and electronic</b>	<b>1982</b>	1981	Increase/ (Decrease)
Sales	<b>\$882</b>	\$825	\$57
Income from operations	<b>3</b>	33	(30)

Sales increased because of the inclusion in 1982 of full-period results of Bunker Ramo acquired effective July 1, 1981. Sales of Prestolite products and phototypesetting equipment were below last year. Income was lower primarily because of the depressed phototypesetting and automotive markets and lower margins for electrical and electronic connectors, partly offset by income from electronic systems for transaction processing.

<b>Health and scientific products</b>	<b>1982</b>	1981	Increase/ (Decrease)
Sales	<b>\$505</b>	\$120	\$385
Income from operations	<b>19</b>	10	9

This segment consists of the operations of Fisher Scientific, which were acquired in the fourth quarter of 1981.

Supplementary data, presenting some historical financial information on an inflation-adjusted basis, is included in Note 14 of Notes to Financial Statements.

## 1981 Compared with 1980

### Financial Condition

At December 31, 1981, the Company had \$181 million available in cash and marketable securities for its operations, versus \$189 million at December 31, 1980.

At December 31, 1981, the ratio of current assets to current liabilities was 1.5X, compared to 1.4X at December 31, 1980. The Company's short-term liquidity was much stronger than this ratio indicates because the inventory

value on the balance sheet is significantly below its current replacement cost. A significant portion of inventories is valued on a LIFO accounting basis, which calculates inventories at costs and prices at the time the Company adopted LIFO. On an adjusted basis, the current ratio at December 31, 1981, would be 1.7X, compared to 1.6X at December 31, 1980. This ratio and its implications must also be viewed in context of the Company's ready access to cash through a credit agreement. Under the 1980 arrangement, the maximum amount available was \$600 million. In 1981 this borrowing arrangement was renegotiated to \$2 billion. Although the Company had no balance outstanding under the credit agreement at December 31, 1981 it has served as support for the issuance of commercial paper. Commercial paper outstanding was as high as \$174 million during the year, with none outstanding at year-end.

During 1981 the Company acquired Bunker Ramo and Fisher Scientific for approximately \$654 million. The transactions were financed through the issuance of \$331 million of Preferred Stock, a \$70 million-3½ year note, internally generated cash, plus part of the proceeds received from the sale of the Company's Canadian oil and gas operations. The Company received \$351 million, after expenses and applicable Canadian taxes, from the sale of the Canadian oil and gas operations in August 1981. In addition the Company disposed of a number of other operations, including the Ashland coke plant, for \$88 million in cash and the assumption by the purchaser of one of the facilities of \$51 million of the Company's debt.

During 1981 the Company spent \$609 million for capital expenditures, versus \$533 million in 1980, representing a 14 percent increase. Funds for the capital expenditure program came mainly from operations. Spending was allocated to the various business segments as follows:

	<b>1981</b>		1980	
(Dollars in millions)	<b>Amount</b>	<b>% of Total</b>	Amount	% of Total
Chemicals	<b>\$136</b>	<b>23%</b>	\$103	19%
Fibers and plastics	<b>81</b>	<b>13</b>	111	21
Oil and gas	<b>317</b>	<b>52</b>	271	51
Electrical and electronic	<b>38</b>	<b>6</b>	20	4
Health and scientific products	<b>2</b>	<b>—</b>	—	—
Other operations and unallocated corporate	<b>35</b>	<b>6</b>	28	5
	<b>\$609</b>	<b>100%</b>	\$533	100%

In 1981 the Company sold investment tax credits and Accelerated Cost Recovery System tax depreciation deductions, relating to 1981 capital expenditures, under the provisions of the Economic Recovery Tax Act of 1981 for \$57 million.

The Company's long-term debt and capitalized lease obligations outstanding decreased from \$885 million to

\$857 million at December 31, 1980 and 1981, respectively, reflecting debenture repurchases and the assumption of \$51 million of the Company's debt by the purchaser of one of the Company's plants, mainly offset by debt associated with acquisitions.

In 1981 the Board of Directors authorized the purchase from time to time by the Company of up to 3,000,000 shares of common stock on the open market or in privately negotiated transactions. The Company repurchased 350,586 shares of common stock for \$16 million in 1981.

## Results of Operations

Net sales in 1981 totaled \$6.4 billion, an increase of \$ .9 billion, or 16 percent, over 1980. Higher selling prices, principally reflecting higher worldwide energy prices and higher prices for some chemical and fiber products, resulted in 63 percent of the increase; physical volume and product mix remained at 1980 levels. \$331 million, or 37 percent of the increase, represented sales of Bunker Ramo and Fisher Scientific, both of which the Company acquired in the second half of 1981. All of the Company's business segments contributed to the higher sales. However, the results of some business areas, which mainly depend on the depressed housing and automotive industries and agriculture, were weak throughout the year. In addition, overall performance was adversely affected in the fourth quarter by the current recession.

Net income for 1981 was \$348 million, or \$9.17 a share, compared to 1980's \$289 million, or \$8.15 a share. Earnings per share were affected by the issuance in 1981 of preferred redeemable stock for acquisitions which reduced the amount of income applicable to common stock.

Cost of goods sold increased \$631 million, or 17 percent, because of higher costs for energy, labor, raw materials, windfall profit tax, research and development, oil and gas exploration expenditures and the effects of the Bunker Ramo and Fisher Scientific acquisitions.

Depreciation, depletion and amortization increased \$76 million because of the generally high level of capital expenditures in recent years and the start-up of certain U.S. natural gas operations.

Selling, general and administrative expenses increased \$100 million, principally relating to higher salaries and employee related expenses, increased advertising and the effects of the Bunker Ramo and Fisher Scientific acquisitions.

Other income—net decreased \$24 million reflecting unfavorable foreign currency items, partly offset by a profit on repurchase of debentures and higher equity income.

The net nonrecurring gain in 1981 of \$29 million and the nonrecurring charge in 1980 of \$28 million are discussed in Note 4 of Notes to Financial Statements.

The effective tax rate was 66.3 percent, 2.5 percentage points lower than for the 1980 period. The lower rate principally reflects the tax benefits realized from the U.S.-U.K. tax treaty, the impact of foreign currency items, as well as benefits resulting from using the lower

capital gain rate on the proceeds from the sale of the Canadian oil and gas operations, partly offset by the U.K. Supplementary Petroleum Duty.

The following discusses sales and income from operations (adjusted) by segment: (Dollars in millions)

<b>Chemicals</b>	<b>1981</b>	<b>1980</b>	<b>Increase</b>
Sales	<b>\$1,594</b>	\$1,436	\$158
Income from operations (adjusted)	<b>148</b>	141	7

Sales increased mainly for fluorocarbons, tar products, water treatment chemicals, fluorine products, refractory materials and uranium hexafluoride. Income was up slightly as gains from higher sales offset lower volumes and higher costs for soda ash and agricultural products. Inventory reductions during the year resulted in liquidations of LIFO inventory quantities carried at lower costs prevailing in prior years. The effect of the inventory reductions was to increase income from operations by \$22 million compared to an increase of \$13 million in 1980.

<b>Fibers and plastics</b>	<b>1981</b>	<b>1980</b>	<b>Increase</b>
Sales	<b>\$1,195</b>	\$1,114	\$81
Income from operations	<b>73</b>	69	4

Sales and income increased because of substantially higher margins and volumes for home furnishings and improvements for industrial fibers and engineered plastics. A partial offset was lower earnings for high-density polyethylene and apparel fibers.

<b>Oil and gas</b>	<b>1981</b>	<b>1980</b>	<b>Increase</b>
Sales	<b>\$2,068</b>	\$1,751	\$317
Income from operations (adjusted)	<b>570</b>	532	38

Sales improved mainly because of higher volumes and prices for gas liquids and higher prices for U.S. oil and gas, as well as increased natural gas volumes. Earnings also improved reflecting higher domestic oil prices resulting from decontrol of crude oil prices in January 1981, higher domestic gas sales, higher prices for North Sea oil and Indonesian natural gas, as well as tax benefits realized from the U.S.-U.K. tax treaty. Substantially higher exploration expenses and the windfall profit tax partially offset the earnings gain.

<b>Electrical and electronic</b>	<b>1981</b>	<b>1980</b>	<b>Increase</b>
Sales	<b>\$825</b>	\$647	\$178
Income from operations	<b>33</b>	17	16

Sales and income increased as a result of the acquisition of Bunker Ramo in the third quarter of 1981 and, in addition, income was up because of improved operations for the phototypesetting business.

<b>Health and scientific products</b>	<b>1981</b>	<b>1980</b>	<b>Increase</b>
Sales	<b>\$120</b>	—	\$120
Income from operations	<b>10</b>	—	10

Sales and income reflect the acquisition of Fisher Scientific in the fourth quarter of 1981.

(Dollars in millions except per share amounts)

**Other income—net**

Years ended December 31	1982	1981	1980
Interest, dividends and other	\$33	\$22	\$23
Profit on debt/equity swaps (1982) and purchase of debentures (1)	50	21	4
Equity income	11	16	4
Foreign exchange gain (loss)(1)	(5)	(38)	14
	\$89	\$21	\$45

(1) On an after-tax basis, profits from debt/equity swaps (1982) and the purchase of debentures resulted in a gain of \$1.34, \$ .31 and \$ .06 a share in the respective years and foreign currency items resulted in a loss of \$ .13 a share in 1982, a loss of \$ .52 a share in 1981 and a gain of \$ .03 a share in 1980.

**Interest and other financial charges**

Years ended December 31	1982	1981	1980
Total interest and other financial charges	\$122	\$114	\$102
Less—Capitalized interest	(38)	(26)	(21)
	\$ 84	\$ 88	\$ 81

**Income before taxes on income**

Years ended December 31	1982	1981	1980
United States	\$ 66	\$ 136	\$110
Foreign	713	897	816
	\$779	\$1,033	\$926

**Taxes on income**

Years ended December 31	1982	1981	1980
Taxes on income consists of:			
United States:			
Current	\$ 1	\$ 10	\$ 9
Deferred—current	(21)	(10)	32
Deferred—noncurrent	(36)	20	(20)
Foreign:			
Current	573	647	543
Deferred—current	(3)	(1)	2
Deferred—noncurrent	(15)	(4)	65
State taxes	8	23	6
	\$507	\$685	\$637

The Internal Revenue Service, in 1980, completed an audit of the Company's tax returns for the years 1971 through 1976 and an associated company's tax returns for the years 1972 through 1975. During 1981 and 1982, the tax assessments relating to the Company's 1971 tax return and the 1972 through 1975 tax returns of the associated

company were settled for immaterial amounts. The remaining proposed tax assessments aggregate \$52 million. Most of the proposed additional taxes relate to the timing of deductions and result in offsetting adjustments in future years. Management is contesting the assessments, which are not expected to have a material effect on the financial position or results of operations of the Company.

Years ended December 31	1982	1981	1980
The principal items accounting for the difference in taxes on income computed at the United States statutory rate and as recorded are as follows:			
Computed tax at 46% of income before income taxes	\$358	\$475	\$426
Taxes in excess of the U.S. tax rate on foreign earnings	254	315	234
U.S.-U.K. tax treaty benefits	(36)	(42)	—
Non-taxable debt/equity swaps	(17)	—	—
Capital gain on sale of Canadian oil and gas properties	—	(30)	—
Amortization of deferred investment tax credit	(29)	(27)	(19)
All other items—net	(23)	(6)	(4)
	\$507	\$685	\$637

The caption "All other items—net" includes \$16 million from the sale of tax benefits relating to tax leases in 1982, the availability of which, under revised income tax regulations, will be sharply reduced in 1983 and thereafter.

Deferred income taxes were not provided for accumulated deferred Domestic International Sales Corporation (DISC) income of about \$76 million at December 31, 1982.

At December 31, 1982, \$46 million of deferred investment tax credits remained to be taken into book income in future years. The Company has \$101 million of investment tax credit carry-forwards available for offset against future income tax payments (tax return basis) through 1997. United States income tax law provides for the utilization of investment tax credit carry-forwards on a first-in, first-out basis, which management believes will assure their use during the carry-forward periods.



Years ended December 31	1982	1981	1980
The principal items in the United States deferred tax provision are as follows:			
Excess of tax over book depreciation	\$ 3	\$21	\$23
Investment tax credit (ITC):			
Allowable ITC deferred	4	45	25
Allowable ITC carried forward to future years	—	(15)	(24)
Amortization of deferred ITC	(29)	(27)	(19)
Excess of foreign tax credits for tax over book amounts	—	55	—
1979 and 1981 charges for discontinued operations and nonrecurring items recognizable for tax in future years	27	(73)	69
Tax gain on liquidation of Supron Energy Corporation and Eltra Corporation	(14)	—	(47)
Tax benefit of pension expense over (under) amount recognized for book	(25)	25	4
Excess of tax over book amortization of intangible drilling and development costs	12	19	18
Unrealized gain (loss) on foreign exchange hedge contracts	9	(18)	7
All other items—net	(44)	(22)	(44)
	<b>\$(57)</b>	<b>\$10</b>	<b>\$12</b>

The decrease in the 1982 current foreign income tax provision from 1981 reflects lower revenues as a result of lower worldwide prices for crude oil. The increase in the 1982 and 1981 current foreign income tax provision from 1980 includes the impact of the Supplementary Petroleum Duty (SPD), effective January 1, 1981; the utilization in 1980 of the remaining tax benefits for deductible expenditures and uplift credits relating to the construction of the North Sea facilities; and the taxation of interest income as a result of restructuring the U.K. operations, offset in part by the realization of benefits under the U.S.-U.K. Tax Treaty ratified in 1980 of which \$23 and \$25 million in 1982 and 1981, respectively, were associated with pre-1981 earnings. The SPD is levied at a rate of 20 percent of gross income less a deduction for oil allowance. The SPD is deductible for both U.K. Petroleum Revenue Tax (PRT) and U.K. Corporation Tax. The balance of the increase, compared to 1980, represents an increase in oil and gas revenues. The provisions for foreign income tax currently payable, related to North Sea oil production, have been reduced by uplift credits of approximately \$1, \$12 and \$79 million in 1982, 1981 and 1980, respectively. Uplift credits are an additional deduction for the PRT, equal to 35 percent of certain expenditures. Management expects the Company to realize future tax benefits applicable to dividends from its U.K. oil and gas subsidiary. Such tax benefits substantially offset the increases relating to the SPD on a consolidated basis.

Years ended December 31	1982	1981	1980
The principal items in the foreign deferred income tax provision are as follows:			
Tax over (under) book depreciation	<b>\$(28)</b>	\$ (9)	\$99
PRT accrued for books over (under) amount deductible for U.K. corporate tax	<b>18</b>	10	(30)
All other items—net	<b>(8)</b>	(6)	(2)
	<b>\$(18)</b>	<b>\$ (5)</b>	<b>\$67</b>

#### Accounts and notes receivable

December 31	1982	1981
Trade	<b>\$625</b>	\$888
Other	<b>135</b>	77
	<b>760</b>	965
Less—Allowance for doubtful accounts and refunds	<b>(32)</b>	(32)
	<b>\$728</b>	<b>\$933</b>

#### Inventories

December 31	1982	1981
Raw materials	<b>\$109</b>	\$153
Work in process	<b>120</b>	142
Finished products	<b>269</b>	393
Supplies and containers	<b>149</b>	153
	<b>\$647</b>	<b>\$841</b>

Inventories valued at LIFO amounted to \$183 million at December 31, 1982, and \$237 million at December 31, 1981, which were below estimated replacement cost by \$248 and \$296 million, respectively.

In 1982, 1981 and 1980, inventory reductions resulted in liquidations of LIFO inventory quantities carried at the lower costs prevailing in prior years. The effect of the inventory reductions was to increase net income by \$25 million, or \$.76 a share, in 1982, \$11 million, or \$.32 a share, in 1981, and \$9 million, or \$.29 a share, in 1980.

## Other investments and long-term receivables

December 31	1982	1981
Union Producing Company (oil and gas)	\$147	\$ —
Equi-ine Corporation (leasing)	86	67
Other subsidiaries and affiliates	49	80
Receivables	94	79
	<b>\$376</b>	<b>\$226</b>

## Property, plant and equipment

December 31	1982	1981
Land and land improvements	\$ 180	\$ 174
Oil and gas properties, mines and quarries	840	689
Machinery and equipment	3,252	3,068
Buildings	549	549
Office furniture and equipment	63	58
Transportation equipment	87	91
Construction in progress	261	300
	<b>5,232</b>	<b>4,929</b>
Less—Accumulated depreciation, depletion and amortization	(2,374)	(2,063)
	<b>\$2,858</b>	<b>\$2,866</b>

## Other assets

December 31	1982	1981
Costs in excess of net assets of acquired companies	\$132	\$139
Other deferred charges	88	102
	<b>\$220</b>	<b>\$241</b>

## Accrued liabilities

December 31	1982	1981
Taxes payable:		
Current	\$236	\$195
Deferred—current	(54)	(37)
Wages	78	84
Other	42	44
	<b>\$302</b>	<b>\$266</b>

## Long-term debt and capitalized lease obligations

December 31	1982	1981
Sinking fund debentures:		
5.20% due November 1, 1991	\$ 10	\$ 86
6.60% due August 1, 1993	23	51
7¼% due September 1, 1996	43	54
9% due April 1, 2000	46	54
8½% due January 15, 2001	35	50
8¾% Notes due April 1, 1983	—	75
	<b>157</b>	<b>370</b>
Capitalized lease obligations:		
Capital leases, 4.3%–24.276%, maturing at various dates through 1996	37	48
Environmental improvement revenue bonds, 4.9%–8.0%, maturing at various dates through 2002	82	83
Industrial revenue bonds, 2.0%–9.0%, maturing at various dates through 2004	75	89
	<b>194</b>	<b>220</b>
Environmental improvement and industrial development revenue bonds and note obligations, 4.0%–11.5%, maturing at various dates through 2012	89	92
Other:		
Money multiplier notes (zero coupon), 13.001%–13.899%, due 1987–2000	112	—
Note payable, 12.75%–20.5% (12.75% or prime, if higher), due January 2, 1985	70	70
Eurodollar loans, 10.875%–20.1875%	31	53
Other long-term debt, 2.0%–17.25%	57	63
	<b>270</b>	<b>186</b>
Sub-total	<b>710</b>	<b>868</b>
Less—Unamortized discount	(10)	(11)
	<b>\$700</b>	<b>\$857</b>

## Principal payments on long-term debt and capitalized lease obligations

The schedule of principal payments on long-term debt and capitalized lease obligations at December 31, 1982, is as follows:

	Debentures and Notes (1)	Capitalized Lease Obligations	Environmental Improvement Obligations	Other
1983	\$ 39	\$ 16	\$ 2	\$ 30
1984	—	25	2	42
1985	—	12	3	81
1986	—	12	1	5
1987	—	11	7	52
Thereafter	157	134	76	90
	<b>196</b>	<b>210</b>	<b>91</b>	<b>300</b>
Less—				
Current portion	(39)	(16)	(2)	(30)
	<b>\$157</b>	<b>\$194</b>	<b>\$89</b>	<b>\$270</b>

(1) Amounts are net of debentures repurchased.

**Preferred redeemable stock (1)**

December 31	1982	1981	1980
<b>\$91.25 Series A cumulative preferred—Authorized amount \$200 million (200,000 shares):</b>			
Balance at beginning of year	<b>\$200</b>	\$200	\$147
Shares issued—53,000 shares	—	—	53
	<b>200</b>	200	200
<b>\$86.25 Series B cumulative preferred—Authorized amount \$60 million (60,000 shares):</b>			
Balance at beginning of year	<b>60</b>	60	52
Shares issued—8,000 shares	—	—	8
	<b>60</b>	60	60
<b>\$6.74 Series C cumulative convertible preferred—Authorized 3,768,142 shares</b>			
	<b>194</b>	194	—
	<b>194</b>	194	—
<b>\$12 Series D cumulative convertible preferred—Authorized 1,630,319 shares:</b>			
Balance at beginning of year	<b>137</b>	—	—
Issued for acquisition	—	137	—
Shares repurchased—62,200 shares	<b>(5)</b>	—	—
	<b>132</b>	137	—
	<b>\$586</b>	\$591	\$260

(1) See Note 6 of Notes to Financial Statements for further details.

**Capital—common stock—issued**

December 31	1982	1981	1980
Balance at beginning of year	<b>\$629</b>	\$616	\$385
Issued in public stock offering—4,000,000 shares	—	—	216
Issued under Dividend Reinvestment Plan (1)—1981, 204,010 shares—1980, 203,228 shares	—	10	10
Issued for acquisitions—1981, 243,367 shares—1980, 344,953 shares	—	2	5
Issued for debt/equity swap—1,318,530 shares	<b>40</b>	—	—
Issued upon exercise of stock options—17,867 shares	—	1	—
	<b>\$669</b>	\$629	\$616

(1) The Dividend Reinvestment and Stock Purchase Plan (Plan) permits shareholders to invest cash dividends and optional cash payments in additional shares of the Company's common stock. Shares purchased under the Plan shall either be previously unissued or treasury shares. The purchase price of shares related to reinvested dividends is 95 percent of market price and shares purchased with optional cash payments are at 100 percent of market price. The Company pays all commissions and other service charges relating to the Plan.

**Common stock held in treasury**

December 31	1982	1981	1980
Balance at beginning of year	<b>\$19</b>	\$ 9	\$14
Purchased—1982, 2,394,817 shares—1981, 350,586 shares (under a 3,000,000 share repurchase program)	<b>88</b>	16	—
Used for Dividend Reinvestment Plan—1982, 527,458 shares—1981, 76,031 shares—1980, 64,343 shares	<b>(19)</b>	(3)	(2)
Used upon exercise of stock options—1982, 10,162 shares—1981, 13,497 shares—1980, 59,976 shares	<b>(1)</b>	(1)	(3)
Used for Stock Purchase and Savings Plan—1982, 319,796 shares—1981, 49,176 shares	<b>(11)</b>	(2)	—
Used for debt/equity swaps—1,719,315 shares	<b>(66)</b>	—	—
	<b>\$10</b>	\$19	\$ 9

**Cumulative foreign exchange translation adjustment**

December 31	1982
January 1, 1982, opening adjustment	<b>\$ 6</b>
Translation adjustments and net losses from hedges and intercompany balances	<b>36</b>
Income taxes related to hedges and intercompany balances	<b>6</b>
	<b>\$48</b>

**Leases**

Capitalized leases relate to plants, machinery and equipment, pipelines and transportation equipment. Included in capitalized leases are plants and facilities financed by industrial development and environmental improvement revenue bonds, the principal and interest on which will be covered by payments made by the Company. Under certain conditions the Company has the option to purchase certain of the leased assets at prices which approximate the related capitalized lease obligations.

In most cases, management expects, as its normal business practice, to renew or replace current leases by



other leases or purchase the assets, depending on economic conditions at the time.

Future minimum lease payments under capitalized and operating leases having initial or remaining noncancellable lease terms in excess of one year as of December 31, 1982, are as follows:

Years Ending December 31	Capitalized Leases	Operating Leases
1983	\$ 29	\$ 31
1984	37	23
1985	25	19
1986	22	15
1987	20	13
Thereafter	200	62
Total (1)	333	\$163
Less—Imputed interest (2)	(123)	
Present value of net minimum lease payments	\$210	

(1) Minimum payments have not been reduced by minimum sublease rentals of \$31 million for capitalized leases and of \$7 million for operating leases due in the future under noncancellable subleases.

(2) Amount necessary to reduce net minimum lease payments to present value calculated principally at lessor's implicit rates as of the inception of the leases.

Total lease rentals (excluding capitalized lease rentals) of \$84, \$70 and \$52 million are included in costs and expenses for 1982, 1981 and 1980, respectively.

