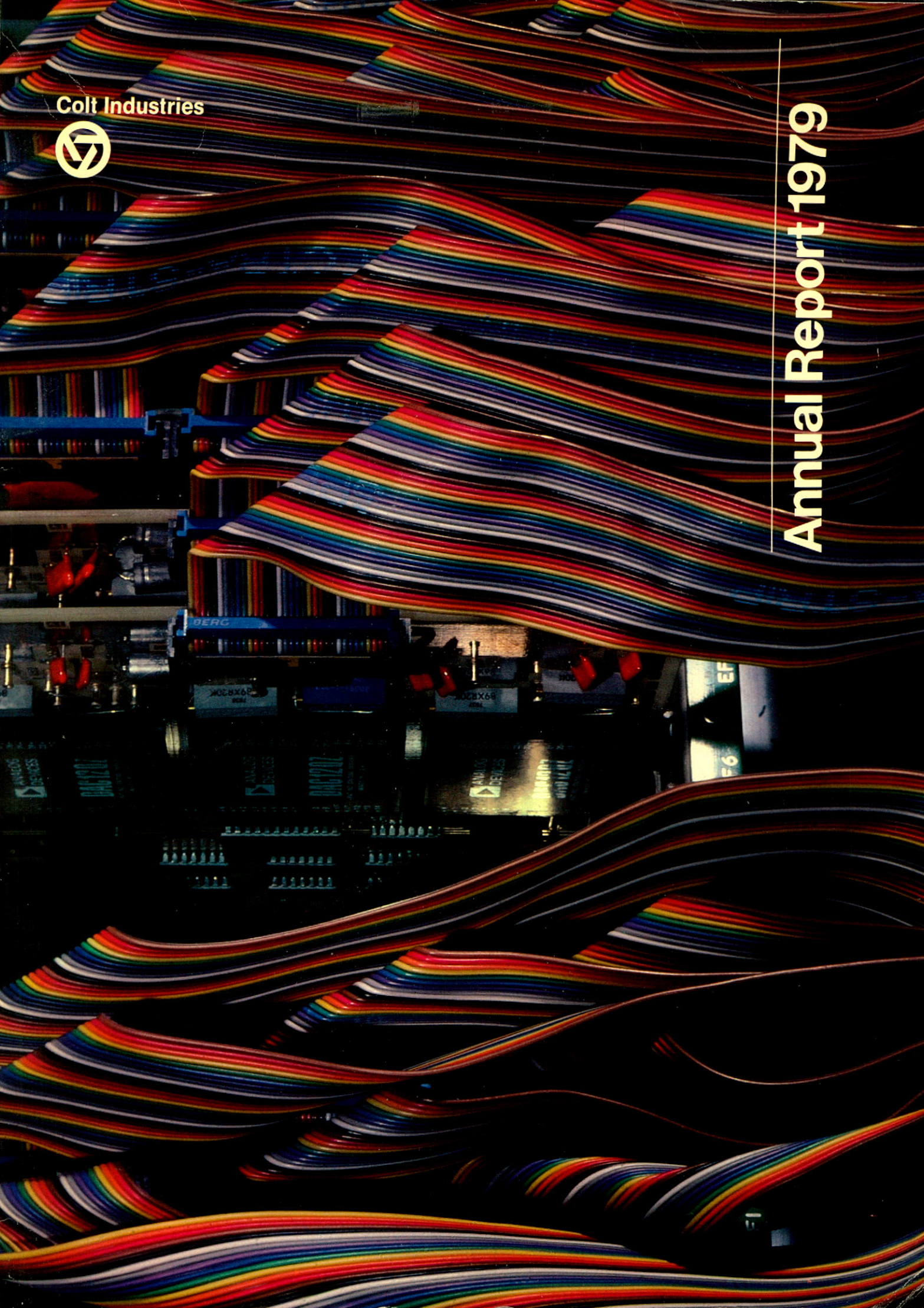


Colt Industries



# Annual Report 1979





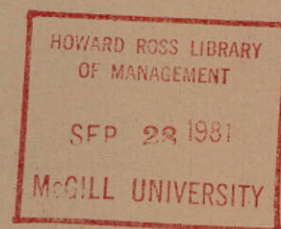
# Financial Highlights