### Stock options

Under the terms of the 1982 Stock Option Plan (Plan), approved by the shareholders on April 26, 1982, the Company may grant stock options covering 2,000,000 shares of common stock, which may be accompanied by stock appreciation rights (SARs), to certain officers and key employees. Stock options have been granted and are currently outstanding under this Plan and prior plans. The options are granted for terms of ten years and become exercisable in installments over the first three years. A SAR entitles the optionee to surrender unexercised stock options for cash or stock equal to the excess of the fair market value of the surrendered shares over the option value of such shares. All options were granted at 100 percent of quoted market price at dates of grant. Options outstanding at December 31, 1982, were granted as follows: 1974, 12,150 shares; 1976, 16,400 shares; 1977, 96,480 shares; 1978, 62,390 shares; 1979, 86,940 shares; 1980, 928,965 shares; 1981, 328,875 shares and 1982, 543,000 shares. Of the 2,075,200 shares covered by

outstanding options at December 31, 1982, 796,410 were accompanied by SARs. Unissued and treasury shares of common stock have been used upon exercise of stock options. Total proceeds from unissued shares have been credited to capital—common stock. Differences between the cost of treasury stock used and the total option price of shares exercised have been charged to retained earnings.

	Number of Shares
Outstanding at December 31, 1979	555,101
Granted at \$47–\$57.3125 per share	1,111,600
Less—	
Exercised at \$29–\$48 per share	67,376
Lapsed or cancelled	43,355
Surrendered upon exercise of SARs	112,850
Outstanding at December 31, 1980	1,443,120
Granted at \$42.5625–\$56.25 per share	358,475
Less—	
Exercised at \$29–\$47 per share	35,636
Lapsed or cancelled	76,735
Surrendered upon exercise of SARs	27,030
Outstanding at December 31, 1981	1,662,194
Granted at \$31.19–\$44.50 per share	563,750
Less—	
Exercised at \$30–\$31 per share	12,437
Lapsed or cancelled	137,507
Surrendered upon exercise of SARs	800
Outstanding at December 31, 1982, \$30–\$57.3125 per share	2,075,200
Exercisable at December 31, 1982	1,050,855
Available for grant at December 31, 1981	161,600
Available for grant at December 31, 1982	1,719,890

The amount of compensation (income) expense for 1982, 1981 and 1980 relating to SARs was \$(1), \$(2) and \$3 million, respectively.

The Company, as part of the acquisition of Fisher Scientific, assumed the outstanding stock options and related SARs previously granted by Fisher to its employees. Such options were granted at 100 percent of quoted market price at dates of grant for terms of 10 years. No further options will be granted. At December 31, 1982, and 1981, there were options outstanding and exercisable for 9,246 shares and 35,798 shares, respectively, of the Company's Series D Preferred Shares at \$25 through \$61.82 and \$19.32 through \$61.82 per share, respectively. During 1982, options covering 26,552 shares were exercised.

The shareholders also approved, on April 26, 1982, the 1982 Stock Option Plan for Salaried Employees. In 1982 under this plan the Company granted stock options covering 984,941 shares of common stock, the fair market value of which equaled 10 percent of the annual base compensation for qualifying salaried employees. The options, exercisable at \$34.07, were granted at 100 percent of quoted market price at the date of grant for a term of three years and become exercisable after the first year. As of December 31, 1982, 936,486 shares were outstanding, none of which were exercisable, and options covering 48,455 shares were cancelled during the year.

(Dollars in millions except per share amounts)

### **Note 1. Summary of Significant Accounting Policies**

**Consolidated financial statements** include the accounts of Allied Corporation and all majority owned significant subsidiaries, except for The Bendix Corporation, which is temporarily carried at cost, and a wholly owned leasing subsidiary. The accounts of oil and gas companies include their proportionate interests in the assets, liabilities and operations of unincorporated joint ventures.

**Investments and long-term receivables** are carried at the lower of cost or market, adjusted for permanent impairments, and in the case of unconsolidated subsidiaries, partnerships and affiliates over which significant influence is exercised, adjusted for the equity in undistributed earnings since acquisition.

**Inventories** are valued at the lower of cost or market using the last-in, first-out (LIFO) method for a significant portion of all qualifying domestic inventories and principally the average cost method for other inventories.

**Oil and gas activities** are accounted for employing the successful efforts method of accounting as defined by the Financial Accounting Standards Board (FASB) and as outlined in the Securities and Exchange Commission's accounting rules and releases. Property acquisition costs, costs of successful exploratory wells and all development costs are capitalized and amortized using unit of production rates based on proved developed reserves. Costs of unsuccessful exploratory wells are expensed when determined to be nonproductive. Production costs, overhead and all exploration costs other than costs for exploratory drilling are charged against income as incurred.

**Property, plant and equipment**, other than oil and gas properties, are carried at cost and are generally depreciated on a composite basis for asset groups using estimated service lives, which range from 3 to 35 years, or amortized using unit of production rates for mines and quarries. For the financial statements, depreciation is computed principally on the straight-line method. For tax purposes, depreciation is generally computed by accelerated methods based on allowable useful lives. On normal retirement or replacement, cost of property (less salvage) is charged to accumulated depreciation. Gains or losses arising from other retirements or sales are included in income currently. Maintenance and repairs are charged to income and renewals and betterments are capitalized.

**Other assets** include costs in excess of the net assets of acquired companies (goodwill) and patents and licenses, net of amortization. Goodwill of \$40 million relates to businesses acquired before November 1, 1970, and is considered to have an indeterminate life and accordingly is not amortized. Goodwill subsequent to that date is being amortized on a straight-line basis over a 25-year period. Patents and licenses, which include the costs of acquiring rights to certain manufacturing processes, are amortized over the lives of such rights.

**Income taxes** are based on pre-tax financial statement income with an appropriate deferred tax provision to provide for the tax effect of temporary (timing) differences between pre-tax financial statement income and taxable income per the tax return. Deferred income taxes are not provided on undistributed earnings of affiliated companies, which are considered to be permanently reinvested. Any U.S. taxes payable on foreign earnings which may be remitted, however, will be substantially offset by foreign tax credits.

The investment tax credit is included in financial statement income as a reduction of the provision for income taxes over the lives of the related assets.

**Pension expense** reflects current costs and the amortization of prior service costs principally over 30 to 40 years. The Company generally funds amounts equal to pension expense plus a portion of the accrued pension liability based upon union contracts or actuarial studies. Accordingly, the existing accrued pension liability provided in prior years is reduced concurrently with the amounts deposited with trustees.

**Foreign currency** financial statements are translated in accordance with the requirements of FASB Statement No. 52, "Foreign Currency Translation," effective January 1, 1982. Accordingly, all asset and liability accounts of foreign subsidiaries, except for subsidiaries operating in hyper-inflationary countries which are translated in a manner similar to that used under the prior method, are translated at the rates of exchange in effect at the balance sheet date. Effects of rate changes are included in the cumulative foreign exchange translation adjustment caption on the Consolidated Balance Sheet. The adjustment results primarily from translating inventory, property, plant and equipment and deferred taxes at current rates rather than at the historical rates used under the prior method. The impact on results of operations for 1982 of adopting FASB Statement No. 52 is immaterial, and also would have been immaterial if adopted in 1981.

## **Note 2. Investments in The Bendix Corporation and in Martin Marietta Corporation**

The Company acquired in a multi-step transaction on December 21 and 22, 1982, under a stock purchase agreement, approximately 55 percent (50.3 percent on a fully-diluted basis) of the outstanding common stock of The Bendix Corporation (Bendix) and approximately 39 percent of the outstanding common stock of Martin Marietta Corporation (Martin Marietta) with a value of \$893 million and \$301 million, respectively. Under the terms of a merger agreement, and subject to approval by the shareholders of the Company and Bendix (which approvals were obtained on January 31, 1983), each remaining share of common stock of Bendix outstanding (other than that held by the Company) will be converted into securities of the Company as follows: 0.25 of a share of a new series of preferred stock; two separate series of 6 percent original issue discount notes; and 1.3 shares of common stock. Bendix will become a consolidated subsidiary of the Company after the merger of a subsidiary of the Company with and into Bendix. The Company's interest in Martin Marietta will be accounted for as an investment under the equity method.

Bendix is a diversified company, which reports its operations primarily in the following segments: automotive, consisting of systems and components for the original equipment and replacement markets; aerospace-electronics, consisting of products and services for the aviation markets and defense and space programs; industrial, consisting of machine tools and accessories for the metalworking industry and other products. Martin Marietta is a diversified company engaged in the business of producing cement, construction aggregates, chemical products and aluminum and other metal products, and developing and producing space and defense systems and products, and aircraft components.

The total consideration to be paid by the Company in the acquisitions was determined by the Company on the

basis of its evaluation of the fair values of both companies in consultation with the Company's financial advisor.

The Company's investments in Bendix and Martin Marietta at December 31, 1982, are reflected in the 1982 consolidated balance sheet at cost. The Company's proportionate share of the 1982 earnings of Bendix and Martin Marietta subsequent to its initial investment in late December was not significant. Each acquisition will be accounted for as a purchase with effect from January 1, 1983. The purchase price for Bendix and Martin Marietta will be allocated to the individual company's tangible and identifiable intangible assets acquired and to the liabilities assumed. Such allocations will be based upon appraisals, valuations, estimated values and other studies to be undertaken during the first quarter of 1983.

Assuming that the acquisitions of Bendix and Martin Marietta had been consummated at the beginning of 1981, the unaudited pro forma net sales, income from continuing operations (after-tax) and earnings per share of common stock from continuing operations for 1982 and 1981 would have been \$10,150 and \$305 million and \$4.29 a share and \$11,378 and \$532 million and \$8.32 a share, respectively. These amounts give effect to an estimated allocation and related amortization of the purchase prices to the net assets acquired, as well as giving recognition to the acquisitions of Bunker Ramo and Fisher as if such acquisitions had been consummated at January 1, 1981. No provision has been made in the pro forma amounts for estimated nonrecurring charges of \$35 million which are directly related to the merger and equity acquisition. The pro forma amounts have been prepared on the basis that the acquisitions were financed as of the beginning of 1981 through the sale of marketable securities by Bendix of \$353 million, debt financings by Bendix of \$841 million and the issuance by the Company of: \$158 million (present value) of original issue discount notes; \$293 million of preferred stock; and 15,258,529 shares of common stock with a value of \$475 million.

The unaudited pro forma balance sheet data as of December 31, 1982, is presented to show an approximation of the consolidated balance sheet of the Company and Bendix, including the Company's equity investment in Martin Marietta, as if the merger had been consummated as of December 31, 1982. The selected historical balance sheet data for Bendix and Martin Marietta have been summarized from the most recent financial information published by Bendix and Martin Marietta.



	Pro Forma	Historical	
		Bendix at September 30, 1982	Martin Marietta at September 30, 1982
Current assets	\$3,098	\$1,528	\$1,087
Total assets	8,276	3,871	3,168
Current liabilities	2,219	1,488	781
Long-term debt	2,038	832	1,341
Non-current liabilities	652	70	481
Shareholders' equity	3,367	1,481	565

### Note 3. Acquisitions

In April 1982 the Company completed the acquisition of the Supron Energy Corporation, and the Supron producing properties were transferred to a partnership (Unicon Producing Company) owned equally by the Company and The Continental Group, Inc. Supron was primarily engaged in domestic oil and gas exploration and production. The Company's one-half interest in the acquisition of Supron's common stock was valued at approximately \$357 million and financed with the proceeds of a nonrecourse production payment financing (repayable out of revenues from production of the Unicon properties) and with the issuance of Money Multiplier Notes (zero coupon) from which the Company received net proceeds of \$98 million. The Company's investment in Unicon at December 31, 1982, was \$147 million. Supron's earnings prior to the acquisition were not material to the Company. See Note 10 of Notes to Financial Statements for additional information relating to Unicon.

In July 1981 Bunker Ramo Corporation became a wholly owned subsidiary of the Company. Bunker Ramo is mainly engaged in the development, manufacture and sale of electrical components and electrical information systems and services. The transaction was valued at approximately \$347 million and financed through the issuance of \$194 million (\$205 million face value) of a new Series C Preferred stock (Series C), a \$70 million note, internally generated cash plus cash from the sale of the Company's Canadian oil and gas operations. Bunker Ramo's results were consolidated with the Company's effective July 1, 1981.

In October 1981 Fisher Scientific Company became a wholly owned subsidiary of the Company. Fisher Scientific is engaged in the manufacture, distribution, sale and service of a wide range of products used in laboratories. The transaction was valued at approximately \$311 million and financed through the issuance of \$137 million (\$160 million face value) of a new Series D Preferred stock (Series D) and cash from the sale of the Company's Canadian oil and gas operations. Fisher Scientific's results were consolidated with the Company's effective October 1, 1981.

These acquisitions were accounted for by the purchase method of accounting. The excess paid over the fair value of net assets acquired was approximately \$76 million. Issue discounts on the Series C and Series D

Preferred Shares represent the differences between the mandatory redemption values and the fair values at the dates of issuance and are being amortized over the lives of the securities.

### Note 4. Nonrecurring Items

The 1982 nonrecurring loss of \$11 million (after-tax \$8 million, or \$.24 a share) reflects the write-off of a note and a provision to cover plant shutdown and disposal costs.

The 1981 nonrecurring gain of \$29 million consists of a gain of \$312 million (after-tax \$194 million, or \$5.73 a share) from the sale of the Company's Canadian oil and gas properties, offset in part by a provision of \$283 million (after-tax \$189 million, or \$5.59 a share), which includes a reserve for the write-off of an investment and other assets, the restructuring of certain businesses and the shutdown of an unprofitable fertilizer plant.

The 1980 nonrecurring loss of \$28 million (after-tax \$14 million, or \$.44 a share) reflects a provision for estimated plant shutdown and disposal costs.

### Note 5. Long-term Debt and Credit Agreement

The Company has a long-term credit agreement with 28 banks for commitments totaling \$2 billion. The agreement provides for the availability of funds in two commitments of \$1 billion each ("A" and "B"). Commitments A and B may be used for any corporate purpose, but if commitment B is used in connection with an acquisition, any bank may request to be temporarily relieved of its obligation under commitment B based upon the identity of the company to be acquired; the remaining banks may elect to increase their participation accordingly. The principal amounts of such loans are required to be repaid no later than May 8, 1986, or may be converted to term loans to be repaid in semiannual installments through May 8, 1990. The Company has agreed to pay a commitment fee of ¼ of 1 percent per annum on the unutilized portion of commitment A and ⅓ of 1 percent on the unutilized portion of commitment B. If the Company borrows under commitment B, an additional ¼ of 1 percent will be paid on the unutilized portion of commitment B retroactive to the date of the commitment or for one year, whichever is less, until such borrowing is repaid in full.

The Company or its subsidiaries may elect to borrow under the credit agreement in the form of Eurodollar borrowings or domestic dollar borrowings. As of May 1982,

depending upon the form of borrowing elected, interest will be payable at the average floating prime rate of two reference banks or will be payable at a rate which is, for the first three years of the credit agreement,  $\frac{3}{8}$  of 1 percent over either the average London Interbank Offered Rate (LIBOR) or the average certificate of deposit rate adjusted for reserve requirements and FDIC costs (CD Rate) of three reference banks. After the first three years, the fraction of 1 percent over LIBOR or the CD Rate increases  $\frac{1}{2}$  of 1 percent for the succeeding three-year period and another  $\frac{1}{2}$  of 1 percent for the final succeeding two-year period. Although the Company had no balance outstanding under the credit agreement at December 31, 1982, it has served as support for issuance of commercial paper.

The Company has the option to maintain average compensating balances with each of the banks to partially offset commitment fees, and is currently utilizing this option with two banks; the others are being compensated by the payment of fees.

The Company has a limited recourse Eurodollar financing under which the Company's obligation to repay is limited by the amount of certain revenues to be received by a wholly owned subsidiary, Union Texas Far East Corporation, from its interest in the sale of liquefied natural gas and crude oil from the Badak field, East Kalimantan, Indonesia. The interest rates on the loans are  $1\frac{1}{4}$  percent over the floating three-month LIBOR. The revenues from the Badak field are expected to permit full repayment of the loans by mid-1985.

## Note 6. Preferred Stock

There are authorized 10,000,000 shares of preferred stock, without par value, of which 200,000 redeemable \$91.25 Series A Cumulative Preferred Shares (dividend of \$91.25 a share) and 60,000 redeemable \$86.25 Series B Cumulative Preferred Shares (dividend of \$86.25 a share) were issued in private placement transactions and 3,768,142 redeemable \$6.74 Series C Cumulative Convertible Preferred Shares (dividend of \$6.74 a share), 1,630,319 redeemable \$12 Series D Cumulative Convertible Preferred Shares (dividend of \$12 a share) and 1,000 Adjustable Rate Series E Cumulative Preferred Shares were issued or authorized for issuance in connection with acquisitions. The holders of Series C and D Shares are entitled to one

vote per share on every question submitted to the common shareholders voting with the common shareholders as a single class.

Series A Shares are subject to mandatory sinking fund redemption at face value beginning on July 15, 1989, and ending on July 15, 1999. Series B Shares are subject to mandatory sinking fund redemption at face value beginning on July 15, 1985, and ending on July 15, 1989. The sinking fund payment required in 1985 and each year thereafter to 1989 for Series B Shares is \$12 million. Optional redemptions can commence after July 14, 1984, at the following redemption prices per share if redeemed during the twelve-month periods ending July 15: 1985—\$1,067, 1986—\$1,062, 1987—\$1,058 (Series A Shares) and 1985—\$1,038, 1986—\$1,029, 1987—\$1,019 (Series B Shares) and at prorated declining amounts thereafter.

Series C Shares are convertible at any time into 0.786 of a share of common stock. Series C Shares are redeemable at the Company's option beginning on August 15, 1986, at a redemption price of \$57 per share, declining \$0.50 per year thereafter until August 15, 1990, after which date each share will be redeemable at \$55 per share. Series C Shares are subject to mandatory sinking fund redemption at face value beginning on August 15, 1991, which will each year redeem 4 percent of the number of Series C Shares originally outstanding.

Series D Shares are convertible at any time into 1.351 shares of common stock. Series D Shares are redeemable at the Company's option at any time after October 27, 1986, at \$100 per share. Series D Shares are subject to mandatory sinking fund redemption at face value beginning on September 1, 1991, which will redeem 2.5 percent of the number of Series D Shares originally outstanding for each of the years 1991 through 2010, and 5 percent of such number for each year thereafter through 2020.

Series E Shares were issued to The Bendix Corporation in exchange for all the stock of its wholly owned subsidiary Bendix Acquisition Corporation. The exchange was the first step of a multi-step transaction which resulted in the Company acquiring 11,900,100 shares of Bendix Common Stock and approximately a 39 percent equity interest in Martin Marietta Corporation.

Series E Shares are nonredeemable prior to December 21, 1985, but are redeemable on or after that date in whole or in part at the Company's option at a redemption price of about \$1.2 million per share plus accrued and unpaid dividends.

Series E Shares shall not accrue dividends prior to June 30, 1983, and such dividends will be payable on the earlier of such dates and quarterly thereafter. Upon completion of the merger Bendix will become a consolidated subsidiary of the Company, and the shares will be eliminated in the Company's consolidated balance sheet. See Note 2 of Notes to Financial Statements for additional information relating to the Bendix acquisition.

Holders of Series A, B, C, D and E Shares have priority over holders of common stock as to payment of dividends and distributions on liquidation. The distribution per share

on involuntary liquidations for Series A, B, C, D and E Shares is \$1,000, \$1,000, \$55, \$100 and \$1,193,674, respectively, plus accrued dividends to the payment date. If the Company has not met the requirements for dividend payments or any sinking fund requirements in connection with the Series A, B, C or D Shares or requirements for dividend payments for the Series E Shares, the Company may not pay any dividend on the common stock (other than a dividend payable in common stock) or purchase or otherwise retire common stock. If dividends on the preferred stock have not been paid in an aggregate amount of at least six quarterly dividends, the holders of all series of preferred stock, voting together as a single class, and on the basis of one vote per \$1,000 of liquidation preference, are entitled to elect two directors to the Board of Directors of the Company until the first annual meeting after all dividends in default have been paid.

The Board of Directors, by resolution, may establish additional series of preferred stock having such number of shares, designation, relative voting, dividend, liquidation and other rights, preferences and limitations as they may determine.

## Note 7. Common Stock

Subject to the rights of the preferred stock, common shareholders are entitled to receive such dividends as may be declared by the Company's Board of Directors, are entitled to one vote per share on every question submitted to the common shareholders and are entitled, in the event of liquidation, to share ratably in all the assets of the Company which are available for distribution to the common shareholders. Common shareholders do not have preemptive or conversion rights. Shares of common stock issued and outstanding or held in the treasury are not liable to further calls or assessments. There is no restriction on dividends or the repurchase or redemption of common stock by the Company except as described in the Preferred Stock note. At December 31, 1982, approximately 5 million shares of common stock were reserved for issuance upon conversion of the Series C and Series D Preferred Shares.

## Note 8. Pensions

The Company's pension plans, almost all of which are non-contributory, cover substantially all employees. Pension expense in 1982, 1981 and 1980 was \$80, \$75 and \$70 million, respectively.

The Company uses the services of enrolled actuaries to calculate the amount of annual contributions to plan trustees. The actuaries estimate that the net assets held by trustees will provide for the actuarial present value of vested benefits generally during the 30-year amortization period for prior service costs.

A comparison of accumulated plan benefits, calculated primarily using an eight percent rate of return, and plan net assets (including accrued pension obligations) for the Company's defined benefit pension plans is presented below:

January 1	1982	1981
Actuarial present value of accumulated plan benefits		
Vested plan benefits	\$879	\$822
Nonvested plan benefits	57	47
	<b>\$936</b>	<b>\$869</b>
Net assets available for plan benefits		
Net assets held by trustees	\$723	\$688
Accrued pension obligations	87	91
	<b>\$810</b>	<b>\$779</b>

## Note 9. Commitments and Contingencies

A subsidiary of the Company is a 50 percent partner in Allied-General Nuclear Services (AGNS), which has built a facility at Barnwell, South Carolina, to recover usable nuclear fuel materials from the spent fuel of nuclear power reactors. Actions by the federal government have had the effect of preventing AGNS from operating the facility, and management does not believe that private operation of the Barnwell facility is feasible or commercially practicable because of the many uncertainties surrounding the nuclear fuel cycle. In 1981 the Company established an after-tax provision of \$87 million for the write-off and shutdown of the AGNS facility when government funding ceases. During the federal government's fiscal year 1982, AGNS continued research programs at Barnwell under contract with the U.S. Department of Energy. At the request of the Administration, Congress has appropriated funds only through July 31, 1983, for the Department of Energy to permit AGNS personnel at Barnwell to complete work on safeguards systems technology developed over the last five years. Management continues to believe that Barnwell is a



national and international asset that should be used for reprocessing and has proposed that the facility be transferred to the federal government. AGNS is engaged in litigation with one of its customers, which claims that AGNS is obligated to supply it with quantities of fissile material equivalent to that which would have been obtained by reprocessing and contends that its damages total in excess of \$126 million. AGNS has denied liability and has asserted counterclaims seeking damages in excess of \$90 million. Management believes that AGNS has substantial defenses to the customer's claim and that the outcome of this litigation will not have a material effect on the financial position or results of operations of the Company. AGNS had entered into reprocessing arrangements with a number of other companies, several of which have executed mutual termination agreements.

The Company has various other lawsuits (some of which are for substantial amounts), claims, commitments and contingent liabilities, including those resulting from environmental regulations, safety and health regulations and Internal Revenue Service tax assessments. However, these matters are not expected to have a material effect on the financial position or results of operations of the Company.

#### Note 10. Selected Financial Data of Investee Companies

Equilease Corporation, a wholly owned subsidiary, is one of the nation's oldest and largest non bank-affiliated equipment leasing companies. Equilease operates 16 sales offices in major cities throughout North America, Europe and Latin America with affiliated offices in Asia. Equilease is engaged essentially in three leasing related endeavors, including:

- Purchasing a wide variety of income-producing equipment, as a principal, and leasing it, on either a conventional, leveraged or "operating" lease basis to commercial users;
- Acting, for a fee, as an intermediary in the placement of property for lease; and
- Managing, for a fee, limited partnerships, shares in which are distributed both publicly and privately, whose assets are income-producing equipment, or realty, leased to a worldwide array of lessees under a variety of leasing arrangements.

At December 31, 1982, Equilease had total leased assets under management approaching \$1 billion. Financial data for Equilease (accounted for by the equity method) is summarized as follows:

Years ended December 31	1982	1981
Revenues	\$ 80	\$ 69
Net income	6	3
December 31	1982	1981
Net investment in contracts and other receivables	\$364	\$337
Total assets	419	373
Short-term notes payable and commercial paper	112	155
Long-term debt	187	115
Total liabilities	330	296
Shareholder's equity	89	77

In 1982, the Company completed the acquisition of the Supron Energy Corporation, and Supron's producing properties, located principally in the San Juan Basin (New Mexico and Colorado) and the Williston Basin (North Dakota), were transferred to a partnership (Unicon Producing Company) in which the Company has a 50 percent interest. See Notes 3 and 13 of Notes to Financial Statements for additional information.

Financial data for Unicon (accounted for by the equity method) is summarized as follows:

Period ended December 31 (a)	1982
Net sales	\$ 44
Gross profit	12
Loss before taxes on income	(9) (b)
December 31	1982
Current assets	\$ 34
Total assets	830
Current liabilities	47
Nonrecourse production payment	489
Partners' accounts	294

(a) Results of Unicon after April 1982

(b) The partnership's income is shown on a pre-tax basis since individual partners are responsible for their share of taxes and has been adjusted to eliminate interest payable to the partners.

# Note 11. Segment Financial Data

		Chemicals	Fibers and Plastics	Oil and Gas	Electrical and Electronic	Health and Scientific Products	Other Operations and Unallocated Corporate(1)	Total
Net sales	<b>1982</b>	<b>\$1,296</b>	<b>\$1,111</b>	<b>\$1,992</b>	<b>\$ 882</b>	<b>\$505</b>	<b>\$ 381</b>	<b>\$6,167</b>
	1981	1,594	1,195	2,068	825	120	605	6,407
	1980	1,436	1,114	1,751	647	—	571	5,519
	1979	1,255	940	1,235	324	—	578	4,332
	1978	1,110	771	833	—	—	302	3,016
Research and development expense	<b>1982</b>	<b>38</b>	<b>42</b>	<b>—</b>	<b>40</b>	<b>5</b>	<b>61</b>	<b>186</b>
	1981	34	35	—	33	1	49	152
	1980	20	25	—	25	—	35	105
	1979	8	22	—	10	—	30	70
	1978	8	18	—	—	—	30	56
Depreciation, depletion and amortization expense	<b>1982</b>	<b>74</b>	<b>55</b>	<b>176</b>	<b>52</b>	<b>7</b>	<b>18</b>	<b>382</b>
	1981	75	50	165	38	2	17	347
	1980	70	43	114	26	—	18	271
	1979	51	37	112	12	—	13	225
	1978	46	36	97	—	—	11	190
Income from operations(2)	<b>1982</b>	<b>12</b>	<b>93</b>	<b>803</b>	<b>3</b>	<b>19</b>	<b>(145)</b>	<b>785</b>
	1981	138	73	910	33	10	(93)	1,071
	1980	132	69	904	17	—	(132)	990
	1979	91	115	599	14	—	(124)	695
	1978	34	123	354	—	—	(107)	404
Income from operations (adjusted)(2)(3)	<b>1982</b>	<b>16</b>	<b>93</b>	<b>486</b>	<b>3</b>	<b>19</b>	<b>(145)</b>	<b>472</b>
	1981	148	73	570	33	10	(88)	746
	1980	141	69	532	17	—	(127)	632
	1979	92	115	390	14	—	(122)	489
	1978	34	123	319	—	—	(107)	369
Property, plant and equipment additions	<b>1982</b>	<b>103</b>	<b>74</b>	<b>249</b>	<b>60</b>	<b>9</b>	<b>29</b>	<b>524</b>
	1981	136	81	317	38	2	35	609
	1980	103	111	271	20	—	28	533
	1979	85	72	182	16	—	54	409
	1978	105	61	193	—	—	137	502
Identifiable assets	<b>1982</b>	<b>1,068</b>	<b>658</b>	<b>1,626</b>	<b>766</b>	<b>438</b>	<b>1,716</b>	<b>6,272</b>
	1981	1,235	679	1,367	1,068	352	643	5,344
	1980	1,172	685	1,283	621	—	777	4,538
	1979	1,101	563	1,002	668	—	876	4,210
	1978	995	526	905	—	—	825	3,251

Intersegment sales approximate market and are not significant.

(1) The "Other Operations and Unallocated Corporate" column includes amounts for other operations, corporate, discontinued operations and the natural gas pipeline system sold in 1980. Included in the caption "Identifiable assets" are the investments in Bendix and Martin Marietta of \$1,194 million for 1982, assets for other operations of \$173, \$365, \$322, \$349 and \$133 million, discontinued operations of \$ - , \$ - , \$150, \$205 and \$381 million and Corporate assets of \$356, \$288, \$212, \$175 and \$183 million for each of the respective years.

(2) Operating profit as defined by FASB Statement No. 14 would also include an allocation to segments of "Other income-net" and "Nonrecurring items." The amounts in these captions have not been allocated to the segments in order to avoid distortions in trends and comparability among segments.

(3) Income from operations for selected businesses has been adjusted for the difference between taxes provided and ordinary U.S. tax rates, primarily to remove distortions created by extremely high tax rates in certain foreign countries which would have obscured comparability between segments.

## Note 12. Geographic Areas—Financial Data

		United States(1)	Canada	Europe	Other	Adjust. and Elim.	Total
Net sales (2)	<b>1982</b>	<b>\$4,688</b>	<b>\$234</b>	<b>\$901</b>	<b>\$344</b>	<b>\$ —</b>	<b>\$6,167</b>
	1981	4,843	309	949	306	—	6,407
	1980	3,988	254	995	282	—	5,519
	1979	3,228	215	688	201	—	4,332
	1978	2,354	165	335	162	—	3,016
Income from operations (3)	<b>1982</b>	<b>108</b>	<b>19</b>	<b>552</b>	<b>106</b>	<b>—</b>	<b>785</b>
	1981	312	47	592	120	—	1,071
	1980	177	48	609	156	—	990
	1979	160	40	424	71	—	695
	1978	96	32	213	63	—	404
Income from operations (adjusted) (3)(4)	<b>1982</b>	<b>109</b>	<b>19</b>	<b>250</b>	<b>94</b>	<b>—</b>	<b>472</b>
	1981	326	42	270	108	—	746
	1980	191	49	251	141	—	632
	1979	163	38	222	66	—	489
	1978	96	36	163	74	—	369
Assets	<b>1982</b>	<b>5,432</b>	<b>204</b>	<b>456</b>	<b>350</b>	<b>(170)</b>	<b>6,272</b>
	1981	4,135	222	769	288	(70)	5,344
	1980	3,383	261	601	285	8(5)	4,538
	1979	3,051	231	675	180	73(5)	4,210
	1978	2,186	177	452	164	272(5)	3,251
Liabilities	<b>1982</b>	<b>1,871</b>	<b>55</b>	<b>521</b>	<b>202</b>	<b>(170)</b>	<b>2,479</b>
	1981	2,140	82	622	79	(70)	2,853
	1980	1,869	126	706	55	(142)	2,614
	1979	2,167	86	550	49	(131)	2,721
	1978	1,640	59	344	45	(109)	1,979

(1) Corporate income, expenses, assets and liabilities are included in the United States column.

(2) Included in United States net sales are export sales of \$371, \$426, \$369, \$294 and \$234 million for each of the respective years.

(3) Operating profit as defined by the FASB Statement No. 14 would also include an allocation to geographic areas of "Other income-net" and "Nonrecurring items." The amounts in these captions have not been allocated to the geographic areas in order to avoid distortions in trends.

(4) Income from operations for selected businesses has been adjusted for the difference between taxes provided and ordinary U.S. tax rates, primarily to remove distortions created by extremely high tax rates in certain foreign countries which would have obscured comparability between geographic areas.

(5) Includes the assets of the discontinued operations of \$150, \$205 and \$381 million for each of the respective years.

## Note 13. Supplementary Oil and Gas Information (unaudited)

Reserve, revenue and cost information concerning the Company's worldwide oil- (crude oil, condensate and natural gas liquids) and natural gas-related activities is presented below.

During 1982 the Company completed the acquisition of the Supron Energy Corporation, and Supron's producing properties were transferred to a partnership (Unicon Producing Company) in which the Company has a 50 percent interest. The Company's investment in Unicon is being accounted for on the equity method.

During 1981 the Company sold substantially all of its

Canadian oil and gas properties. The Canadian reserves represented eight percent of the Company's total proved reserves of oil and seven percent of the total proved natural gas reserves at December 31, 1980.

Reserves are considered proved if economic producibility is supported by either actual production or conclusive formation tests. Proved developed reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped reserves are reserves that are expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required to permit production. These estimates do not include reserves which may be found by extension of proved areas, reserves which have been estimated considering known geological and seismic data and previous experience with similar reservoirs, or reserves recoverable by secondary or tertiary recovery methods unless these methods are in operation and showing successful results.



The Company's net quantities of proved developed and undeveloped reserves of oil and natural gas, by geographic areas and changes therein were as follows:

		Oil—Million Barrels						Natural Gas—Billion Cubic Feet					
		United States	Canada	South America(a)	Europe	Asia	Total	United States	Canada	Europe	Asia	Total	
<b>Proved developed and undeveloped reserves</b>													
Beginning of year	<b>1982</b>	<b>44</b>	<b>—</b>	<b>6</b>	<b>101</b>	<b>15</b>	<b>166</b>	<b>421</b>	<b>—</b>	<b>6</b>	<b>1,527(b)(d)</b>	<b>1,954</b>	
	1981	47	15	6	111	15	194	417	149	31	1,545(b)(d)	2,142	
	1980	51	12	8	131	15	217	428	148	33	1,476(b)(d)	2,085	
Revisions of previous estimates	<b>1982</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3</b>	<b>1</b>	<b>4</b>	<b>(37)</b>	<b>—</b>	<b>—</b>	<b>(122)</b>	<b>(159)</b>	
	1981	(1)	—	—	10	(2)	7	(27)	(1)	(24)	(119)	(171)	
	1980	—	2	—	(9)	(2)	(9)	1	(9)	—	(91)	(99)	
Extensions, discoveries and other additions	<b>1982</b>	<b>3</b>	<b>—</b>	<b>1</b>	<b>—</b>	<b>2</b>	<b>6</b>	<b>43</b>	<b>—</b>	<b>—</b>	<b>58</b>	<b>101</b>	
	1981	4	1	2	—	3	10	98	3	—	149	250	
	1980	2	2	—	10	3	17	39	16	—	208	263	
Production	<b>1982</b>	<b>(6)</b>	<b>—</b>	<b>(2)</b>	<b>(21)</b>	<b>(2)</b>	<b>(31)</b>	<b>(62)</b>	<b>—</b>	<b>(1)</b>	<b>(48)(c)</b>	<b>(111)</b>	
	1981	(6)	(1)	(2)	(20)	(1)	(30)	(67)	(4)	(1)	(48)(c)	(120)	
	1980	(6)	(1)	(2)	(21)	(1)	(31)	(51)	(6)	(2)	(48)(c)	(107)	
Sales of minerals-in-place	<b>1982</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	
	1981	—	(15)	—	—	—	(15)	—	(147)	—	—	(147)	
	1980	—	—	—	—	—	—	—	—	—	—	—	
End of year	<b>1982</b>	<b>41</b>	<b>—</b>	<b>5</b>	<b>83</b>	<b>16</b>	<b>145</b>	<b>365</b>	<b>—</b>	<b>5</b>	<b>1,415(b)(d)</b>	<b>1,785</b>	
	1981	44	—	6	101	15	166	421	—	6	1,527(b)(d)	1,954	
	1980	47	15	6	111	15	194	417	149	31	1,545(b)(d)	2,142	
Proportional interest in equity partnership—end of year	<b>1982</b>	<b>4</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>4</b>	<b>211</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>211</b>	
Total including equity partnership—end of year	<b>1982</b>	<b>45</b>	<b>—</b>	<b>5</b>	<b>83</b>	<b>16</b>	<b>149</b>	<b>576</b>	<b>—</b>	<b>5</b>	<b>1,415</b>	<b>1,996</b>	
<b>Proved developed reserves</b>													
Beginning of year	<b>1982</b>	<b>43</b>	<b>—</b>	<b>6</b>	<b>95</b>	<b>11</b>	<b>155</b>	<b>394</b>	<b>—</b>	<b>6</b>	<b>1,118(b)</b>	<b>1,518</b>	
	1981	47	15	6	101	15	184	395	149	6	1,178(b)(d)	1,728	
	1980	51	12	8	131	15	217	352	148	8	1,476(b)(d)	1,984	
End of year	<b>1982</b>	<b>40</b>	<b>—</b>	<b>5</b>	<b>80</b>	<b>13</b>	<b>138</b>	<b>342</b>	<b>—</b>	<b>5</b>	<b>1,061(b)</b>	<b>1,408</b>	
	1981	43	—	6	95	11	155	394	—	6	1,118(b)	1,518	
	1980	47	15	6	101	15	184	395	149	6	1,178(b)(d)	1,728	

(a) Reserve and production information relates to a service contract operation in Argentina under which the Company is paid a fee based on production.

(b) Includes reserves that will require utilization of an expanded Indonesian liquefied natural gas (LNG) plant scheduled for completion in 1983.

(c) Included in Asia's gas production is approximately 7, 10, and 9 BCF for each of the respective years, of gas consumed, primarily in operation of the Indonesian LNG plant.

(d) Includes reserves that require the negotiation of additional sales agreements.

Costs incurred in oil and gas property acquisition, exploration and development activities were as follows:

		United States	Canada	South America	Europe	Asia	Other Int'l	Total
Property acquisition	<b>1982</b>	<b>\$ 14</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 1</b>	<b>\$ —</b>	<b>\$ 15</b>
	1981	18	1	—	4	—	21	44
	1980	30	3	—	8	3	1	45
Exploration	<b>1982</b>	<b>76</b>	<b>—</b>	<b>16</b>	<b>24</b>	<b>76</b>	<b>33</b>	<b>225(a)</b>
	1981	84	3	8	26	43	24	188(a)
	1980	61	9	1	11	37	6	125(a)
Development	<b>1982</b>	<b>65</b>	<b>1</b>	<b>2</b>	<b>12</b>	<b>78</b>	<b>—</b>	<b>158</b>
	1981	99	5	5	44	42	—	195
	1980	79	10	2	50	20	—	161
Proportional interest in equity partnership	<b>1982</b>	<b>26</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>26</b>
Total including equity partnership	<b>1982</b>	<b>\$181</b>	<b>\$ 1</b>	<b>\$18</b>	<b>\$36</b>	<b>\$155</b>	<b>\$33</b>	<b>\$424</b>

(a) Includes cash expenditures for capital additions of \$18, \$30 and \$28 million for each of the respective years.

The aggregate amount of capitalized costs (including construction in progress) relating to oil and gas producing activities, the aggregate amount of the related accumulated depreciation, depletion and amortization (DD&A) and accumulated valuation allowances at December 31, 1982, 1981 and 1980 were as follows:

		United States	Canada	South America	Europe	Asia	Other Int'l	Total
<b>Proved and unproved properties</b>								
Gross capital	<b>1982</b>	<b>\$779</b>	<b>\$ 5</b>	<b>\$27</b>	<b>\$426</b>	<b>\$259</b>	<b>\$28</b>	<b>\$1,524</b>
	1981	681	5	23	497	175	24	1,405
	1980	551	101	16	452	137	3	1,260
Accumulated DD&A (including valuation allowances)	<b>1982</b>	<b>363</b>	<b>4</b>	<b>16</b>	<b>236</b>	<b>43</b>	<b>14</b>	<b>676</b>
	1981	291	5	13	219	38	5	571
	1980	235	40	9	156	32	2	474
Proportional interest of net capitalized costs of equity partnership	<b>1982</b>	<b>395</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>395</b>
<b>Proved properties</b>								
Gross capital	<b>1982</b>	<b>632</b>	<b>1</b>	<b>23</b>	<b>414</b>	<b>242</b>	<b>—</b>	<b>1,312</b>
	1981	552	—	21	481	159	—	1,213
	1980	443	72	16	435	124	—	1,090
Accumulated DD&A	<b>1982</b>	<b>298</b>	<b>—</b>	<b>15</b>	<b>226</b>	<b>36</b>	<b>—</b>	<b>575</b>
	1981	238	—	13	211	30	—	492
	1980	195	24	9	150	25	—	403

The results of operations for the Company's oil and gas producing activities for 1982, 1981 and 1980 were as follows:

Year ended December 31, 1982	United States	South America	Europe	Asia	Other Int'l	Total
Net sales	\$344	\$14	\$671	\$303	\$ —	\$1,332
Production costs	113	3	41	59	—	216
Exploration expenses	67	13	26	69	32	207
Depreciation, depletion, and amortization	65	3	60	6	—	134
Valuation allowances	26	—	2	1	9	38
Total costs and expenses	271	19	129	135	41	595
Income (loss) before taxes on income	73	(5)	542	168	(41)	737
Taxes on income (1)	34	—	442	86	—	562
Results of operations	39	(5)	100	82	(41)	175
Proportional interest in results of operations of equity partnership	3	—	—	—	—	3
Total results of operations (2)	\$ 42	\$ (5)	\$100	\$ 82	\$(41)	\$ 178

Year ended December 31, 1981	United States	Canada	South America	Europe	Asia	Other Int'l	Total
Net sales	\$372	\$24	\$16	\$721	\$273	\$ —	\$1,406
Production costs	122	5	6	40	16	—	219
Exploration expenses	60	3	6	22	43	24	158
Depreciation, depletion, and amortization	51	2	3	71	5	—	132
Valuation allowances	21	3	—	3	1	3	31
Total costs and expenses	254	13	15	136	95	27	540
Income (loss) before taxes on income	118	11	1	585	178	(27)	866
Taxes on income (1)	58	5	—	449	96	—	608
Results of operations (2)	\$ 60	\$ 6	\$ 1	\$136	\$ 82	\$(27)	\$ 258

Year ended December 31, 1980	United States	Canada	South America	Europe	Asia	Other Int'l	Total
Net sales	\$211	\$32	\$14	\$698	\$253	\$ —	\$1,208
Production costs	60	4	5	37	50	—	156
Exploration expenses	44	4	1	8	35	5	97
Depreciation, depletion, and amortization	24	2	1	55	4	—	86
Valuation allowances	18	3	—	1	1	—	23
Total costs and expenses	146	13	7	101	90	5	362
Income (loss) before taxes on income	65	19	7	597	163	(5)	846
Taxes on income (1)	31	7	—	477	85	—	600
Results of operations (2)	\$ 34	\$12	\$ 7	\$120	\$ 78	\$(5)	\$ 246

(1) Computed using statutory tax rates adjusted for permanent differences, tax credits and allowances.

(2) Excludes overhead and financing costs.



The standardized measure of discounted future net cash flows and changes therein relating to proved oil and gas reserves at December 31, 1982, 1981 and 1980 were as follows:

December 31, 1982	United States	Europe	Asia	South America	Other	Total
Future cash inflows	\$1,923	\$2,707	\$6,666	\$31	\$11	\$11,338
Future production and development costs	(931)	(736)	(1,282)	(21)	(3)	(2,973)
Future income tax expense	(432)	(1,560)	(2,973)	—	(4)	(4,969)
Future net cash flows (a)	560	411	2,411	10	4	3,396
10% discount for estimated timing of cash flows	(154)	(83)	(1,280)	(1)	(2)	(1,520)
Standardized measure of discounted future net cash flows	\$ 406	\$ 328	\$1,131	\$ 9	\$ 2	\$ 1,876
Proportional interest in equity partnership's standardized measure of discounted future net cash flows	\$ 197	\$ —	\$ —	\$ —	\$ —	\$ 197
Beginning of year						\$ 1,807
Sales and transfers of oil and gas produced, net of production costs						(1,116)
Net changes in prices, development and production costs						(313)
Extensions, discoveries, and improved recovery, less related costs						226
Development costs incurred during the period						126
Revisions of previous quantity estimates						466
Increase in present value due to passage of one year						181
Net change in income taxes						209
Other						290
End of year						\$ 1,876

December 31, 1981	United States	Europe	Asia	South America	Total
Future cash inflows	\$2,176	\$3,557	\$6,986	\$42	\$12,761
Future production and development costs	(758)	(1,062)	(910)	(30)	(2,760)
Future income tax expense	(647)	(2,044)	(3,402)	—	(6,093)
Future net cash flows (a)	771	451	2,674	12	3,908
10% discount for estimated timing of cash flows	(272)	(116)	(1,711)	(2)	(2,101)
Standardized measure of discounted future net cash flows	\$ 499	\$ 335	\$ 963	\$10	\$ 1,807
Beginning of year					\$ 1,782
Sales and transfers of oil and gas produced, net of production costs					(1,187)
Net changes in prices, development and production costs					220
Extensions, discoveries, and improved recovery, less related costs					336
Development costs incurred during the period					178
Revisions of previous quantity estimates					295
Increase in present value due to passage of one year					178
Net change in income taxes					58
Sales of reserves in place					(383)
Other					330
End of year					\$ 1,807

December 31, 1980	United States	Europe	Asia	South America	Canada	Total
Future cash inflows	\$2,254	\$3,896	\$6,140	\$48	\$547	\$12,885
Future production and development costs	(1,107)	(728)	(481)	(28)	(255)	(2,599)
Future income tax expense	(516)	(2,553)	(3,169)	—	(138)	(6,376)
Future net cash flows (a)	631	615	2,490	20	154	3,910
10% discount for estimated timing of cash flows	(218)	(200)	(1,634)	(4)	(72)	(2,128)
Standardized measure of discounted future net cash flows	\$ 413	\$ 415	\$ 856	\$16	\$ 82	\$ 1,782
Beginning of year						\$ 1,367
Sales and transfers of oil and gas produced, net of production costs						(1,052)
Net changes in prices, development and production costs						1,583
Extensions, discoveries, and improved recovery, less related costs						289
Development costs incurred during the period						76
Revisions of previous quantity estimates						(102)
Increase in present value due to passage of one year						137
Net change in income taxes						(842)
Other						326
End of year						\$ 1,782

(a) Future net cash flows were computed using year-end prices and costs and statutory tax rates adjusted for permanent differences, tax credits and allowances.

## Note 14. Unaudited Financial Information

### Quarterly Financial Information

	1982					1981				
	Mar. 31	June 30	Sept. 30	Dec. 31	Year	Mar. 31	June 30	Sept. 30(a)	Dec. 31(a)	Year(a)
Net sales	\$1,614	\$1,595	\$1,514	\$1,444	\$6,167	\$1,582	\$1,580	\$1,544	\$1,696	\$6,407
Gross profit(b)	457	482	444	423	1,806	465	482	464	541	1,952
Net income	63	82	81(c)	46(c)	272	84	87	118(c)	59(c)	348
Per share of common stock:										
Net earnings	1.38	2.01	1.95(c)	.88(c)	6.22	2.33	2.40	3.15(c)	1.29(c)	9.17
Dividends paid	.60	.60	.60	.60	2.40	.55	.60	.60	.60	2.35
Market price (composite tape)(d)										
High	45.38	37.50	36.75	38.38	45.38	57.00	58.63	59.88	48.38	59.88
Low	32.38	30.13	28.75	30.50	28.75	46.88	49.13	39.00	40.50	39.00

(a) Includes the results of Bunker Ramo Corporation after June 30, 1981, and of Fisher Scientific Company after September 30, 1981.

(b) Exclusive of depreciation, depletion and amortization.

(c) See Note 4 of Notes to Financial Statements for a discussion of nonrecurring items. In 1982, third quarter results include a net gain of \$31 million, or \$ .94 a share, from debt/equity swaps. In 1982, fourth quarter nonrecurring charge consists of a write-off of a note and a provision to cover plant shutdown and disposal costs. In 1981, third quarter nonrecurring items consist of a gain on the sale of the Company's Canadian oil and gas properties partly offset by a provision which includes a reserve for the write-off of an investment and other assets; fourth quarter nonrecurring charge consists primarily of a provision for the disposition of an unprofitable fertilizer plant.

(d) Principally traded on The New York Stock Exchange.

### Supplementary Information Regarding Inflation and Changing Prices

The Company's financial statements are presented on the basis of historical (actual) costs. Such financial statements, however, do not reflect the decline in the purchasing power of the dollar during inflationary periods. The Financial Accounting Standards Board requires the presentation of information reflecting the changes in the prices of specific goods and services (current cost method) on the Company's historical financial data. The accompanying

supplemental data is set forth in accordance with this requirement and is believed by the Company to have been prepared on a reasonable basis; however, much of the FASB mandated data in this section lacks the relevance and reliability attributes which characterize historical accounting information. The application of indexes to the Company's varied fixed assets requires numerous estimates and assumptions which raises a question as to the usefulness of the information developed. The Company

cautions users of this information that the data is of limited value for decision making purposes. Moreover, the FASB intends to assess the usefulness of the information at the end of a five-year experimental period.

The current cost method adjusts historical acquisition cost for changes in specific prices. Since the large volume of such assets, principally property, plant and equipment, precludes individual measurement, the amounts shown were generally determined by applying external indexes to the recorded historical costs.

The current cost of product inventories was principally determined on the basis of average actual cost for the three months ended October 31, 1982, since such inventories were generally acquired in the latter part of the year. However, because a significant portion of inventories is valued on the last-in, first-out (LIFO) method in the historical balance sheet, such inventories are valued at prices lower than current costs. The substantial increase in inventory amounts, adjusted for changes in specific prices, results from valuing such inventories at year-end 1982 dollars.

Income statement amounts for cost of goods sold and depreciation, depletion and amortization expense (DD&A) have been adjusted in arriving at the net income amount on the current cost method. Net sales and all other operating expenses have not been adjusted since they are considered to reflect average price levels for the year. The adjustment to cost of goods sold is relatively small as the Company calculates cost of goods sold on the basis of valuing inventories on the LIFO or average cost methods,

both of which result in an amount which approximates the cost of goods at the time of sale. The increase in DD&A results from the considerable upward adjustment of property, plant and equipment under the current cost method. Since present tax laws do not allow deductions for inflation, adjusted costs and expenses, the revised net income amount does not include any adjustment to the income tax provision.

The gain from decline in purchasing power of net amounts owed is calculated by measuring the increase in purchasing power for the year attributable to general inflation taking into account net monetary liabilities at the beginning and end of the year and transactions during the year. Since a net monetary liability position may be viewed as a hedge against a decline in the dollar's purchasing power, the gain from such decline is taken into consideration when assessing the impact of inflation on the Company.

The increase in shareholders' equity results mainly from the increased value assigned to inventories and property, plant and equipment—net, as well as the gain from the decline in the purchasing power of net amounts owed.

Adjustments to the current cost data needed to reflect the effects of general inflation are based upon the United States Consumer Price Index for all urban consumers (U.S. CPI(u)).

The five-year comparison shows the effects of adjusting specific historical amounts, expressed in terms of average 1982 dollars, as measured by the U.S. CPI(u).

### Statement of Income and Other Financial Data Adjusted for Changing Prices for the Year Ended December 31, 1982

Statement of Income	As Reported in the Financial Statements (Historical Cost)	Adjusted for Changes in Specific Prices (Current Cost)
Net sales	\$6,167	\$6,167
Cost of goods sold	4,361	4,414
Depreciation, depletion and amortization	382	549
Selling, general and administrative expenses	639	639
Other income—net	(89)	(89)
Nonrecurring items	11	11
Interest and other financial charges	84	84
Pre-tax income	779	559
Taxes on income	507	507
Net income	272	52
Gain from decline in purchasing power of net amounts owed	—	88
Net income plus gain from decline in purchasing power of net amounts owed	\$ 272	\$ 140
Per share of common stock:		
Net income (loss)	\$ 6.22	\$ (.49)
Net income plus gain from decline in purchasing power of net amounts owed	6.22	2.18
<b>Other Financial Data</b>		
Inventories at year-end	\$ 647	\$ 924
Property, plant and equipment—net at year-end	2,858	4,110
Shareholders' equity in average 1982 dollars	2,013	3,485
Foreign currency translation adjustment	(42)	(60)
Effect of increase in general price level		\$ 231
Increase in specific prices (current cost) of inventories and property, plant and equipment—net held during the year		209
Excess of increase in the general price level over increase in specific prices		\$ 22



# Five-year Comparison of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices

Years ended December 31	1982	1981	1980	1979	1978
<b>Net Sales</b>					
As reported in financial statements	<b>\$6,167</b>	\$6,407	\$5,519	\$4,332	\$3,016
Restated in average 1982 dollars	<b>6,167</b>	6,807	6,469	5,765	4,465
<b>Income From Continuing Operations</b>					
As reported in financial statements	<b>272</b>	348	289	176	153
Restated in current cost	<b>52</b>	152	171	44	
<b>Shareholders' Equity</b>					
As reported in financial statements	<b>2,013</b>	1,900	1,664	1,229	
Restated in current cost	<b>3,485</b>	3,716	3,322	2,950	
Purchasing power gain	<b>88</b>	170	213	249	
Difference between increase in the general price level and increase in specific prices	<b>22</b>	(206)	124	306	
Per share of common stock:					
Income (Loss) from continuing operations:					
—as reported	<b>6.22</b>	9.17	8.15	5.95	5.40
—in current cost	<b>(.49)</b>	3.27	4.42	1.30	
Cash dividends as reported in financial statements	<b>2.40</b>	2.35	2.15	2.00	2.00
Cash dividends restated in average 1982 dollars	<b>2.39</b>	2.49	2.51	2.68	2.98
Market price (actual at year-end)	<b>32.38</b>	43.88	53.50	49.13	28.25
Market price restated in average 1982 dollars	<b>31.86</b>	45.10	59.90	61.83	40.28
Average Consumer Price Index for all urban consumers	<b>289.3</b>	272.3	246.8	217.4	195.4

Note: Restatements in current costs are in average 1982 dollars.

## Report of Independent Accountants



65 MADISON AVENUE  
MORRISTOWN, NJ 07960  
201 540-8980

To the Shareholders and Directors of  
Allied Corporation

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, retained earnings and changes in financial position present fairly the financial position of Allied Corporation and its consolidated subsidiaries at December 31, 1982 and 1981, and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1982, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

January 21, 1983

*Price Waterhouse*

# Selected Financial Data

Allied Corporation

(Dollars in millions except per share amounts)

Years ended December 31	1982 (a)	1981(a)	1980	1979 (a)	1978
<b>For the Year</b>					
Net sales	<b>\$6,167</b>	\$6,407	\$5,519	\$4,332	\$3,016
Cost of goods sold (exclusive of DD&A)	<b>4,361</b>	4,455	3,824	3,115	2,223
Depreciation, depletion and amortization (DD&A)	<b>382</b>	347	271	225	190
Income from operations	<b>785</b>	1,071	990	695	404
Nonrecurring items	<b>(11)</b>	29	(28)	(50)	(9)
Interest and other financial charges	<b>(84)</b>	(88)	(81)	(102)	(69)
Income from continuing operations before taxes on income	<b>779</b>	1,033	926	560	341
Taxes on income	<b>507</b>	685	637	384	188
Income from continuing operations	<b>272</b>	348	289	176	153
Discontinued operations:					
Operating losses, net of income tax	—	—	—	(19)	(33)
Estimated loss on disposal, net of income tax	—	—	—	(146)	—
Net income	<b>272</b>	348	289	11	120
Preferred stock dividend requirement	<b>(68)</b>	(38)	(23)	(5)	—
Earnings applicable to common stock	<b>\$ 204</b>	\$ 310	\$ 266	\$ 6	\$ 120
Earnings per share of common stock:					
Income from continuing operations	<b>\$ 6.22</b>	\$ 9.17	\$ 8.15	\$ 5.95	\$ 5.40
Losses from discontinued operations	—	—	—	(5.75)	(1.15)
Net earnings	<b>\$ 6.22</b>	\$ 9.17	\$ 8.15	\$ 20	\$ 4.25
Weighted average number of common shares outstanding (in millions)	<b>32.8</b>	33.8	32.6	28.7	28.3
Dividends per share of common stock	<b>\$ 2.40</b>	\$ 2.35	\$ 2.15	\$ 2.00	\$ 2.00
Salaries and wages	<b>1,140</b>	1,018	828	681	526
Oil and gas exploration costs expensed	<b>245</b>	189	120	91	81
Environmental improvement costs expensed	<b>88</b>	80	88	30	30
Property, plant and equipment additions:					
Environmental improvement facilities	<b>34</b>	56	54	64	101
Capitalized oil and gas exploration and development	<b>239</b>	251	226	162	170
Plant improvements and additions	<b>251</b>	302	253	183	231
Total additions	<b>524</b>	609	533	409	502

(Dollars in millions except per share amounts)

December 31	1982 (a)	1981(a)	1980	1979 (a)	1978
<b>At Year-End</b>					
Net working capital	\$ 416	\$ 638	\$ 467	\$ 279	\$ 285
Property, plant and equipment—net	2,858	2,866	2,384	2,169	2,041
Total assets	6,272	5,344	4,538	4,210	3,251
Long-term debt and capitalized lease obligations	700	857	885	952	947
Preferred redeemable stock	586	591	260	199	—
Common stock and other shareholders' equity	2,013	1,900	1,664	1,229	1,272
Book value per share of common stock	57.11	56.30	49.69	42.65	44.62
Number of common shares outstanding (in millions)	35.2	33.7	33.5	28.8	28.5
Common shareholders	58,046	56,648	58,022	60,304	63,779
Employees	44,337	58,224	46,269	49,014	31,979
<b>Financial Statistics</b>					
Return on sales (pre-tax adjusted) (b)	8.2	11.6	11.0	8.8	10.5
Return on average assets:					
Pre-tax (adjusted)(b)	10.0	15.9	14.8	11.2	12.1
After-tax	5.4	7.5	7.0	4.5	5.8
Return on common equity	10.1	16.3	16.0	14.1	12.0
Long-term debt as a percent of total capital	19.5	23.3	28.4	35.6	38.5
Interest coverage ratio	7.1	9.4	10.1	7.0	6.1

(a) Includes the effect of acquisitions in the respective periods. See Note 3 of Notes to Financial Statements for a discussion of 1982 and 1981 acquisitions. The Company acquired Eltra Corporation effective July 1, 1979. The transaction was valued at approximately \$598 million and was accounted for as a purchase.

(b) Pre-tax income for selected businesses has been adjusted for the difference between taxes provided and ordinary U.S. tax rates, primarily to remove distortions created by extremely high tax rates in certain foreign countries, as well as nonrecurring items.

## Policy and Management Committee



Edward L. Hennessy, Jr.  
Chairman of the Board and  
Chief Executive Officer



Alan Belzer  
President, Allied Fibers  
& Plastics Company, and  
Group Vice President



Edgar S. Brower  
President, Allied Electronic  
Components Company, and  
Group Vice President



Robert L. Cole  
President, Allied Information  
Systems Company, and Group  
Vice President



William D. Geitz  
Chairman of the Board and  
Chief Executive Officer, Union  
Texas Petroleum, and Group  
Vice President



A. Clark Johnson  
President, Allied Chemical  
Company, and Group  
Vice President



James L. Vincent  
President, Allied Health &  
Scientific Products Company,  
and Group Vice President

The Policy and Management Committee, comprising the Company's senior officers, usually meets twice a month to review business plans of the operating companies, to discuss all major projects and to develop policies and business strategies for Allied.

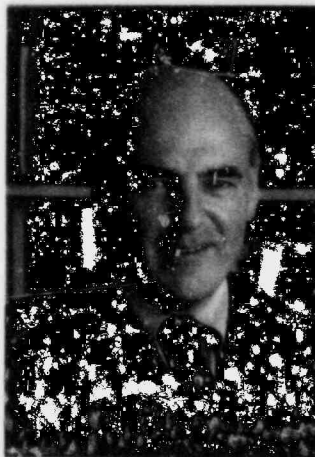




Harold W. Burkle  
Senior Vice President-  
Planning and Finance



Dr. L. James Colby, Jr.  
Senior Vice President-  
Technology



Brian D. Forrow  
Senior Vice President and  
General Counsel



Edwin M. Halkyard  
Senior Vice President-  
Human Resources



David G. Powell  
Senior Vice President-  
Public Affairs



H. Dorn Stewart, Jr.  
Senior Vice President-  
Operations and President,  
Industrial Products Group



Victor Futter  
Vice President and Secretary

## Officers

All members of the Policy and Management Committee are officers of the Corporation.  
Other officers are:

Daniel P. Burnham  
Vice President and Controller

Edward W. Callahan  
Vice President-Health, Safety and Environmental Sciences

Nicholas A. Cameron  
Vice President-Finance

William F. Loftus  
Vice President and Treasurer

Harry J. Robinson, M.D.  
Vice President-Medical Affairs

Pieter J. Schiller  
Vice President-Planning and Development

Dr. Richard A. Swalin  
Vice President-Research and Development

## Directors

Edward L. Hennessy, Jr.<sup>4</sup>  
Chairman and Chief Executive Officer  
Allied Corporation

William M. Agee  
Chairman and Chief Executive Officer  
The Bendix Corporation  
President  
Allied Corporation

Jewel Plummer Cobb<sup>1,2</sup>  
President  
California State University, Fullerton  
Fullerton, California

Donald W. Davis<sup>3,5,6</sup>  
Chief Executive Officer and Chairman  
The Stanley Works  
New Britain, Connecticut  
(Manufacturer of tools and hardware)

John P. Fishwick<sup>1,4,6</sup>  
Partner  
Winds, Marx, Davies and Ives  
Washington, DC  
(Law firm)

Brian D. Forrow  
Senior Vice President and General Counsel  
Allied Corporation

William R. Haselton<sup>1,2,5</sup>  
Chairman and Chief Executive Officer  
St. Regis Paper Company  
New York, New York

Robert D. Kilpatrick<sup>2,3,4</sup>  
President and Co-Chief Executive Officer  
CIGNA Corporation  
New York, New York  
(Diversified insurance and financial institution)

James A. Krumhansl<sup>2,3,4</sup>  
Horace White Professor of Physics and Professor of Applied Physics  
Cornell University  
Ithaca, New York

Helen S. Meyner<sup>3,5</sup>  
Corporate Director  
Phillipsburg, New Jersey

Roger H. Morley<sup>1,6</sup>  
Corporate Director  
St. Jacques De Grasse, France

Charles W. Nichols, Jr.<sup>2,4,5,6</sup>  
Private Investor  
New York, New York

Stanley P. Porter<sup>1,4,6</sup>  
Vice Chairman, retired  
Arthur Young & Company  
Dallas, Texas

Theodore C. Rogers<sup>2,3,6</sup>  
President and Chief Executive Officer  
NL Industries Inc.  
New York, New York  
(Supplier of services and equipment to the petroleum industry)

Jonathan L. Scott  
Chairman of the Board and Chief Executive Officer  
J.L. Scott Enterprises, Inc.  
Irving, Texas  
(Developer and manager of commercial real estate and other investments)

Richard R. Shinn<sup>2,4,6</sup>  
Former Chairman and Chief Executive Officer  
Metropolitan Life Insurance Company  
New York, New York

Thomas P. Stafford  
Vice Chairman  
Gibraltar Exploration Limited  
Oklahoma City, Oklahoma  
(Oil and gas exploration and production)

Paul Thayer\*  
Chairman  
The LTV Corporation  
Dallas, Texas

## Board Committees

(Numbers next to the Directors names refer to the Committees on which they serve.)

- 1 Audit Committee  
Stanley P. Porter  
Chairman
- 2 Board Nominating and Review Committee  
Charles W. Nichols, Jr.  
Chairman
- 3 Corporate Responsibility Committee  
Robert D. Kilpatrick  
Chairman
- 4 Finance Committee  
Edward L. Hennessy, Jr.  
Chairman
- 5 Organization and Compensation Committee  
Richard R. Shinn  
Chairman
- 6 Retirement Funds Committee  
John P. Fishwick  
Chairman

## Scientific Advisory Committee

Dr. James A. Krumhansl  
Chairman  
Dr. John I. Brauman  
Dr. Mildred S. Dresselhaus  
Sir Sam F. Edwards  
Dr. Sidney Kaufman  
Dr. Jeremy R. Knowles  
Dr. John R. Whinnery

\*Resigned in January 1983 after nomination to serve as Deputy Secretary of Defense.

## Shareholder Information

### Annual Meeting

The 63rd Annual Meeting of Shareholders of Allied Corporation will be held at 10 a.m., April 25, 1983, in the Nichols Cafeteria at the Company's headquarters, Columbia Road and Park Avenue, Morris Township, New Jersey.

A report on the annual meeting, including a summary of proceedings and the results of voting on items of business, is mailed to shareholders in May.

### Dividend/Shareholder Information

Allied Corporation's Dividend Reinvestment and Stock Purchase Plan provides for the automatic reinvestment of dividends at a five percent discount from market price for holders of the Corporation's Common Stock. Participants also may add cash for the purchase of additional shares of Common Stock without payment of any brokerage commission or service charge; however, the five percent discount does not apply.

For more information about the plan or for answers to questions about dividend checks, stock transfers and other share-

holder matters, write: Shareholder Relations  
Allied Corporation  
P.O. Box 50000R  
Morristown, New Jersey  
07960

Shareholders in New Jersey also may call collect: (201) 455-2127; shareholders residing outside of New Jersey may dial, toll free, (800) 255-4332.

### Form 10-K

Shareholders may request Form 10-K, which the Corporation submits to the Securities and Exchange Commission, by contacting: Corporate Publications  
Allied Corporation  
P.O. Box 2245R  
Morristown, New Jersey  
07960.

### Common Stock

The Common Stock is listed on the New York, Midwest and Pacific Stock Exchanges under the symbol ALD.

#### Transfer Agents and Registrars

The Bank of New York  
90 Washington Street  
New York, New York 10015

Union Bank  
3810 Wilshire Boulevard  
Los Angeles, California  
90051

The Common Stock is listed on the Toronto Stock Exchange under the symbol ACD.

### Transfer Agent

National Trust Company, Ltd.  
21 King Street East  
Toronto, Ontario, Canada

### Registrar

Montreal Trust Company  
15 King Street West  
Toronto, Ontario, Canada

### \$6.74 Series C Preferred

The \$6.74 Series C Cumulative Convertible Preferred Shares are listed on the New York and Pacific Stock Exchanges under the symbol ALD PRC.

#### Transfer Agents and Registrars

The Bank of New York  
90 Washington Street  
New York, New York 10015

Union Bank  
3810 Wilshire Boulevard  
Los Angeles, California  
90051

### \$12 Series D Preferred

The \$12 Series D Cumulative Convertible Preferred Shares are listed on the New York Stock Exchange under the symbol ALD PRD.

#### Transfer Agent and Registrar

The Bank of New York  
90 Washington Street  
New York, New York 10015

### Adjustable Rate Series F Preferred

An application to list the Adjustable Rate Series F Cumulative Preferred Shares on the New York Stock Exchange was pending at year-end.

Throughout this Annual Report product and service references in *italics* with initial capitals represent trademarks, servicemarks or brand names owned by or associated with Allied Corporation.





Box 2245R  
Morristown, New Jersey 07960





SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

**Form 10-K**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended DECEMBER 31, 1982

Commission file number 1-1269

# Allied Corporation

(Exact name of registrant as specified in its charter)

NEW YORK

(State or other jurisdiction of  
incorporation or organization)

P.O. Box 4000R  
Morristown, New Jersey

(Address of principal executive offices)

13-4918545

(I.R.S. Employer  
Identification No.)

07960

(Zip Code)

Registrant's telephone number, including area code (201)455-2000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value \$1 per share	New York Stock Exchange Midwest Stock Exchange Pacific Stock Exchange Toronto Stock Exchange New York Stock Exchange Pacific Stock Exchange New York Stock Exchange
\$6.74 Series C Cumulative Convertible Preferred Shares	
\$12 Series D Cumulative Convertible Preferred Shares	
Adjustable Rate Series F Cumulative Preferred Shares	New York Stock Exchange
8 $\frac{1}{8}$ % Notes due April 1, 1983	New York Stock Exchange
Money Multiplier Notes (Zero Coupon) (5 issues) due July 1, 1987, October 1, 1992, January 15, 1996, September 15, 1998 and August 15, 2000	New York Stock Exchange
6% Original Issue Discount Notes (2 issues) due December 15, 1988 and December 15, 1990	New York Stock Exchange
5.20% Debentures due November 1, 1991	New York Stock Exchange
6.60% Debentures due August 1, 1993	New York Stock Exchange
7 $\frac{1}{8}$ % Debentures due September 1, 1996	New York Stock Exchange
9% Debentures due April 1, 2000	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

The aggregate market value of the voting stock held by nonaffiliates of the registrant was approximately \$1.5 billion at December 31, 1982.

There were 35,249,957 shares of Common Stock outstanding at December 31, 1982.

## Documents Incorporated by Reference

Part I and II: Annual Report to Shareholders for the Year Ended December 31, 1982.

Part III: Proxy Statement for Annual Meeting of Shareholders to be held April 25, 1983.

Part I and IV: The Bendix Corporation Annual Report on Form 10-K for the Year Ended September 30, 1982.

# ALLIED CORPORATION

## Cross Reference Sheet

Form 10-K Item No.	Heading(s) in Annual Report to Shareholders for Year Ended December 31, 1982	Page(s) in Annual Report
1. Business	Note 9. Commitments and Contingencies .....	41
	Note 11. Segment Financial Data .....	43
	Note 12. Geographic Areas—Financial Data .....	44
3. Legal Proceedings	Note 9. Commitments and Contingencies .....	41
5. Market for the Regis- trant's Common Stock and Related Stock- holder Matters	Note 14. Unaudited Financial Information—Quarterly Financial Information .....	49
	Selected Financial Data .....	53
6. Selected Financial Data	Selected Financial Data .....	52, 53
7. Management's Discus- sion and Analysis of Financial Condition and Results of Opera- tions	Management's Discussion and Analysis .....	27
8. Financial Statements and Supplementary Data	Consolidated Statement of Income .....	24
	Consolidated Statement of Retained Earnings .....	24
	Consolidated Balance Sheet .....	25
	Consolidated Statement of Changes in Financial Position .....	26
	Other Financial Statement Data .....	32
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	Report of Independent Accountants .....	51
	Heading(s) in Proxy Statement for Annual Meeting of Shareholders to be held April 25, 1983	Page(s) in Proxy Statement
10. Directors and Executive Officers of the Reg- istrant	Election of Directors .....	*
11. Management Remunera- tion	Remuneration of Officers and Directors .....	*
12. Security Ownership of Certain Beneficial Owners and Manage- ment	Voting Securities .....	*
	Annual Report on Form 10-K of The Bendix Corporation for Year Ended September 30, 1982	Page(s) in Form 10-K
1. Business	Business .....	1
13. Financial Statement Schedules	13(a) 1. Financial Statements .....	5

\* To be included in a definitive Proxy Statement to be filed with the Securities and Exchange Commission not later than 120 days after December 31, 1982.

NOTE: Allied Corporation is sometimes referred to in this Report as the Registrant and as the Company, and Allied Corporation and its consolidated subsidiaries are sometimes referred to as the Company.

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(a) These items are omitted since the Registrant will file with the Securities and Exchange Commission a definitive Proxy Statement pursuant to Regulation 14A involving the election of directors not later than 120 days after December 31, 1982. Certain other information relating to the Executive Officers of the Registrant appears at pages 26 through 28 of this Report.

## Part I.

### Item 1. Business

Allied Corporation (with its consolidated subsidiaries sometimes referred to in this Report as the Company) was organized in the State of New York in 1920. On December 21 and 22, 1982, the Company acquired approximately 55% of the outstanding common stock of The Bendix Corporation (Bendix) and approximately 39% of the outstanding common stock of Martin Marietta Corporation (Martin Marietta).

Bendix became a consolidated subsidiary of the Company on January 31, 1983, when the Bendix shareholders approved the merger of Bendix with a subsidiary of the Company and the Company's shareholders approved the issuance of common stock in conjunction with the acquisition. Based on the Company's holdings of Martin Marietta's outstanding common stock, such interest in Martin Marietta will be accounted for as an investment under the equity method.

Bendix, a Delaware corporation, is engaged primarily in the following business segments: automotive, consisting of systems and components for the original equipment and replacement markets; aerospace-electronics, consisting of products and services for the aviation markets and defense and space programs; and industrial, consisting of machine tools and accessories for the metalworking industry and other products. The business discussion included in Item 1 Business of the Annual Report on Form 10-K of Bendix for the year ended September 30, 1982 is incorporated herein by reference. Martin Marietta, a Maryland corporation, is engaged in the business of producing cement, construction aggregates, chemical products and aluminum and other metal products, and developing and producing space and defense systems and products and aircraft components.

On January 28, 1983, the Company agreed to acquire, subject to certain conditions, Instrumentation Laboratory Inc., a maker of biomedical and analytical instruments, for cash and the Company's common stock in a transaction valued at approximately \$112 million. The Company is also considering other possible acquisitions to further diversify and complement its existing businesses, although there can be no assurance that any such acquisition will occur.

For 1982 the Company reported its operations under six business segments: chemicals; fibers and plastics; oil and gas; electrical and electronic; health and scientific products; and other operations, which includes batteries, industrial products and automotive safety restraints. The Company's products are used in agriculture and by many major industries, including textiles, steel, construction, petroleum, plastics, automotive, chemicals, paper, soap, telecommunications, commercial typography, military and aerospace, glass, paint, leather and aluminum, and by brokerage and financial institutions, as well as by industrial and medical laboratories. The following is a description of the Company's six business segments and the principal products and activities in each.

#### Chemicals

The major chemicals products are sulfuric, hydrochloric and hydrofluoric acids, soda ash, calcium chloride, sodium bicarbonate, ammonium chloride, aluminum fluoride, sodium bichromate, chromic acid and other chromium chemicals, coal tar pitch, creosote, tar acids, Genetron® and Genesolv® fluorocarbons, aluminum sulfate, semiconductor chemicals, anhydrous ammonia, other ammonia-based products such as Uran® nitrogen solutions, urea and Poly-N® ammonium polyphosphates, refractory brick and specialty products and the conversion of uranium ore concentrates into uranium hexafluoride (UF<sub>6</sub>).

Sulfuric acid, the most widely used industrial chemical, is used principally in the production of other chemicals, fertilizers, iron and steel, rayon and petroleum products. Uses for the other commodity products in this segment include chrome plating, metal finishing, road maintenance, corrosion control, carbon and wood treatment and the production of fluorocarbons, paper, detergents, resins, glass, pigments, nuclear fuel, textiles, leather, plastics, petroleum products, aluminum, solvents, fertilizers and other chemicals.



The Company is the largest producer of hydrofluoric acid (HF) in the United States. Other domestic producers include Du Pont, Pennwalt, Harshaw and Essex. The Company expanded the Geismar, Louisiana HF facility to increase the plant's capacity by 50,000 tons to 95,000 tons a year, which expansion is scheduled to start up by mid-1983. HF is the base on which the Company has built six different businesses, including such products as Genetron® and Genesolv® fluorocarbons, sulfur hexafluoride, aluminum fluoride and electronic chemicals, as well as UF<sub>6</sub> conversion.

The Company is the largest producer of soda ash in the United States and the second largest in the world. There are five other major domestic producers: FMC, Kerr-McGee, Stauffer, Texasgulf and Tenneco. The Company is seeking a joint venture partner for its soda ash business. The chrome chemicals industry consists of the Company and two other domestic producers (Diamond Shamrock and American Chromium) and five other free world producers. These industries are capital and energy intensive.

Fluorocarbons are used as refrigerants, blowing agents for urethane foams, cleansing of electronic, optical, watch and aerospace parts and for the degreasing of metals and dry-cleaning of clothes. The other domestic fluorocarbon producers include Du Pont, Pennwalt, Kaiser and Racon.

Aluminum sulfate is used in the manufacture of paper products, for both potable and waste water treatment and for other industrial purposes.

Agricultural products are used principally for the manufacture of mixed and direct application fertilizers. Fertilizer sales have significant seasonal variability. Such factors as geographic location, crop, planting practices, weather, economics and agronomics influence this seasonal use. Generally the peak in domestic demand occurs from March to early June, during the spring planting season. Demand for the remainder of the year is low with the exception of increases in the fall. The Company markets primarily non-pressure nitrogen solutions and ammonium polyphosphates throughout the continental United States. The Company is a major producer of nitrogen fertilizer solutions. These markets are serviced almost equally by commercial producers and farmers' cooperatives. The industry is highly competitive and consists of numerous chemical fertilizer producers, including a large number of relatively small enterprises. Prices fluctuate with the seasonal variations in demand and the resulting peak and minimum inventory levels. The Company is looking for a joint venture partner for its agricultural business which has been significantly impacted by industry overcapacity as well as a depressed farm economy. The Company shutdown and mothballed its Helena, Arkansas ammonia and nitrogen solutions facility in 1982 and is seeking a buyer for that facility.

The North American Refractories Company (NARCO) division is engaged in the manufacture and sale of a broad line of refractories. The main products are fireclay, basic carbon, magnesite, high alumina and dolomite bricks, mortars, cements, plastics, castables and gunning mixes. NARCO's products are used to line industrial furnaces and for other applications in manufacturing processes where high temperatures are encountered. More than 50% of NARCO's sales are made to the iron and steel industry, principally to six major companies, with the remainder to other industries such as glass, cement and copper. Each of the markets served by NARCO is highly competitive, and in each of these markets it is neither the largest nor the smallest supplier.

The Company processes uranium ore concentrates into UF<sub>6</sub>, which is an essential intermediate in the production of fuel elements for nuclear power reactors, for domestic and foreign customers. The Company is the larger of two domestic processors, the other being Kerr-McGee, of uranium ore concentrates into UF<sub>6</sub> and, along with three foreign processors, which are either government owned or controlled, competes for the free world market. Price, performance reliability and product purity are the principal competitive factors.

The principal raw materials used in the chemicals segment are sulfur, salt, limestone, fluorspar, chrome ore, trona ore, hydrofluoric acid, carbon tetrachloride, chloroform, bauxite, alumina bearing clay, natural gas, phosphate rock and magnesite. The Company mines its extensive trona and limestone reserves. The Company is a minority holder in a company which owns and works fluorspar deposits in Mexico and which supplies a portion of the Company's fluorspar requirements with the balance purchased from outside suppliers. The Company is producing its salt, dolomite and kaolin requirements, a significant part of its hydrofluoric acid requirements and some of its clay requirements,

with the balance of these and the other raw materials referred to earlier purchased from outside suppliers.

## Fibers and Plastics

This segment consists of two groups:

**Fibers.** The Company is the third largest producer of nylon in the United States after Du Pont and Monsanto and is the largest producer of type 6 nylon. The Company is also the largest domestic producer of caprolactam, the primary intermediate for type 6 nylon, from which it produces fine and heavy denier nylon yarns. These yarns are offered in a wide variety of forms, textures and characteristics, some of which are sold under the trademarks Anso®, Anso X®, Anso® IV, Caprolan® and A.C.E.® Fine deniers are sold to the textile industry chiefly for use in the manufacture of fabrics for apparel. Heavy deniers are used principally in carpet yarn, industrial fabrics, and automotive seat belts and tire cord. In addition, the Company produces heavy denier polyester yarns which are used in industrial fabrics, cordage, seat belts and tire cord. Also included in this group are phenol, a primary ingredient for caprolactam; acetone, a by-product of the phenol process; and ammonium sulfate, a by-product of the caprolactam process, which is used as a fertilizer.

In March 1982 the Company's phenol production facility, at Frankford, Pennsylvania, was substantially damaged by an explosion and fire. The facility is currently producing about 140 million pounds or 20% of its former capacity and is currently being rebuilt to about 80% of its former capacity. Construction is scheduled to be completed in late 1983.

In the home furnishings market, both continuous filament and staple nylon yarns are sold to yarn processors and mills for the manufacture of carpeting. Major competitors include Du Pont, Monsanto, American Enka and Badische. There is considerable price competition. Brand identity is an important competitive factor in the market.

In the tire and industrial market, the Company's primary products are nylon and polyester tire cord and seat belt yarns. The tire cord is sold to tire manufacturers for weaving and fabrication and the seat belt yarn is sold to weaving mills. Sales of industrial nylon continued to be adversely affected in 1982 by weak demand from domestic automotive and tire manufacturers; however, this situation is expected to improve during 1983. Other applications include rope and cordage and a broad range of industrial reinforcement materials. The main competitors are Du Pont and Monsanto for tire and industrial nylon products and Celanese for tire and industrial polyester products. The industry is price and product performance oriented.

In the apparel market, the Company sells Caprolan® nylon flat yarns for warp knit and weaving applications. The industry is highly price competitive. The major nylon competitors are Du Pont, Badische and American Enka.

The principal raw materials used in the fibers group are cumene, natural gas and sulfur, all of which the Company purchases for use in the manufacture of caprolactam, and terephthalic acid and ethylene glycol, both of which the Company purchases for use in the manufacture of polyester fibers.

**Plastics.** Products in this group include high-density polyethylene resins for drums, pails, bottles, food containers, film and housewares; A-C® polyethylene products for floor polishes, rubber and plastic additives and textile finishes; and engineering plastics consisting of: Capron® nylon engineering plastics for automotive, electrical and appliance components; Capran® nylon-6 thermoplastic film and polyester films used primarily for food and medical packaging; Aclar® film, a fluorinated hydrocarbon used for pharmaceutical packaging; polyvinyl chloride films used for packaging; and fluoropolymers (polytetrafluoroethylene and other fluorine-containing polymers) for a variety of industrial applications.

The high-density polyethylene resins business consists of 12 domestic producers, including the Company, and is highly competitive as to price. This product competes with wood, paper, metal, glass and other plastics in end-use applications.

Low-molecular weight ethylene polymer and copolymer products, which include those the Company sells under the A-C® polyethylene label, serve a specialty market which is worldwide. These

products compete with a number of other products such as calcium stearate, polypropylene, other polyethylenes and natural waxes. Competition also exists in alternate technologies which can displace these products on a cost performance basis. Competitors include one other major (Eastman Chemical) and several minor domestic producers and three major foreign producers.

The Capron® nylon engineering plastics, Capran® nylon-6 thermoplastic film and Aclar® film markets are price and product performance oriented. Major competitors include Du Pont, Monsanto, Celanese and Reynolds Metals. Fluoropolymers are premium priced specialty resins, and the major competitors are Du Pont and Pennwalt. The Company's fluoropolymer business includes polytetrafluoroethylene (Halon®), chlorotrifluoroethylene (Aclon®) and ethylene-chlorotrifluoroethylene (Halar® E-CTFE) resins. The Company is currently the only producer of Halar® E-CTFE. In 1982 the Company started up a multi-million dollar facility at the Orange, Texas plant which expanded production capacity of Halar® E-CTFE, which was approved by Underwriters' Laboratories for use as insulation and jacketing for low-voltage wire and cable for use without metal conduit in the open plenum areas above hung ceilings in commercial buildings.

The principal raw materials used in the plastics group are ethylene, isopropanol, acrylic acid, fluorocarbons and nylon resins. The Company is engaged in a joint venture for the production of ethylene, which supplies about 42% of the Company's ethylene requirements, with the balance purchased from others. Isopropanol and acrylic acid are purchased from others. The Company produces all of its fluorocarbon and nylon resins requirements.

## Oil and Gas

The Company's wholly owned subsidiary, Union Texas Petroleum Corporation, along with its affiliates (Union Texas), conducts the Company's oil and gas businesses. The Company's products include crude oil, natural gasoline, condensate, natural and residue gas, liquefied natural gas (LNG), liquefied petroleum gases (LPGs) and ethylene. Produced crude oil and most natural gasoline and condensate are sold to others for further processing. Substantially all of the natural and residue gas produced by the Company in the United States is sold to gas transmission companies under long-term contracts. Natural gas produced in Indonesia is sold as LNG primarily under long-term contracts to Japanese utilities and industrial customers. Domestically, LPGs are sold as residential, commercial, agricultural and industrial heating fuels, as a fuel for motor vehicles and as petrochemical feedstocks. A significant portion of such LPGs are sold through Texus® LPG retail outlets. Ethylene is a raw material from which the Company makes high-density polyethylene and polyethylene resins.

Union Texas is among the largest independent oil and gas companies and is an important segment of the Company's total operations, although it is substantially smaller than the major oil companies. The Company engages in worldwide oil and gas exploration programs and has various interests in or rights to conduct exploratory activities on undeveloped acreage located in the United States and 19 countries throughout the world. The Company's petroleum lease acquisition, exploration, development and production activities are discussed in "Item 2. Properties" of this Form 10-K Annual Report.

The Company's oil and gas business is subject to intense competition, both with respect to the acquisition of new reserves and new exploration leases, licenses and concessions. There is substantial uncertainty as to the degree of success that may be achieved from exploration programs, and in recent years the overall cost of finding and developing new reserves has increased substantially. In addition, oil and gas operations, particularly those in harsher environments, are subject to interruption risks related to weather, accidents and other factors beyond the Company's control and, in the case of foreign operations, risks associated with investments in foreign countries, as discussed under "Foreign Activities."

Domestic oil and propane prices were decontrolled in early 1981, and since then those products have been sold at free market prices. However, the full impact of oil price decontrol on oil industry earnings was reduced by the Windfall Profit Tax Act which became effective on March 1, 1980. The tax rate, varying from 27½% to 70%, is applied to an increment of the full sales price per barrel over an adjusted base price determined by a statutory formula. The tax is scheduled to expire no later than

\* \* \*

January 1991. The Company's weighted average domestic oil price changed from \$31.64 per barrel as of December 31, 1981 to \$27.58 per barrel during 1982.

Seasonal variation exists for both wholesale and retail sales of LPGs. Approximately 70% of the wholesale and retail sales volume occurs in the period from October through March. This variation is due primarily to the increase in heating requirements in the cold weather months.

The Company's weighted average domestic natural gas price increased from \$2.45 per thousand cubic feet (MCF) to \$2.63 per MCF during 1982.

The Company's natural gas production (including condensate therefrom) is governed largely by contractual requirements. The Company has experienced some domestic production curtailments in 1982 as contract customers have generally required less natural gas and are using contract provisions to reduce prices being paid to the Company for decontrolled natural gas because of the current oversupply situation. For 1982 curtailments and normal production declines resulted in a modest decrease in domestic production compared with 1981. The Company's domestic gas production is marketed at prices permitted by the Natural Gas Policy Act except where limited by contract or market factors. Allowable prices under such Act for certain natural gas categories are expected to increase in early 1985 when additional natural gas deregulation is scheduled to take effect.

Government regulations and taxes on foreign operations, as well as the Company's 50% interest in a new equity partnership (1982) which resulted in a substantial increase in domestic gas reserves, are discussed in "Item 2. Properties" of this Form 10-K Annual Report.

### **Electrical and Electronic**

The Company's wholly owned subsidiary, Bunker Ramo-Eltra Corporation, along with its subsidiaries, conducts the Company's electrical and electronic businesses. Major electrical products are Prestolite® motors, ignition systems, alternators, generators, wire and cable; C&D® batteries, chargers and control equipment for the material handling, communications and standby battery power markets; Mergenthaler phototypesetting systems; Amphenol® connecting devices and related components for interconnecting of electrical circuits; and electronic systems for transaction processing by banking, brokerage and other industries.

The products manufactured by the Prestolite divisions are sold to a wide variety of markets. Prestolite is an important supplier of electric motors to the electric vehicle industry, the major volume of its sales being to manufacturers of electric material handling equipment. Prestolite has provided electronic ignition systems to the marine, material handling equipment, automotive and small engine markets, as well as to the aftermarket. Major competitors include G.E., Delco, Champion and Essex.

The C&D Batteries division manufactures and sells batteries and related products to the material handling equipment, mining, railroad, communications, utility and standby battery power markets. The division is one of the largest suppliers of batteries and related equipment to the material handling equipment industry and of standby communications batteries, including the cylindrical communications battery. The division's products are also sold for use in standby battery power systems and the more sophisticated uninterruptible power systems to the electric utilities industry and for certain military projects. Major competitors include Gould, Exide, General Battery, Globe-Union, Chloride and Barrett.

C&D and Prestolite together make available a full line of electrical products for electric vehicles and have a joint program to offer complete electrical system packages to manufacturers who are working to develop electric delivery vehicles and electrobuses.

The Mergenthaler group is one of the largest manufacturers and distributors of typesetting systems in the world graphic systems market, with a major position in the important phototypesetting equipment market. In addition, Mergenthaler markets related peripheral equipment such as input keyboards and cathode ray tube correction and editing devices. Major customers for its products are newspapers, printers, publishers and commercial typographers.

Approximately 66% of Mergenthaler's sales are outside of the U.S. Mergenthaler's foreign business is carried on through manufacturing subsidiaries, sales subsidiaries, affiliated companies and



merchant dealers. Engineering is performed in the U.S., U.K. and West Germany and principal manufacturing facilities are located in the U.K. and West Germany.

The Amphenol division produces a full line of electrical and electronic connectors and interconnection devices used as components in business equipment and in consumer, instrumentation, military and telephone applications. The division's product range includes fiber optic, microwave, UHF and sub-miniature areas, as well as sockets, plugs, cable assemblies, adapters and coaxial switches. Competitors include AMP, ITT Cannon, TRW Cinch, Burndy, Molex, Deutsch, Du Pont/Berg and many others. Technological innovation is a major element of success in the connector industry and the division is implementing programs to meet changing market conditions.

Bunker Ramo Information Systems division provides electronic transaction processing systems for use by the banking, savings and loan, insurance and brokerage industries. The division serves nearly 6,000 banking, insurance and savings and loan offices worldwide with on-line terminal systems and over 3,000 brokerage offices with market information systems. Competitors include IBM, Quotron and GTE.

Bunker Ramo Electronic Systems division is engaged in research, development, design, production and support equipment and systems for collecting, processing and analyzing electromagnetic and acoustic data primarily for the federal government. The division provides microwave components and subsystems to original equipment manufacturers, as well as systems engineering, computer programming and field engineering support for specialized computer systems for the storage, retrieval and communication of digital information.

The markets for the Company's electrical and electronic products are highly competitive, with numerous other companies producing essentially similar products in each area.

For the most part, the operations of the electrical and electronic segment require materials which are generally readily available, such as steel, gold, copper, plastics, aluminum and lead. At this time the Company does not foresee any undue shortages or cost increases that would materially disrupt production or place it at any significant competitive disadvantage.

### **Health and Scientific Products**

The Company's wholly owned subsidiary, Fisher Scientific Company, along with its subsidiaries, is engaged in the manufacture, distribution, sale and service of a wide range of products used in laboratories. Such products include laboratory equipment and furniture, analytical and measuring instruments and apparatus, reagent and other chemicals and diagnostic kits and supplies.

Approximately one-third of Fisher Scientific's sales is represented by products of its own manufacture, with the remainder purchased from many suppliers. These products are sold to a wide variety of markets which include industrial laboratories, medical laboratories, educational institutions and governmental agencies.

Sales in the U.S. and Canada are made through sales-distribution-service centers, each of which warehouses a complete line of Fisher Scientific's products. Sales in Europe, South America and the Far East are made primarily through distributors.

Fisher Scientific actively competes with many laboratory supply distributors. While several large distributors also manufacture some of their products, most are dealers and jobbers only. Fisher Scientific generally offers a wider range of laboratory products than its competitors and is a leader in the distribution of laboratory products.

Raw materials used in the health and scientific products group are generally readily available and include sheet steel and bar stock, castings, electronic, optical and mechanical parts and assemblies, motors, recorders, hardware and wire, metallic salts, refined ores and other metallic compounds, unpurified acids and bases, human and animal sera and organic chemical compounds.

### **Other Operations**

The Other Operations segment consists of Prestolite Battery division, which manufactures a full line of starting batteries for cars, heavy-duty trucks, farm equipment and other applications; Woodstock

Die Casting division, which produces zinc and aluminum die castings; the Marshalltown Instruments division, which manufactures pressure and temperature gauges; and the Automotive Products division, a manufacturer of automotive seat belts.

In 1982 the Company sold its Converse (production and marketing of athletic footwear), Stanley G. Flagg (manufacturer of malleable iron and brass fittings) and Borg Textile (manufacturer of knitted deep-pile fabrics) divisions. In addition, the Company sold or shutdown substantially all of its European seat belt business.

#### **Allied-General Nuclear Services**

The Company's wholly owned subsidiary, Allied Chemical Nuclear Products, Inc., is a 50% partner in Allied-General Nuclear Services (AGNS), which has built a facility at Barnwell, South Carolina to recover useable nuclear fuel materials from the spent fuel of nuclear power reactors. For information relating to the write-off of the Company's equity investment in and certain litigation relating to AGNS, see Note 9 of Notes to Financial Statements in the Company's 1982 Annual Report to shareholders, incorporated herein by reference.

#### **Segment Financial Data**

The statement "Segment Financial Data" at page 43 of the Company's 1982 Annual Report to shareholders is incorporated herein by reference.

#### **Domestic and Foreign Financial Data**

The statement "Geographic Areas—Financial Data" at page 44 of the Company's 1982 Annual Report to shareholders is incorporated herein by reference.

#### **Foreign Activities**

The Company is engaged in substantial foreign oil and gas exploration and development activities as described in "Item 2. Properties" of this Form 10-K Annual Report.

The Company's principal foreign manufacturing operations (chemicals, electrical and electronic products and automotive seat belts) are in Canada. Electrical and electronic connectors and interconnection devices are manufactured in the U.K., West Germany and France. Phototypesetting systems and related equipment are manufactured in the U.K. and West Germany. The Company also has joint or wholly owned interests in mineral and chemical facilities in Mexico, Spain, Puerto Rico and Brazil.

The Company maintains sales offices in Canada; Melbourne, Australia; Haasrode, Belgium; Knutsford, England; Zurich, Switzerland; Hong Kong; Auckland, New Zealand; Mexico City, Mexico; San Salvador, El Salvador; Guatemala City, Guatemala; Sao Paulo, Brazil; Caracas, Venezuela; Singapore; Munich, West Germany; and various other countries, as well as warehousing and distribution facilities in various countries to support export sales.

The Company's foreign business is subject to the usual risks attendant upon investments in foreign countries, including nationalization, expropriation, limitations on repatriation, restrictive action by local governments and changes in currency exchange rates.

#### **Raw Materials**

Among the principal raw materials used by the Company are natural gas, petroleum derivatives, sulfur, phosphate rock, salt, limestone, fluorspar, bauxite, alumina-bearing clay, chrome ore, trona ore, metallic and organic chemical compounds, electronic, optical and mechanical parts and assemblies, steel and bar stock, gold, copper, aluminum, lead and zinc. Uses, sources and availability of the raw materials are described above under the segment discussions.

#### **Patents and Trademarks**

The Company owns a large number of patents and is licensed under other patents covering certain of its products and processes. It believes that in the aggregate the rights under such patents

and licenses are important to its operations, but does not consider that any patent or license or group of them related to a specific process or product is of material importance in relation to its total business.

The Company also has registered trademarks for a number of its products. The principal significant trademarks are in the fibers and plastics segment and the Amphenol, Bunker Ramo Information Systems, Mergenthaler and Prestolite divisions of the electrical and electronic segment.

### **Research and Development**

The Company's research activities are directed toward the discovery and development of new products and processes, improvements in existing products and processes and the development of new uses for existing products. The Company is supplementing in-house research by contracting research projects to major universities and private firms. The Company's wholly owned subsidiary, Allied Canada Inc., has less than a 10% interest in Bio Logicals, a Toronto-based firm involved in the development and application of high-speed gene recombinant techniques. Bio Logicals will conduct advanced research for the Company involving biotechnology for producing industrial, specialty and agricultural chemicals. The Company has a 20% interest in Calgene Inc. of Davis, California, a biotechnology firm specializing in the application of bioengineering technology to agriculture.

Research and development expenses totaled \$186 million in 1982, \$152 million in 1981 and \$105 million in 1980. A Scientific Advisory Committee, consisting of prominent scientists from outside of the Company, reviews ongoing research programs and recommends new areas of research and development for the Company.

The Company has a research complex at Morris Township, New Jersey, consisting of research and development laboratories where special emphasis is placed upon basic research and upon development of new products and processes. In addition, there are laboratories near Petersburg, Virginia (fibers); Buffalo and Syracuse, New York; and Curwensville and State College, Pennsylvania (chemicals); Toledo, Ohio; Plainview, New York; Westlake Village, California; Trumbull, Connecticut; Boulder, Colorado; Eschborn, West Germany; and Cheltenham, England (electrical and electronic); and Waltham, Massachusetts; Fair Lawn, New Jersey; Orangeburg, New York; and Pittsburgh, Pennsylvania (health and scientific products).

### **Environment**

The Company believes that as a general matter its policies, practices and procedures in the areas of pollution control, product safety, occupational health, toxicology, medical services and safety and loss prevention are adequate to prevent unreasonable risk of environmental and other damage, and of resulting financial liability, in connection with its business. Some risk of environmental and other damage is, however, inherent in the operations of the Company, as it is with other companies engaged in similar businesses. In addition, there are particular areas of the Company's business (for example, the Company's chemical product lines) which, by their nature, may create risk of environmental injury or other damage.

The Company is and has been engaged in the handling, manufacture or use of many substances or compounds thereof, or of radioactive materials, which are either toxic, known or suspected mutagens, teratogens or carcinogens in their own right or which utilize and discharge materials which may have similar properties. The Company believes that in most cases the production, handling, use, processing, storage, transportation, sale and disposal of such substances have been environmentally acceptable. It is possible, however, that future knowledge or other developments, such as increasingly strict requirements of environmental laws and enforcement policies thereunder, could bring into question the Company's handling, manufacture, use or disposal of such substances.

Increased government attention is being focused upon past and present industrial waste disposal practices. In connection with past disposal practices, the Company is a named party to six civil actions seeking cleanup costs. It is possible that additional enforcement actions or civil suits for damages will be commenced based upon alleged improper past waste disposal practices viewed in the light of more stringent government regulations and increased public concern.

Capital expenditures for environmental facilities were \$34 million in 1982. The Company estimates that during each of the years 1983 and 1984 such capital expenditures will total between \$40 million

and \$48 million annually, excluding any spending by The Bendix Corporation. In addition to capital expenditures, the Company has incurred and will incur significant operating costs in connection with such facilities.

## Employees

The Company had 44,337 salaried and hourly employees at December 31, 1982. Among the approximately 15,560 unionized employees, those employed in the Company's plants and other operations are represented by local unions that are either independent or affiliated with the United Steel Workers of America, the Oil, Chemical and Atomic Workers International Union, the United Auto Workers, the International Brotherhood of Teamsters and the International Union of Electrical, Radio and Machine Workers of the AFL-CIO and many other national and international unions. Relations between the Company and its employees and their various representatives have been generally satisfactory, although the Company has experienced work stoppages from time to time. Approximately 23% of the Company's unionized employees are covered by labor contracts scheduled to expire in 1983. Major labor negotiations in 1983 will include locations in the electrical and electronic, chemicals, and other operations segments.

## Item 2. Properties

The Company has more than 400 plants, research laboratories, mines, quarries and other facilities. The plants are located to serve large marketing areas and to provide accessibility to raw materials. The properties are generally maintained in good operating condition. The Company's headquarters and administrative complex is located at Morris Township, New Jersey. The Company owns or leases natural gas transmission and distribution systems, warehouses, railroad cars, barges, automobiles, trucks, airplanes and materials handling and data processing equipment. It also leases space for administrative and sales staffs.

The principal plants, mines and quarries, which are owned in fee unless otherwise indicated, are as follows:

### Chemicals

Fairfield, AL  
Ione, CA  
El Segundo, CA  
Pittsburg, CA (2 plants)  
Richmond, CA  
Santa Barbara, CA  
N. Claymont, DE  
Danville, IL  
East St. Louis, IL  
Metropolis, IL  
Baton Rouge, LA  
Geismar, LA (1)  
Baltimore, MD

Detroit, MI  
Bonne Terre, MO  
Farber, MO  
Owensville, MO  
Omaha, NB  
Elizabeth, NJ (2)  
Buffalo, NY  
Jamesville, NY (limestone quarry)  
Syracuse, NY  
Ironton, OH  
Curwensville, PA  
Mount Union, PA

Womelsdorf, PA  
Front Royal, VA  
Hopewell, VA (3)  
Anacortes, WA  
Renton, WA  
Nitro, WV  
Green River, WY (partly-leased plant; trona mineral leases)  
Amherstburg, Ont., Canada  
Valleyfield, Que., Canada  
36 Aluminum sulfate plants (domestic and foreign)

### Fibers and Plastics

Moncure, NC  
Elizabeth, NJ (2)  
Metuchen, NJ

Baton Rouge, LA (partly-leased plant)  
Philadelphia, PA  
Pottsville, PA

Columbia, SC  
Orange, TX  
Hopewell, VA (3)  
Chesterfield, VA

### Oil and Gas(4)

Rayne, LA (partly-leased plant)  
St. Bernard, LA  
Geismar, LA (1)

Haughton, LA  
Ringwood, OK  
Rankin, TX (partly-leased plant)

Sadler, TX (66% owned)  
Silver, TX  
137 retail LPG outlets (in 15 states)

- (1) Produces ethylene (facility 42% owned) and chemical products.
- (2) Produces chemical and plastic products.
- (3) Produces chemical and fiber products.
- (4) Gas processing plants (except for the Geismar, LA plant and LPG outlets).



### Electrical and Electronic

Decatur, AL  
West Lake Village, CA  
Boulder, CO  
Danbury, CT (partly leased)  
Trumbull, CT  
Hollywood, FL (leased land)  
Conyers, GA  
Elberton, GA  
Tifton, GA  
Broadview, IL  
Cicero, IL  
Attica, IN

Wichita, KS  
Florence, KY  
Bay City, MI  
Port Huron, MI  
Sidney, NB  
Durham, NC  
Endicott, NY  
Huguenot, NY  
Syracuse, NY  
Wagoner, OK  
Conshohocken, PA  
Leola, PA  
York, PA (partly leased)

Drummondville, Que., Canada  
Scarborough, Ont., Canada  
Altrincham, England  
Canterbury, England (leased plant)  
Cheltenham, England  
Whitstable, Kent, England  
Dole, France  
Eschborn, West Germany  
Heilbronn/Neckor, West Germany  
Munich, West Germany  
Offenbach, West Germany

### Health and Scientific Products

Mountain Home, AR (leased plant)  
West Haven, CT  
Waltham, MA (leased plant)

Bridgewater, NJ  
Fair Lawn, NJ  
Orangeburg, NY

Rochester, NY  
Indiana, PA  
Nazareth, PA

### Sales and Distribution Centers

Phoenix, AZ (leased facility)  
Los Angeles, CA  
San Francisco, CA (leased facility)  
Denver, CO (leased facility)  
Fort Lauderdale, FL  
Orlando, FL (leased facility)  
Atlanta, GA (leased facility)  
East Point, GA  
Chicago, IL (leased facility)  
Louisville, KY (leased facility)  
Baton Rouge, LA (leased facility)  
Silver Spring, MD  
Boston, MA  
Detroit, MI (leased facility)  
Minneapolis, MN (leased facility)  
St. Louis, MO  
Springfield, NJ  
Raleigh, NC  
Cincinnati, OH

Cleveland, OH  
Philadelphia, PA  
Pittsburgh, PA  
Memphis, TN (leased facility)  
Dallas, TX (leased facility)  
Houston, TX (leased facility)  
Salt Lake City, UT (leased facility)  
Richmond, VA (leased facility)  
Parkersburg, WV  
Calgary, Alta., Canada (leased facility)  
Edmonton, Alta., Canada  
Vancouver, B.C., Canada (leased facility)  
Winnipeg, Man., Canada (leased facility)  
Dartmouth, N.S., Canada (leased facility)

London, Ont., Canada (leased facility)  
Malton, Ont., Canada (leased facility)  
Ottawa, Ont., Canada  
Toronto, Ont., Canada (leased facility)  
Whitby, Ont., Canada (leased facility)  
Montreal, Que., Canada  
Singapore (leased facility)  
Mexico City, Mexico (leased facility)  
Cayey, Puerto Rico (leased facility)  
Munich, West Germany (leased facility)  
Zurich, Switzerland (leased facility)

### Other Operations

Greenville, AL  
Visalia, CA  
Manchester, IA  
Marshalltown, IA

Woodstock, IL  
Vincennes, IN  
Niagara Falls, NY

Reading, PA  
Knoxville, TN  
Maple, Ont., Canada

### Oil and Gas Properties

The Company is involved in a worldwide exploration program subject to the inherent risks typical of oil and gas exploration. In order to provide the maximum exposure to potential oil and gas reserves and to spread the risks over a number of individual exploration projects, the Company typically participates with other companies in unincorporated joint ventures to evaluate and, if appropriate, develop specific prospects. In these situations, the Company is responsible for its proportionate share of the costs involved and is similarly entitled to its share of any reserves discovered. To differentiate between the overall scope of the projects the Company is involved in and the actual interest the Company has in each of those projects, gross (total joint venture) and/or net (the Company's interest) figures may be shown for such items as acreage, number of wells and production.

Additional information, including reserves, production, revenues and costs, for oil and gas activities is included in Note 13 of Notes to Financial Statements in the 1982 Annual Report to shareholders. Gas measurements reflect pressure bases in effect locally.

In April 1982 the Company completed the acquisition of Supron Energy Corporation and Supron's domestic producing properties were transferred to a partnership in which the Company has a 50% interest. As a result of the acquisition, the Company's interests in proved developed and undeveloped reserves, on an oil equivalent basis, increased by about 9% worldwide (based on the Company's reserves at December 31, 1981). See the caption "Equity Partnership" included elsewhere in the "Properties" section in this Form 10-K Annual Report.

During 1982 the Company filed reports with the U.S. Energy Information Agency containing data on U.S. reserves at December 31, 1981 and U.S. production for the year then ended, which data agrees with the information included in the Company's Form 10-K Annual Report for the year ended December 31, 1981.

Since December 31, 1982 there has been no major discovery or other favorable or adverse event that is believed to have caused a significant change in the Company's estimated proved reserves.

At December 31, 1982 total gross and net producing (developed) acres, by geographic area, were as follows:

Area	Producing Acres (In Thousands)	
	Gross	Net
United States.....	500	272
Canada.....	2	1
South America.....	39	6
Europe.....	33	7
Asia.....	67	19
	<u>641</u>	<u>305</u>
Proportional interest in producing acreage of equity partnership	<u>212</u>	<u>64</u>
Total.....	<u>853</u>	<u>369</u>

At December 31, 1982 the undeveloped acreage, including leases, contractual rights and concessions of oil and gas properties, expressed in both gross and net acres, by geographic area, were as follows:

Area	Undeveloped Acres (In Thousands)	
	Gross	Net
United States.....	3,740	2,237
Canada.....	21	3
South America.....	1,358	372
Europe.....	3,625	1,688
Africa.....	15,062	4,033
Asia.....	14,675	4,458
Australia.....	5,575	1,240
Middle East.....	3,013	461
West Indies (Jamaica).....	1,632	816
	<u>48,701</u>	<u>15,308</u>
Proportional interest in undeveloped acreage of equity partnership	<u>19</u>	<u>5</u>
Total.....	<u>48,720</u>	<u>15,313</u>

Seventeen percent of the gross undeveloped acreage within the United States is located in Montana, 14% is located in the Appalachian area of Virginia and West Virginia, 13% in Utah, 11% in Nevada and 10% in Texas. The balance of the undeveloped acreage is located in 16 other states and federal and state offshore waters.

South American undeveloped acreage is located principally in Brazil (56%) with the remainder in Argentina. European undeveloped acreage is held principally in Spain (41%), the British Sector of the North Sea (20%), Portugal (18%) and France (14%), with the balance in Italy and Germany. African acreage represents Guinea (60%) and Tunisia (33%), with the balance in Angola and The Ivory Coast. Asian acreage is located in Pakistan (22%) and four areas in Indonesia (78%). The Middle East acreage is located in Abu Dhabi (78%) and Bahrain (22%).

The average sales price and production cost of oil and gas for 1982, 1981 and 1980 were as follows:

	United States	Canada(1)	South America	Europe	Asia
<u>Average Sales Price</u>					
Per barrel of oil					
1982.....	\$27.58	\$ —	\$7.06	\$31.57	\$35.23
1981.....	31.64	11.14	8.01	35.44	39.51
1980.....	20.51	12.69	7.77	33.76	34.67
Per Mcf(2) of gas					
1982.....	2.63	—	—	2.15	5.87
1981.....	2.45	1.81	—	2.55	5.75
1980.....	1.58	1.83	—	2.49	5.39
<u>Average Production</u>					
<u>Cost(3)</u>					
Per equivalent barrel of oil(4)					
1982.....	6.60(5)	—	1.78	1.92	6.69
1981.....	6.86(5)	2.56	2.92	1.98	5.84
1980.....	4.04(5)	1.74	2.77	1.76	6.20

- (1) The Company's 1982 production was immaterial; since substantially all of its Canadian oil and gas properties were sold in 1981.
- (2) Mcf means thousand cubic feet.
- (3) Production costs include expenditures for operating expense and severance and ad valorem taxes.
- (4) Gas has been converted to a common equivalent barrel of oil based on relative energy content.
- (5) Includes \$2.79, \$3.56 and \$1.21 per equivalent barrel of oil for the Windfall Profit Tax in 1982, 1981 and 1980, respectively.

At December 31, 1982 total gross and net productive oil and gas wells, including multiple completions, by geographic area, were as follows:

Area	Oil Wells		Gas Wells	
	Gross	Net	Gross	Net
United States.....	5,032	741.0	939	184.7
Canada.....	5	3.3	—	—
South America.....	340	56.7	—	—
Europe.....	51	10.4	—	—
Asia.....	125	33.2	86	20.0
	5,553	844.6	1,025	204.7
Proportional interest in wells of equity partnership.....	317	53.0	1,230	255.0
Total(1).....	5,870	897.6	2,255	459.7

- (1) The gross number of oil and gas wells with multiple completions is 420.

The number of net productive and dry exploratory wells drilled during 1982, 1981 and 1980, by geographic area, was as follows:

Area	Productive			Dry		
	1982	1981	1980	1982	1981	1980
United States .....	9.22	6.38	5.89	9.35	6.04	9.19
Canada .....	2.00	.25	4.14	—	.70	3.82
South America .....	—	—	—	1.90	.63	.17
Europe .....	.45	—	—	1.42	1.14	1.84
Asia .....	1.69	1.01	1.42	3.85	4.61	3.57
Other Int'l .....	—	—	—	3.20	1.10	—
Total .....	<u>13.36</u>	<u>7.64</u>	<u>11.45</u>	<u>19.72</u>	<u>14.22</u>	<u>18.59</u>

The number of net productive and dry development wells drilled during 1982, 1981 and 1980 by geographic area, was as follows:

Area	Productive			Dry		
	1982	1981	1980	1982	1981	1980
United States .....	40.54	26.81	25.04	3.58	1.39	1.85
Canada .....	—	9.95	5.74	—	1.75	.50
South America .....	3.50	5.83	3.90	—	—	—
Europe .....	.73	.80	1.80	—	.40	.20
Asia .....	10.61	9.31	9.06	—	1.20	2.10
Proportional interest in wells of equity partnership .....	55.38	52.70	45.54	3.58	4.74	4.65
Total .....	<u>10.73</u>	<u>—</u>	<u>—</u>	<u>.27</u>	<u>—</u>	<u>—</u>
	<u>66.11</u>	<u>52.70</u>	<u>45.54</u>	<u>3.85</u>	<u>4.74</u>	<u>4.65</u>

In 1982 the Company participated in the completion of 401 wells in which its interest was the equivalent of 103.04 wells, resulting in 48.38 oil wells, 31.09 gas wells and 23.57 dry wells. At December 31, 1982 there were pressure maintenance programs in the U.S.; the British Sector of the North Sea; Argentina; and North Sumatra, Indonesia.

At December 31, 1982 there were 77 gross wells and 23.83 net wells in process of being drilled as follows:

Area	Exploratory		Development	
	Gross	Net	Gross	Net
United States .....	4	2.45	33	7.25
South America .....	1	.33	—	—
Europe .....	2	.40	2	.40
Asia .....	3	.72	5	1.30
Other Int'l .....	2	.78	—	—
Proportional interest in wells of equity partnership .....	12	4.68	40	8.95
Total .....	<u>—</u>	<u>—</u>	<u>25</u>	<u>10.20</u>
	<u>12</u>	<u>4.68</u>	<u>65</u>	<u>19.15</u>

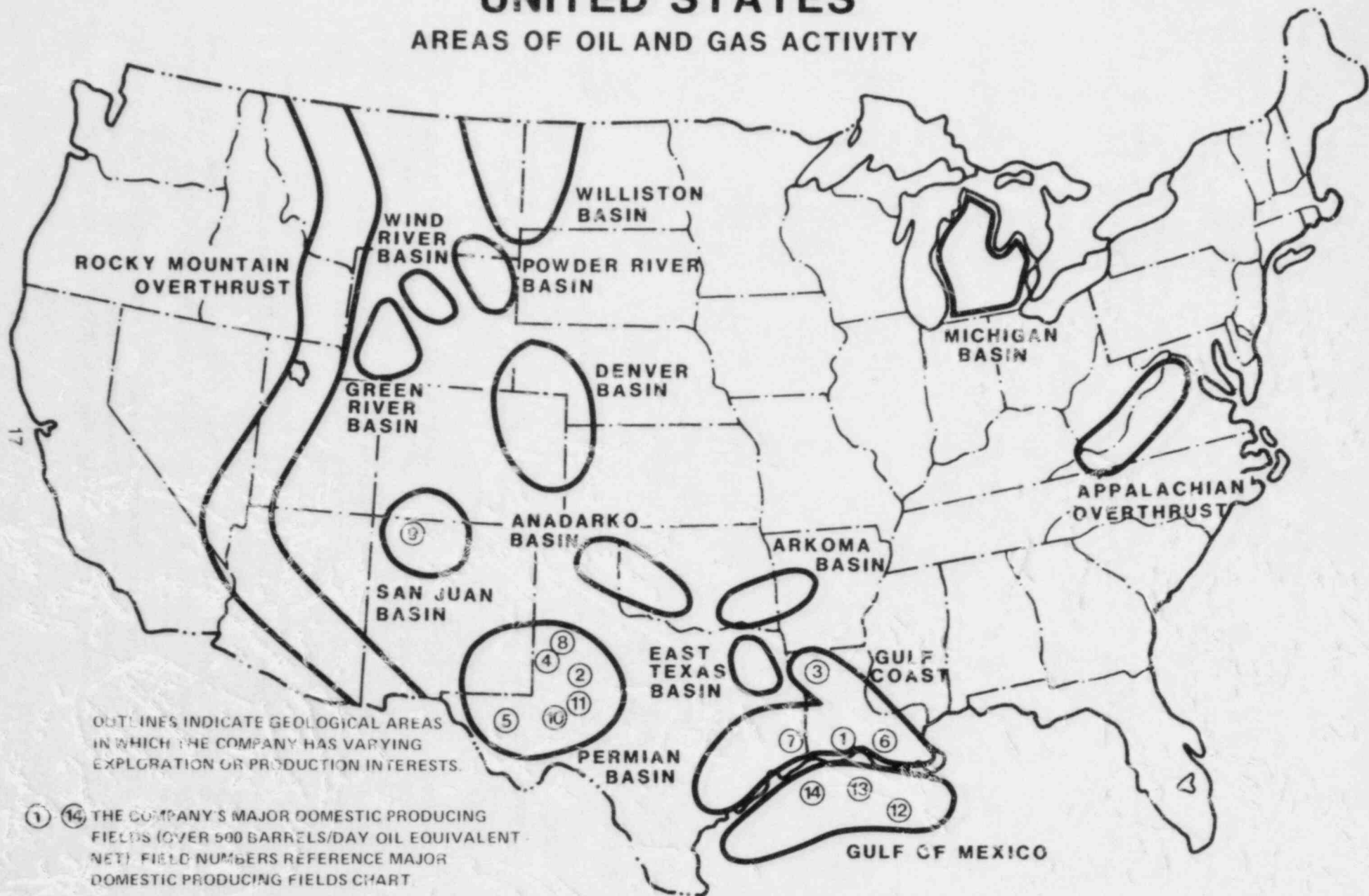
#### Domestic Oil and Gas Properties

The Company, including its proportional interests in an equity partnership had interests in 712,000 gross (336,000 net) producing acres and 3,759,000 gross (2,242,000 net) undeveloped acres at December 31, 1982. Net production from domestic wells in 1982 was 7 million barrels of crude oil and condensate and 68 billion cubic feet of gas. The Company's primary oil and gas production, development and exploration activities are located in the offshore Texas and Louisiana regions of the Gulf of Mexico, the onshore Gulf Coast areas of Texas and Louisiana, West Texas, Oklahoma, northwestern New Mexico and the Rocky Mountain region.



# UNITED STATES

## AREAS OF OIL AND GAS ACTIVITY



In 1982 the Company participated in the drilling of 253 gross domestic development wells in which its working interest was the equivalent of 55.12 net wells. Of the net wells, 29.83 were oil wells, 21.44 were gas wells and 3.85 were dry wells. The 1982 domestic exploration program included drilling 41 gross (18.57 net) exploratory wells in addition to geological and geophysical evaluation of various properties. Of the 18.57 net exploratory wells, 6.98 were oil wells, 2.24 were gas wells and 9.35 were dry wells.

The following table presents selected information for 14 fields which each produce in excess of 500 barrels of oil equivalent per day net to the Company. Together, these fields represented 45% of the liquids and 68% of the gas produced domestically by the Company during 1982.

### Major Domestic Producing Fields

		Net 1982 Production		
Field	Reference on United States Map	BOE (1) (Per Day)	Liquids (Bbls./Day)(2)	Gas (MMCF/Day)(2)
Onshore:				
Lake Arthur, LA* .....	1	9,315	1,241	46.8
Wellman, TX* .....	2	2,673	2,587	.5
Terryville, LA* .....	3	1,415	68	7.8
Wasson, TX .....	4	1,407	1,285	.7
Burkholder (China Lake), TX* .....	5	1,003	—	5.8
Orange Grove, LA* .....	6	956	109	4.9
East Sour Lake, TX* .....	7	912	209	4.1
Slaughter, TX* .....	8	750	720	.2
Blanco, NM* .....	9	688	9	3.9
Midland Farms, TX .....	10	660	627	.2
Levelland, TX .....	11	626	592	.2
Offshore:				
Eugene Island 384/385, LA* .....	12	6,970	290	38.8
South Marsh Island 66, LA .....	13	1 597	314	7.4
High Island 154/155, TX .....	14	943	186	4.4

\* Operated by the Company.

(1) Gas is converted to a common equivalent barrel of oil based on relative energy content.

(2) Bbls. means barrels; MMCF means million cubic feet.

**Significant Activity:** In the Lake Arthur Field in southern Louisiana (working interests range from 83% to 100%), the Company continued an infill drilling program and completed the installation of a gas compression system. This system facilitates the recovery of gas that would otherwise not be recoverable and will accelerate the production of the remaining estimated 84 billion cubic feet (gross) of recoverable gas in the field. Also, drilling of a deep wildcat well was commenced in November 1982 to evaluate deep sands under the Lake Arthur Field.

In 1982 the Company completed a discovery well, in the Peck Area of Lavaca County, Texas, and four offset wells with working interests ranging from 38% to 50%. The field is currently producing at a gross rate of 6 million cubic feet of gas per day.

The Company's largest domestic oil reserve, the Wellman Field in West Texas, which currently utilizes secondary recovery methods, is being evaluated to determine the feasibility of using carbon dioxide tertiary recovery methods.

In the Gulf of Mexico, production facilities for Mustang Island Block 758 (25% working interest), offshore Texas, were completed, and gas production began in September 1982. The Block is currently producing 5 million cubic feet of gas per day. A commercial field was discovered in 1982, offshore

Louisiana on Vermilion Block 75 (50% working interest) which is expected to begin gas production in early 1983. The Company is currently evaluating a discovery well drilled offshore Louisiana at South Pelto Block 2 (25% working interest). Additional drilling is planned to determine the commercial feasibility of this discovery.

Geological and geophysical evaluations continued in the Michigan Basin of Central Michigan and the Appalachian Overthrust Belt of Virginia and West Virginia as well as within the Company's established regions of operation.

**Equity Partnership:** In April 1982 the Company completed the acquisition of Supron Energy Corporation, and Supron's domestic producing properties and some undeveloped acreage were transferred to a partnership (Unicon Producing Company) in which the Company has a 50% interest.

At December 31, 1982 the Company's share of proved developed and undeveloped reserves of Unicon were estimated by the Company's engineers to be 4 million barrels (3 million barrels developed) of liquids and 211 billion cubic feet (157 billion cubic feet developed) of gas.

The Company's share of Unicon's production was 207,000 barrels of oil and 6 billion cubic feet of gas for the period ended December 31, 1982. Unicon participated in the drilling of 55 gross (11 net to the Company) development wells, resulting in 5.16 oil wells, 5.57 gas wells and .27 dry wells. An active developmental drilling program on the acquired acreage is planned to continue in 1983.

Seventy-five percent of the estimated proved developed and undeveloped reserves acquired as part of the Supron acquisition are located in the San Juan Basin of northwestern New Mexico and southwestern Colorado, 6% are located in the Williston Basin of North Dakota and Montana and the balance are located in a number of other states.

#### *Foreign Oil & Gas Properties*

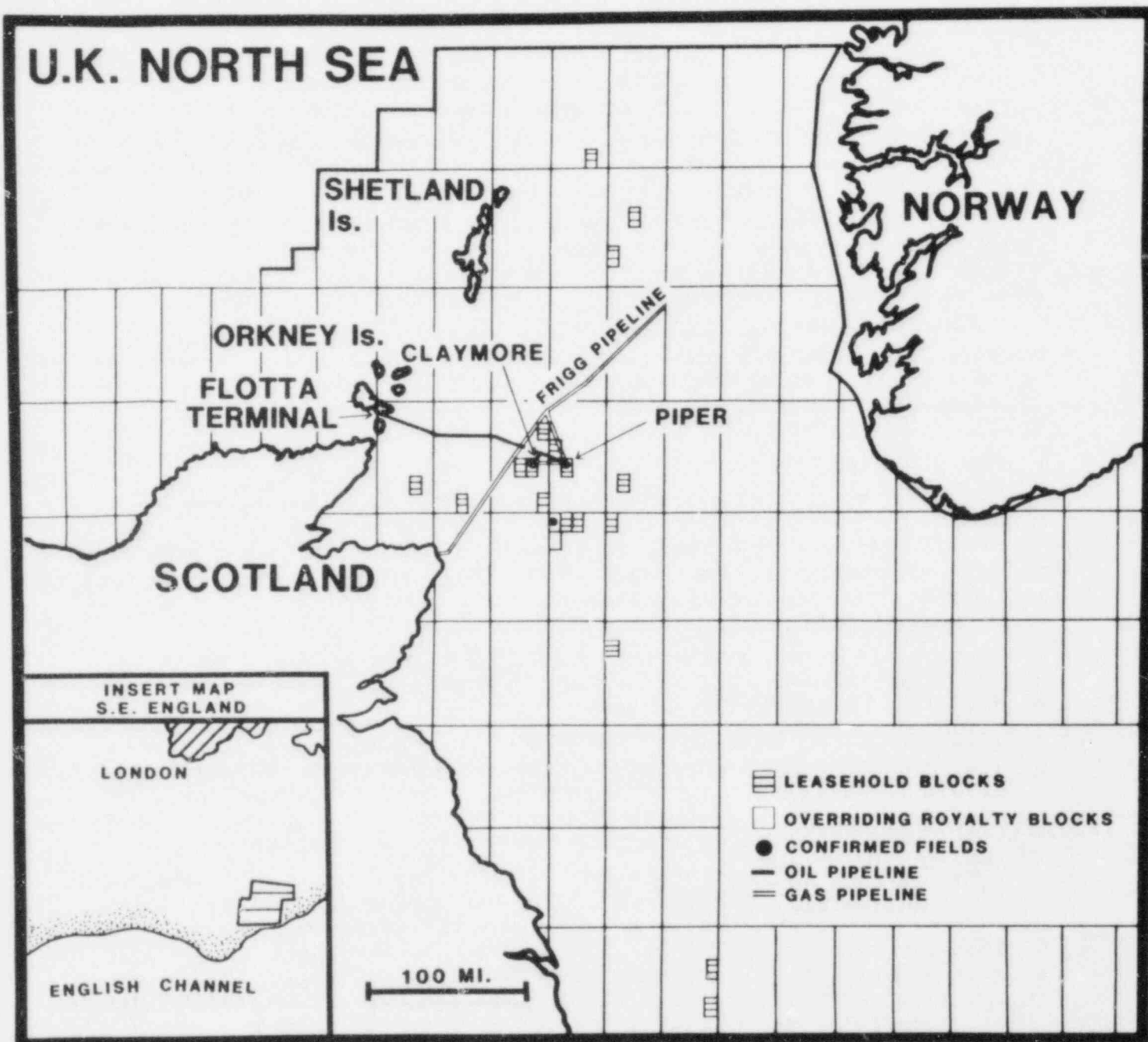
Outside the U.S., the Company has entered into a number of international petroleum agreements in the form of concessions, participation, production sharing, and risk/service contracts and holds a number of petroleum-related rights in the form of licenses, permits and leases (any such agreement or right is hereafter referred to as a permit). As a result of these agreements and rights, the Company has working interests in foreign oil and gas properties covering 45,102,000 gross (13,104,000 net) acres in 19 countries. The Company's working interests range from 3% to 100%.

The Company's international net production for 1982 was 25 million barrels of oil and 49 billion cubic feet of gas. At year-end 1982 the Company's net proved foreign reserves were 104 million barrels of oil and 1,420 billion cubic feet of gas.

In 1982 the Company participated in the drilling of 61 gross international development wells in which its working interest was the equivalent of 14.84 net wells. Of the net wells, 8.28 were oil wells and 6.56 were gas wells. The 1982 international exploration program included drilling 46 gross (14.51 net) exploratory wells in addition to geological and geophysical evaluation of various properties. Of the 14.51 net exploratory wells, 3.29 were oil wells, .85 were gas wells and 10.37 were dry wells.

**United Kingdom:** The Company has interests in 19 blocks in the U.K. covering 119,000 net acres with working interests ranging from 3% to 41%. Of the 19 blocks, 17 are undeveloped and two are productive. Net production to the Company in the U.K. during 1982 was 19 million barrels of crude oil, one billion cubic feet of gas and .8 million barrels of liquefied petroleum gases. During 1982 the Company participated in the drilling of 9 gross (1.75 net) exploratory wells. Results of 1982 exploratory drilling were 1 gross (.20 net) oil well, 1 gross (.25 net) gas well, 5 gross (.90 net) dry wells and, at year-end, 2 gross (.40 net) wells were in progress. In 1982 the Company participated in the drilling of 2 gross (.40 net) development wells, one in each of the Piper and Claymore Fields, which resulted in 2 gross (.40 net) oil wells.

The Company has a 20% interest in a joint venture operated by Occidental Petroleum Corporation (OXY). The OXY venture is developing and producing the Piper and Claymore Fields within U.K. blocks 15/17 and 14/19. Remaining proved recoverable reserves of liquids as of December 31, 1982, based upon estimates of the Company's engineers, are estimated to be 227 million barrels for Piper and 237 million barrels for Claymore. The Company's share of these reserves is estimated to be, after a 12½%





U.K. royalty, 40 million barrels for Piper and 41 million barrels for Claymore. These reserve estimates are based on an effective water drive mechanism, including a program of water injection previously initiated to supplement the Piper and Claymore Fields' natural water drive.

During 1982 Piper produced at an average daily gross rate of 205,000 barrels of crude oil, 12,000 barrels of natural gas liquids and 14 million cubic feet of gas. Production from the northern extension of the Claymore Field which began in late 1981 increased Claymore production in 1982 by approximately 10,000 gross barrels of crude oil per day. Claymore produced at an average total gross rate of approximately 97,000 barrels of crude oil per day in 1982.

The companies in the Piper and Claymore ventures have an agreement with the British National Oil Corporation (BNOC) under which BNOC is a party to the Piper and Claymore licenses and operating agreements relating to the fields, the crude oil pipeline and the Flotta terminal with a 10% vote thereunder. BNOC has no interest in the Piper and Claymore property or the facilities covered by the OXY group operating agreements, but has the option to purchase on a commercial basis, at market prices, a portion of the Company's share of oil production remaining after royalty. BNOC purchased about 51% of the Company's share of oil production in 1982, and future purchases are expected to remain at the same level.

The Company has been selling its entire share of the crude oil production attributable to the Piper and Claymore Fields (net of royalty oil taken in kind and purchases by BNOC) to two purchasers at prices negotiated quarterly.

Excess Piper gas is delivered through the OXY joint venture's pipeline approximately 35 miles to the Frigg gas pipeline. The gas is then transported to shore and sold to the British Gas Corporation at prices which may be adjusted annually, primarily based on the average of British wholesale prices.

The OXY joint venture is receiving fees from Texaco North Sea Ltd. for the use of the venture's facilities in the transporting and processing of hydrocarbons from Texaco's Tartan Field. The Company is evaluating the development of the gas reserves in the Sean Field discovered in 1969, which have not previously been economical to develop. Negotiations are underway with the British Gas Corporation to determine if economical development can be achieved.

In addition to royalty payments, production from Piper and Claymore is subject to the United Kingdom Corporate Income Tax, the Petroleum Revenue Tax (PRT) and the Supplementary Petroleum Duty (SPD). The 1982 U.K. Finance Act (Act) extended the term of the SPD to December 31, 1982 from its prior expiration date in June 1982. In addition, the Act increased the rate of PRT from 70% to 75%, effective January 1, 1983. The effect of eliminating the SPD effective December 31, 1982 and increasing the PRT rate from 70% to 75% will decrease the effective U.K. tax rate slightly beginning in 1983.

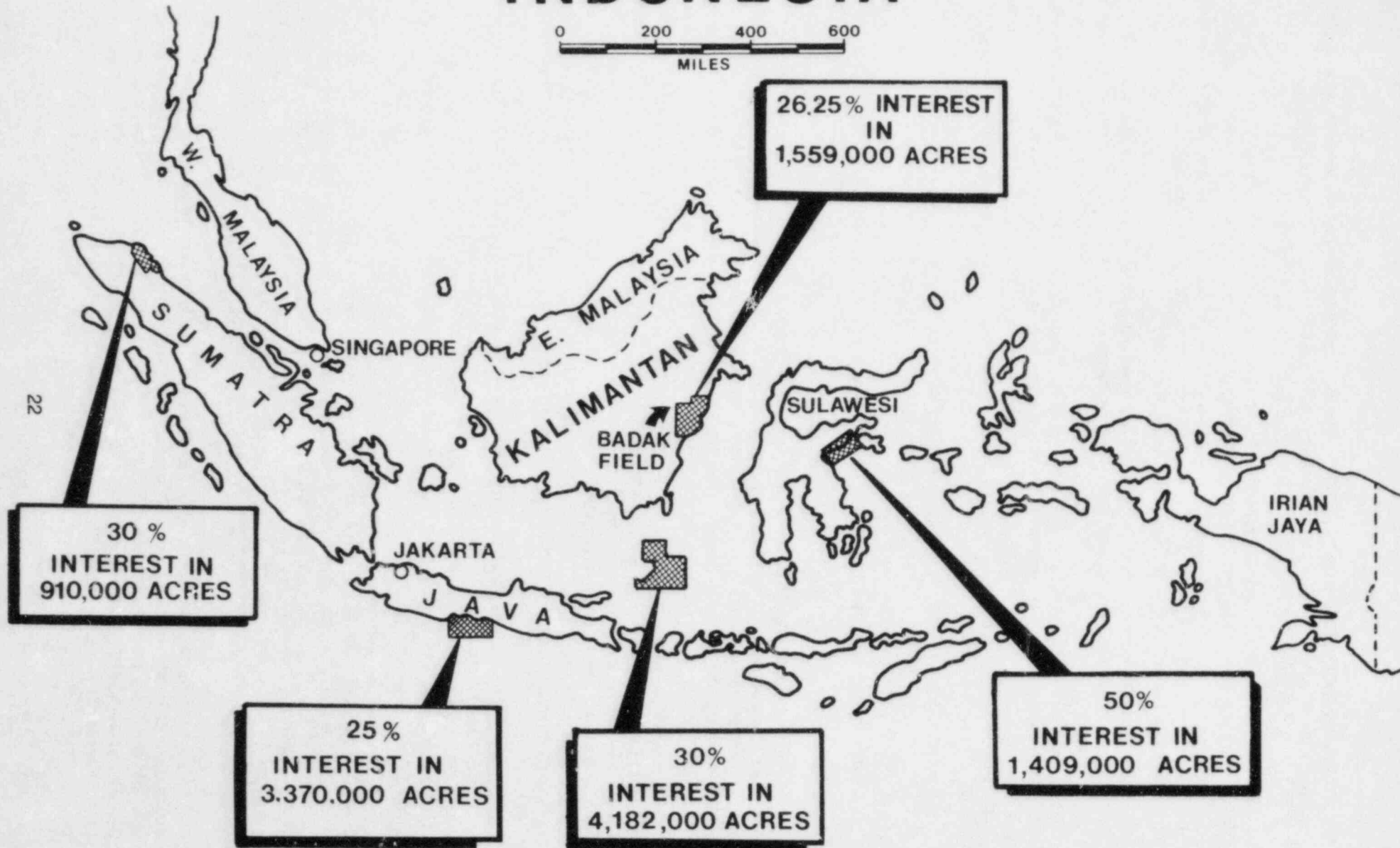
Under the Petroleum and Submarine Pipelines Act and other legislation, the government of the U.K. exercises control over oil and gas operations including production, pipeline throughput rates, safety standards and offshore accommodations in the British Sector of the North Sea. The impact of current as well as possible future U.K. governmental regulations on the Company's activities cannot be predicted.

**Indonesia:** The Company has interests in five production sharing contracts in Indonesia covering 3,484,000 net acres with working interests ranging from 25% to 50%. Of the five areas covered by the contracts, the two areas that include productive acreage are onshore and the three undeveloped areas are offshore. Net production to the Company in Indonesia during 1982 was 1.5 million barrels of oil and 48.3 billion cubic feet of gas. During 1982 the Company participated in the drilling of 19 gross (5.51 net) exploratory wells in Indonesia. Results of the 1982 exploratory drilling were 4 gross (1.09 net) oil wells, 2 gross (.60 net) gas wells, 11 gross (3.26 net) dry wells, with 2 gross (.56 net) wells in progress at year-end.

Production sharing contracts with the Indonesian Government provide for the recovery of exploration, development and production costs. For each accounting period, the production remaining after recovery of such costs is shared 65.91% for Pertamina (the Indonesian state oil company) and 34.09% for the joint venture participants on oil, and 20.45% for Pertamina and 79.55% for the joint venture participants on gas. From their share of oil, the joint venture participants furnish, at a nominal price, a share of Indonesia's domestic oil requirements which does not exceed 8.52% of total oil

# INDONESIA

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produced from the contract area. Additionally, the Company pays Indonesia income taxes at a statutory tax rate of 56%.

The Company owns a 26.25% working interest in a joint venture operated by Roy M. Huffington, Inc. (Huffco). The Huffco venture explores for and produces oil, gas and condensate from a production sharing contract area covering 1,559,000 gross (409,000 net) acres in East Kalimantan.

The remaining proved recoverable reserves of this venture as of December 31, 1982, based upon estimates of the Company's engineers, are 7.2 trillion cubic feet of gas and 146 million barrels of liquids. The Company's share of these reserves is estimated to be 1.4 trillion cubic feet of gas and 13 million barrels of liquids. During 1982 the Company's share of daily field production averaged 132 million cubic feet of gas and averaged 2,836 barrels of oil and condensate.

In 1982 the Huffco venture's exploratory drilling was 5 gross (1.31 net) wells, resulting in 3 gross (.79 net) oil wells, 1 gross (.26 net) dry well, with 1 gross (.26 net) well in progress at year-end. Also in 1982 the Huffco venture participated in the drilling of 34 gross (8.91 net) development wells which resulted in 4 gross (1.05 net) oil wells, 25 gross (6.56 net) gas wells, with 5 gross (1.30 net) wells in progress at year-end.

Facilities owned by Pertamina are utilized to liquefy and store gas produced from the Huffco venture's field for shipment to Japan, using LNG tankers under long-term charter to Pertamina. The gas, in liquefied form (LNG), is being sold to Japanese customers primarily under long-term sales contracts arranged by Pertamina at prices which change in conjunction with Indonesian crude oil prices.

A new sales agreement, signed by Pertamina and Japanese buyers in 1981, will result in the doubling of the existing liquefaction facilities utilized by the Huffco venture in East Kalimantan. Sufficient gas reserves have been proved from the Huffco venture's contract area, as well as in certain adjacent areas operated by other contractors, to supply the expanded facilities which are currently under construction and are scheduled for completion in late 1983. The Huffco venture is scheduled to supply about 68% of the gas for the expanded facilities.

In addition to supplying gas to the expanded liquefaction plant, the Huffco venture will begin supplying about 68% of the gas requirements for a fertilizer plant on Kalimantan in 1983 at prices set by the Indonesian authorities. Such prices are expected to be substantially less than the price received for gas delivered to the liquefaction facilities.

The Company's second producing venture in Indonesia is operated by Asamera, Inc. (the Company has a 30% working interest). The Asamera venture explores for and produces oil from a production sharing contract area covering 910,000 gross (273,000 net) acres on the northern portion of the Island of Sumatra. The Company markets its share of production at prices established under a yearly contract to one purchaser. Remaining reserves as of December 31, 1982, based upon estimates of the Company's engineers, are 9.7 gross (1.8 net) million barrels of oil. In 1982 the Company participated in the drilling of 12 gross (3.60 net) exploratory wells, resulting in 1 gross (.30 net) oil well, 2 gross (.60 net) gas wells, 8 gross (2.40 net) dry wells, with 1 gross (.30 net) well in progress at year-end.

The Company also has interests in three other production sharing contracts in Indonesia totaling 8,961,000 gross (2,802,000 net) acres. The Company (working interest ranging from 25% to 50%) is operator of two of the three contracts. During 1982 seismic studies were conducted in all three areas. In 1982 the Company participated in the drilling of two (.6 net) dry wells.

**Argentina:** The Company has a 16.6% interest in a joint venture which has rights to explore and develop approximately 119,000 gross acres in the Mendoza province of Argentina. Argentina Cities Service Development Company is the operator. Production averaged 31,280 gross barrels of oil per day in 1982. Under the terms of the service contract covering the exploration and development of the acreage, the joint venture receives a fee based on oil production.

The Company has a 32.5% interest in a joint venture (OXY is the operator) which is exploring 520,000 gross acres in the Malague Basin. Five exploratory wells were drilled in 1982, one of which, the La Brea #1, encountered oil. Further drilling is underway to determine if commercial quantities of oil

exist. Under the terms of the service contract for this permit the joint venture will receive a fee based on oil production.

**Spain:** The Company has a 32.5% interest in a joint venture (the Spanish national oil company is the operator) which is producing oil from the Dorada Field (14,085 gross, 4,578 net acres) in the Tarragona Block "E" in the Mediterranean Sea offshore Spain. In 1982 successful development efforts added approximately 1,640,000 gross (533,000 net) barrels of oil to the field's reserves. Daily 1982 production was 7,665 gross (2,491 net) barrels. The remaining Dorada Field reserves are expected to be fully produced in early 1983. Under the terms of the Dorada Exploitation Agreement, the Company's share of production is sold by decree to a government-controlled refinery at prices which approximate world market prices.

The Company has various interests in and is the operator for joint ventures which are exploring three onshore and six offshore areas covering 1,455,000 gross (411,000 net) acres in Spain. Future seismic studies are planned for selected onshore and offshore areas.

**Pakistan:** The Company has a 30% working interest and is the operator for a joint venture which has an onshore permit covering 3,312,000 gross acres. In February 1982 production was initiated, under a commercial mining license, from the Khaskeli Field, and has averaged approximately 2,228 gross (586 net) barrels of oil per day. Production is trucked to a refinery in Karachi, Pakistan and is sold at market prices less transportation costs. One exploratory and six development wells have been drilled in the Khaskeli Field. Development work is continuing and further exploratory work is planned to assess the remainder of the permit.

**Canada:** In 1981 the Company sold all of its Canadian oil and gas interests with the exception of three insignificant properties. In 1982 the Company acquired additional insignificant Canadian properties as part of the Supron acquisition. Working interests in Canada range from 25% to 100%. Net production for the year was 13,000 barrels of oil. In 1982 the Company drilled two exploratory wells which discovered and are currently producing oil. The area is being evaluated to determine the commercial significance of the discovery.

**Other Foreign Oil and Gas Exploration Properties:** In addition to the exploration activity being conducted on foreign producing properties, the Company is pursuing an international exploration program involving acreage acquisitions, geophysical studies and exploratory drilling as detailed below. The Company is also participating in geophysical studies in other areas in which it holds no ownership position, but where future acquisitions of acreage are possible.

<u>Country</u>	<u>Undeveloped Acreage</u> (In Thousands)		<u>Comments</u>
	<u>Gross</u>	<u>Net</u>	
Abu Dhabi .....	2,353	263	The Company acquired interests in two permits (one onshore and one offshore) during 1981. One dry well has been drilled on the onshore permit. Drilling is planned on the offshore permit in 1983.
Angola .....	1,000	250	Three dry wells have been drilled on this offshore permit.
Australia(1) .....	5,575	1,240	The Company holds interests in two permits, one onshore and one offshore (acquired in 1982). In 1982 one dry well was drilled on the offshore permit and three were drilled on the onshore permit.
Bahrain(2) .....	660	198	The Company is evaluating data received from previous seismic and drilling activity on this offshore permit.

*(continued on following page)*



(continued from previous page)

Country	Undeveloped Acreage (In Thousands)		Comments
	Gross	Net	
Brazil .....	758	190	One dry well was drilled on this offshore block in 1982.
France(2) .....	497	373	Seismic studies have been conducted and exploratory drilling is planned on this offshore permit in 1983.
Guinea.....	8,962	2,241	Seismic studies have been conducted on this offshore permit and exploratory drilling is planned in 1983.
Italy .....	245	116	Seismic studies have been conducted on this offshore permit and a dry well was drilled. Seismic data is being evaluated.
The Ivory Coast ....	185	69	Evaluation of seismic data is in process and further geophysical studies are planned. At year-end, an exploratory well was in progress.
Jamaica(2) .....	1,632	816	Seismic studies have been conducted on the two offshore permits. A dry well was drilled in 1982.
Portugal(2) .....	635	635	Seismic studies were completed and are being evaluated for this onshore permit.
Tunisia(3) .....	4,915	1,473	Seven wells have been drilled on two of three onshore permits with no commercial quantities of hydrocarbons discovered. An additional well was being drilled at year-end. Further seismic or drilling activity is planned on all three permits.
West Germany.....	44	35	An exploratory well was being drilled at year-end on this offshore permit.

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- (1) The Company operates one of the two permits.  
 (2) The Company is the operator.  
 (3) The Company operates two of the three permits.

### Item 3. Legal Proceedings

Reference is made to Note 9, Commitments and Contingencies, of Notes to Financial Statements at page 41 of the Company's 1982 Annual Report to shareholders, incorporated herein by reference, for further information.

The litigation referred to in said Note relating to Allied-General Nuclear Services (AGNS), in which the Company's subsidiary, Allied Chemical Nuclear Products, Inc., is a 50% partner, is an action filed by Commonwealth Edison in July 1979 in the United States District Court for the Northern District of Illinois against AGNS, Allied Chemical Nuclear Products, Inc. and others claiming that AGNS was contractually obligated to supply Commonwealth Edison with quantities of fissile material equivalent to that which would have been obtained by reprocessing and contends that its damages total in excess of \$126 million (*Commonwealth Edison Co. v. Allied Chemical Nuclear Products, Inc., et al.*, Docket No. 79-62866). AGNS has denied liability under the reprocessing contract and has asserted three counterclaims against Commonwealth Edison seeking to have the reprocessing contract declared null and void and claiming damages in excess of \$90 million.

#### Item 4. Submission of Matters to a Vote of Security Holders

At the Special Meeting of shareholders of the Company held on January 31, 1983, the Company's shareholders approved a proposal to issue up to 15,260,000 shares of the Company's common stock in connection with the Company's acquisition of The Bendix Corporation. Of the votes cast, 27,651,978 shares were voted in favor and 1,467,511 shares voted against. In addition, 896,425 shares abstained from voting.

#### Executive Officers of the Registrant

The executive officers of the Registrant, listed below, are elected annually in April. There are no family relationships among them.

<u>Name, Age, Date First Elected an Officer</u>	<u>Business Experience</u>
Edward L. Hennessy, Jr.(a), 54 1979	Chairman of the Board and Chief Executive Officer since December 1979. President and Chief Executive Officer of the Company May 1979 to November 1979. Executive Vice President, Group Vice President, Systems and Equipment Group, and Chief Financial Officer of United Technologies Corporation (a designer, engineer and manufacturer of high-technology products), 1977 to 1979.
William M. Agee(a),* 45 1983	President of the Company effective January 31, 1983. Chairman and Chief Executive Officer of The Bendix Corporation (a manufacturer of aerospace-electronics, automotive and industrial products) since 1977.
Alan Belzer, 50 1975	Group Vice President and President of Allied Fibers and Plastics Company since October 1979. Group Vice President December 1975 to September 1979.
Edgar S. Brower, 52 1982	Group Vice President and President of Allied Electronic Components Company since February 1982. Executive Vice President of Eltra Corporation (a unit of the Company) September 1980 to January 1982. President of Automotive Products Division January 1977 to September 1980.
Robert L. Cole, 53 1982	Group Vice President and President of Allied Information Systems Company since February 1982. Vice President (1976 to January 1982), Executive Vice President, Power Group (1981 to 1982) and President, North American Operations, Otis Elevator Company (1976 to 1981) of United Technologies.
William D. Geitz, 59 1975	Group Vice President and Chairman and Chief Executive Officer of Union Texas Petroleum Corporation since November 1981. Chairman and Chief Executive Officer of Union Texas Petroleum Holdings, Inc. and Union Texas Products Corporation since December 1982. Group Vice President and President of Union Texas Petroleum Corporation (December 1979) and its predecessor Union Texas Petroleum Company October 1979 to October 1981. Group Vice President December 1975 to September 1979.

\* Mr. Agee has announced his intention to resign his executive position as President of the Company and as Chairman and Chief Executive Officer of Bendix by June 1, 1983.

Name, Age, Date First Elected an Officer	Business Experience
A. Clark Johnson, 52 1982	Group Vice President and President of Allied Chemical Company since October 1982. Executive Vice President of Allied Information Systems Company February 1982 to September 1982. Executive Vice President of Allied Chemical Company October 1979 to January 1982. President of former Specialty Chemicals Division 1977 to September 1979.
James L. Vincent, 43 1982	Group Vice President and President of Allied Health and Scientific Products Company since January 1982. Executive Vice President and Chief Operating Officer (1979 to December 1981) and Group Vice President (1976 to 1979) of Abbott Laboratories (developer, manufacturer and seller of human health care products).
Harold W. Buirkle, 62 1969	Senior Vice President—Planning and Finance since October 1979. Group Vice President February 1978 to September 1979. Vice President—Administration December 1975 to January 1978.
L. James Colby, Jr., 49 1977	Senior Vice President—Technology since May 1980. Senior Vice President—Research and Development October 1979 to April 1980. Group Vice President September 1977 to September 1979.
Brian D. Forrow(a), 55 1968	Senior Vice President and General Counsel since October 1979. Vice President and General Counsel January 1968 to September 1979.
Edwin M. Halkyard, 48 1978	Senior Vice President—Human Resources since October 1979. Vice President—Corporate Relations April 1978 to September 1979. Corporate Director of Employee Relations 1976 to March 1978.
David G. Powell, 49 1979	Senior Vice President—Public Affairs since October 1979. Manager—Public Affairs of Exxon Chemical Company (Exxon Corporation) 1976 to September 1979.
H. Dorn Stewart, Jr., 50 1980	Senior Vice President—Operations since January 1980. Senior Vice President of Petrochemical Group (1977 to December 1979) and Vice President—Refining and Marketing, Eastern Region (1972 to 1977) of Union Oil Company of California.
Daniel P. Burnham, 36 1982	Vice President and Controller since April 1982. General Manager of Insulation Division (1981 to 1982), Director of Marketing, Abrasives (1980 to 1981), Director, Strategic Development (1979 to 1980), Corporate Controller (1976 to 1978) of The Carborundum Company. Director, Financial Planning of Kenecott Corporation (1978 to 1979).
Edward W. Callahan, 52 1978	Vice President—Health, Safety and Environmental Sciences since November 1981. Vice President—Environmental Affairs April 1978 to October 1981. General Manager—Environmental Services 1970 to March 1978.
Nicholas A. Cameron, 44 1979	Vice President—Finance since February 1982. Vice President and Treasurer July 1981 to January 1982. Treasurer October 1979 to June 1981. Assistant Treasurer 1973 to September 1979.

**Name, Age,  
Date First  
Elected an Officer**

**Business Experience**

Victor Futter, 64 1978	Vice President and Secretary since April 1978. Associate General Counsel 1976 to March 1978.
William F. Loftus, 44 1982	Vice President and Treasurer since February 1982. Director—Taxes April 1979 to January 1982. Senior Tax Counsel (1978 to April 1979), Manager—Financial Planning (1977 to 1978) and Manager—Tax Section (1975 to 1977) of E.I. du Pont de Nemours and Company.
Harry J. Robinson, M.D., 69 1976	Vice President—Medical Affairs since April 1976.
Pieter J. Schiller, 45 1975	Vice President—Planning and Development since October 1979. Treasurer December 1975 to September 1979.
Richard A. Swalin, 53 1980	Vice President—Research and Development since May 1980. Vice President—Technology of Eltra Corporation 1977 to May 1980.

(a)Also a director.

## **Part II.**

### **Item 5. Market for the Registrant's Common Stock and Related Stockholder Matters**

Market and dividend information for the Registrant's common stock is contained in the statement "Quarterly Financial Information" at page 49 of the Company's 1982 Annual Report to shareholders, and such information is incorporated herein by reference.

The number of record holders of the Registrant's common stock is contained in the statement "Selected Financial Data" at page 53 of the Company's 1982 Annual Report to shareholders, and such information is incorporated herein by reference.

### **Item 6. Selected Financial Data**

The information included under the captions "For the Year" and "At Year-End" in the statement "Selected Financial Data" at pages 52 and 53 of the Company's 1982 Annual Report to shareholders is incorporated herein by reference.

### **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

"Management's Discussion and Analysis" at pages 27 through 31 of the Company's 1982 Annual Report to shareholders is incorporated herein by reference.

### **Item 8. Financial Statements and Supplementary Data**

The Company's consolidated financial statements, together with the report thereon of Price Waterhouse dated January 21, 1983, appearing at pages 24 through 26 and 32 through 51 of the



Company's 1982 Annual Report to shareholders, are incorporated herein by reference. With the exception of the aforementioned information and the information incorporated by reference in Items 1, 3, 5, 6 and 7, the 1982 Annual Report to shareholders is not to be deemed filed as part of this Form 10-K Annual Report.

## **Item 9. Disagreements on Accounting and Financial Disclosure**

Not Applicable

### **Part III.**

## **Item 10. Directors and Executive Officers of the Registrant**

Information relating to directors of the Registrant will be contained in a definitive Proxy Statement involving the election of directors which the Registrant will file with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after December 31, 1982, and such information is incorporated herein by reference. Certain other information relating to Executive Officers of the Registrant appears at pages 26 through 28 of this Form 10-K Annual Report.

## **Item 11. Management Remuneration**

Information relating to management remuneration will be contained in the Proxy Statement referred to above in "Item 10. Directors and Executive Officers of the Registrant," and such information is incorporated herein by reference.

## **Item 12. Security Ownership of Certain Beneficial Owners and Management**

Information relating to security ownership of certain beneficial owners and management will be contained in the Proxy Statement referred to above in "Item 10. Directors and Executive Officers of the Registrant," and such information is incorporated herein by reference.

### **Part IV.**

## **Item 13. Exhibits, Financial Statement Schedules and Reports on Form 8-K**

Page

(a) Certain documents filed as part of the Form 10-K:

1. The financial statements, together with the report thereon of Price Waterhouse dated January 21, 1983, set forth at pages 24 through 26 and 32 through 51 of the Company's 1982 Annual Report to shareholders are incorporated by reference in this Form 10-K Annual Report.

2. Financial Statement Schedules

Report of Independent Accountants on Financial Statement Schedules.....	32
V—Property, Plant and Equipment .....	33
VI—Accumulated Depreciation, Depletion & Amortization of Property, Plant and Equipment .....	34
VIII—Valuation and Qualifying Accounts .....	36
IX—Short-term Borrowings .....	37
X—Supplementary Income Statement Information .....	38

The financial statement schedules should be read in conjunction with the financial statements incorporated by reference in Item 8 of this Form 10-K Annual Report. Schedules other than those listed above are omitted because they are not applicable.

(b) Reports on Form 8-K

A report on Form 8-K dated December 21, 1982 was filed on January 5, 1983 concerning:

(i) The Company's purchase of 11,900,100 shares of common stock of Bendix from Martin Marietta Corporation (Martin Marietta) and one of Martin Marietta's subsidiaries;

(ii) The Company's purchase of all of the outstanding capital stock of Bendix Acquisition Corporation (BAC), a wholly owned subsidiary of Bendix (the assets of which included 25,582,500 shares of common stock of Martin Marietta) in exchange for 1,000 shares of a new series of the Company's preferred stock; and

(iii) The sale of 19,128,000 shares of Martin Marietta's common stock by BAC (then and now a wholly owned subsidiary of the Company) to a subsidiary of Martin Marietta.

(c) Exhibits

See the Exhibit Index at pages 39 and 40 of this Form 10-K Annual Report. The following exhibits listed on the Exhibit Index are filed with this Form 10-K Annual Report:

3.2—Certificate of Amendment of the Certificate of Incorporation of the Company dated December 17, 1982.

3.3—Certificate of Amendment of the Certificate of Incorporation of the Company dated January 27, 1983.

13—The Company's 1982 Annual Report to shareholders.

22—Subsidiaries of the Registrant.

24—Consent of Independent Accountants.

(d) Financial Statement Schedules

—Financial Statement Schedules are listed in response to Item 13.(a)2.

—Financial Statements of The Bendix Corporation.

The consolidated financial statements, the Auditors' Opinion and supplementary information on the effects of changing prices are incorporated herein by reference to Bendix' Annual Report on Form 10-K for the year ended September 30, 1982.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

Allied Corporation

January 28, 1983

By DANIEL P. BURNHAM  
Daniel P. Burnham  
Vice President and Controller

Pursuant to the requirements of the Securities Exchange Act of 1934, this annual report has been signed below by the following persons in the capacities and on the dates indicated:

<u>Name</u>		<u>Name</u>	
<u>EDWARD L. HENNESSY, JR.</u>	*	<u>HELEN S. MEYNER</u>	*
Edward L. Hennessy, Jr. Chairman of the Board and Chief Executive Officer and Director		Helen S. Meyner Director	
<u>JEWEL PLUMMER COBB</u>	*	<u>ROGER H. MORLEY</u>	*
Jewel Plummer Cobb Director		Roger H. Morley Director	
<u>DONALD W. DAVIS</u>	*	<u>CHARLES W. NICHOLS, JR.</u>	*
Donald W. Davis Director		Charles W. Nichols, Jr. Director	
<u>JOHN P. FISHWICK</u>	*	<u>STANLEY P. PORTER</u>	*
John P. Fishwick Director		Stanley P. Porter Director	
<u>BRIAN D. FORROW</u>	*	<u>THEODORE C. ROGERS</u>	*
Brian D. Forrow Director		Theodore C. Rogers Director	
<u>WILLIAM R. HASELTON</u>	*	<u>RICHARD R. SHINN</u>	*
William R. Haselton Director		Richard R. Shinn Director	
<u>ROBERT D. KILPATRICK</u>	*	<u>HAROLD W. BUIRKLE</u>	*
Robert D. Kilpatrick Director		Harold W. Buirkle Senior Vice President—Planning and Finance (Principal Financial Officer)	
<u>JAMES A. KRUMHANSL</u>	*	<u>DANIEL P. BURNHAM</u>	*
James A. Krumhansl Director		Daniel P. Burnham Vice President and Controller (Principal Accounting Officer)	

\*January 28, 1983

## REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULES

To the Board of Directors of Allied Corporation

Our examinations of the consolidated financial statements referred to in our report dated January 21, 1983 appearing on page 51 of the 1982 Annual Report to shareholders of Allied Corporation (which report and financial statements are incorporated by reference in this Annual Report on Form 10-K), also included an examination of the Financial Statement Schedules listed in Item 13(a) (2) of this Form 10-K. In our opinion, these Financial Statement Schedules present fairly the information set forth therein when read in conjunction with the related consolidated financial statements.

PRICE WATERHOUSE

65 Madison Avenue  
Morristown, New Jersey 07960  
January 21, 1983



(Dollars in Millions)

## ALLIED CORPORATION AND CONSOLIDATED SUBSIDIARIES

## SCHEDULE V—PROPERTY, PLANT AND EQUIPMENT

Classification	Balance at beginning of year	Additions at cost	Sales and Retirements	Adjustments	Initially Consolidated	Balance at end of year
Year Ended December 31, 1982						
Land and land improvements.....	\$ 174	\$ 9	\$ 3	\$—	\$—	\$ 180
Oil and gas properties, mines and quarries .....	689	146	23	(2)	30	840
Machinery and equipment .....	3,068	355	154	(17)	—	3,252
Buildings .....	549	37	29	(8)	—	549
Office furniture and equipment.....	58	10	4	(1)	—	63
Transportation equipment .....	91	4	8	—	—	87
Construction in progress .....	300	(37)	2	—	—	261
Total .....	\$4,929	\$524	\$223	\$ (28)	\$ 30	\$5,232
Year Ended December 31, 1981						
Land and land improvements.....	\$ 119	\$ 6	\$ 4	\$—	\$ 53	\$ 174
Oil and gas properties, mines and quarries .....	633	136	80	—	—	689
Machinery and equipment .....	2,634	364	98	17	151	3,068
Buildings .....	404	32	6	7	112	549
Office furniture and equipment.....	43	8	1	2	6	58
Transportation equipment .....	100	5	14	—	—	91
Construction in progress .....	246	58	17	—	13	300
Total .....	\$4,179	\$609	\$220	\$ 26	\$335	\$4,929
Year Ended December 31, 1980						
Land and land improvements.....	\$ 114	\$ 9	\$ 4	—	\$—	\$ 119
Oil and gas properties, mines and quarries .....	495	152	14	—	—	633
Machinery and equipment .....	2,462	260	94	—	6	2,634
Buildings .....	387	32	16	—	1	404
Office furniture and equipment.....	43	6	7	—	1	43
Transportation equipment .....	99	10	9	—	—	100
Construction in progress .....	182	64	—	—	—	246
Total .....	\$3,782	\$533	\$144	—	\$ 8	\$4,179

(Dollars in Millions)

**ALLIED CORPORATION AND CONSOLIDATED SUBSIDIARIES**  
**SCHEDULE VI—ACCUMULATED DEPRECIATION, DEPLETION & AMORTIZATION**  
**OF PROPERTY, PLANT AND EQUIPMENT**

<u>Classification</u>	<u>Balance at beginning of year</u>	<u>Additions charged to costs and expenses(1)(2)</u>	<u>Sales and Retirements(2)</u>	<u>Adjustments</u>	<u>Balance at end of year</u>
<b>Year Ended December 31, 1982</b>					
Depreciation and amortization:					
Land improvements .....	\$ 42	\$ 5	\$—	\$ 2	\$ 49
Oil and gas properties, mines and quarries .....	278	94	14	—	358
Machinery and equipment .....	1,446	236	62	15	1,635
Buildings .....	204	30	9	(1)	224
Office furniture and equipment .....	23	5	3	1	26
Transportation equipment .....	46	7	5	5	53
Total accumulated depreciation and amortization .....	2,039	377	93	22	2,345
Depletion:					
Oil and gas properties, mines and quarries .....	24	5	—	—	29
Total accumulated depreciation, depletion and amortization .....	\$2,063	\$382	\$93	\$22	\$2,374
<b>Year Ended December 31, 1981</b>					
Depreciation and amortization:					
Land improvements .....	\$ 35	\$ 6	\$ 1	\$ 2	\$ 42
Oil and gas properties, mines and quarries .....	232	78	32	—	278
Machinery and equipment .....	1,266	223	50	7	1,446
Buildings .....	162	28	1	15	204
Office furniture and equipment .....	17	4	1	3	23
Transportation equipment .....	49	5	8	—	46
Total accumulated depreciation and amortization .....	1,761	344	93	27	2,039
Depletion:					
Oil and gas properties, mines and quarries .....	34	3	13	—	24
Total accumulated depreciation, depletion and amortization .....	\$1,795	\$347	\$106	\$27	\$2,063

(Dollars in Millions)

**ALLIED CORPORATION AND CONSOLIDATED SUBSIDIARIES**  
**SCHEDULE VI—ACCUMULATED DEPRECIATION, DEPLETION & AMORTIZATION**  
**OF PROPERTY, PLANT AND EQUIPMENT**

<u>Classification</u>	<u>Balance at beginning of year</u>	<u>Additions charged to costs and expenses(1)(2)</u>	<u>Sales and Retirements(2)</u>	<u>Initially Consolidated</u>	<u>Balance at end of year</u>
	<u>Year Ended December 31, 1980</u>				
Depreciation and amortization:					
Land improvements .....	\$ 30	\$ 6	\$ 1	\$—	\$ 35
Oil and gas properties, mines and quarries .....	189	49	6	—	232
Machinery and equipment .....	1,144	181	62	3	1,266
Buildings .....	152	21	12	1	162
Office furniture and equipment .....	17	4	5	1	17
Transportation equipment .....	49	8	8	—	49
Total accumulated depreciation and amortization .....	1,581	269	94	5	1,761
Depletion:					
Oil and gas properties, mines and quarries .....	32	2	—	—	34
Total accumulated depreciation, depletion and amortization .....	<u>\$1,613</u>	<u>\$271</u>	<u>\$94</u>	<u>\$ 5</u>	<u>\$1,795</u>

Notes: (1) Estimated service lives used for computing depreciation range from 3 to 35 years.

(2) Excludes depreciation, depletion and amortization expense and sales and retirements for discontinued businesses for 1981 and 1980.

(Dollars in Millions)

**ALLIED CORPORATION AND CONSOLIDATED SUBSIDIARIES**  
**SCHEDULE VIII-VALUATION AND QUALIFYING ACCOUNTS**

Description	Balance at beginning of year	Additions		Initially Consolidated	Deductions	Balance at end of year
		Charged to costs and expenses	Charged to other accounts			
Year Ended December 31, 1982						
Allowance for losses and refunds:						
Doubtful accounts (1) . . . . .	\$23	\$10	\$ 1(2)	—	\$10(4)	\$24
	25		8			33(6)
Returnable containers (1) . . . . .	9	—	4(3)	—	5(5)	8
	<u>\$57</u>	<u>\$10</u>	<u>\$13</u>	<u>—</u>	<u>\$15</u>	<u>\$65</u>
Year Ended December 31, 1981						
Allowance for losses and refunds:						
Doubtful accounts(1) . . . . .	\$16	\$10	\$—	\$4	\$ 7(4)	\$23
	25	—	—	—	—	25(6)
Returnable containers(1) . . . . .	8	—	6(3)	—	5(5)	9
	<u>\$49</u>	<u>\$10</u>	<u>\$6</u>	<u>\$4</u>	<u>\$12</u>	<u>\$57</u>
Year Ended December 31, 1980						
Allowance for losses and refunds:						
Doubtful accounts(1) . . . . .	\$17	\$12	\$—	—	\$13(4)	\$16
	—	25	—	—	—	25(6)
Returnable containers(1) . . . . .	7	—	8(3)	—	7(5)	8
	<u>\$24</u>	<u>\$37</u>	<u>\$8</u>	<u>—</u>	<u>\$20</u>	<u>\$49</u>

- Notes: (1) These amounts are deducted in the balance sheet from accounts and notes receivable.  
(2) Reinstatement of customer accounts previously written off.  
(3) Charged to customers when containers were shipped.  
(4) Bad debts written off.  
(5) Containers returned or permanently retained by customers.  
(6) This amount is deducted in the balance sheet from other investments and long-term receivables.



(Dollars in Millions)

## ALLIED CORPORATION AND CONSOLIDATED SUBSIDIARIES

## SCHEDULE IX—SHORT-TERM BORROWINGS

<u>Category</u>	<u>Balance at end of year</u>	<u>Weighted average interest rate</u>	<u>Maximum outstanding during year</u>	<u>Average outstanding during year</u>	<u>Weighted average interest rate during year</u>
<u>Year Ended December 31, 1982</u>					
Payable to banks:					
Domestic (1) .....	\$—	—	\$476(2)	\$182(3)	12.49%(3)
Foreign .....	38	14.90%	46	41(4)	14.33%(4)
<u>Year Ended December 31, 1981</u>					
Payable to banks:					
Domestic (1) .....	\$ 5	13.64%	\$127	\$ 46(3)	14.65%(3)
Foreign .....	48	14.99%	48	35(4)	15.69%(4)
<u>Year Ended December 31, 1980</u>					
Payable to banks:					
Domestic (1) (5) .....	\$ —	—	\$207	\$ 47(3)	15.18%(3)
Foreign .....	33	14.30%	41	35(4)	14.00%(3)

Notes: (1) Includes amounts for maximum outstanding, average outstanding and the weighted average interest rate for commercial paper of: \$476, \$181, and 12.49% for 1982; \$127, \$45, and 14.62% for 1981 and \$70, \$24 and 13.82% for 1980.

(2) Amounts outstanding include the financing relating to Supron Energy Corporation, which required peak funding of \$282 during 1982.

(3) Based on the amounts outstanding at the end of each day.

(4) Based on the amounts outstanding at month-end.

(5) Amounts outstanding include the financing of the acquisition of Eltra Corporation through February 29, 1980.

(Dollars in Millions)

ALLIED CORPORATION AND CONSOLIDATED SUBSIDIARIES  
SCHEDULE X—SUPPLEMENTARY INCOME STATEMENT INFORMATION

Years Ended December 31	Charged to costs and expenses		
	1982	1981	1980
Maintenance and repairs .....	\$292	\$310	\$269
Depreciation and amortization of intangible assets, preoperating costs and similar deferrals .....	*	*	*
Taxes, other than income taxes:			
Payroll .....	85	84	64
Property .....	32	28	23
Windfall Profits Tax .....	48	63	18
Other .....	39	42	34
	204	217	139
Royalties .....	*	*	*
Advertising costs .....	*	*	*

(\*) Less than 1 percent of total sales and revenues.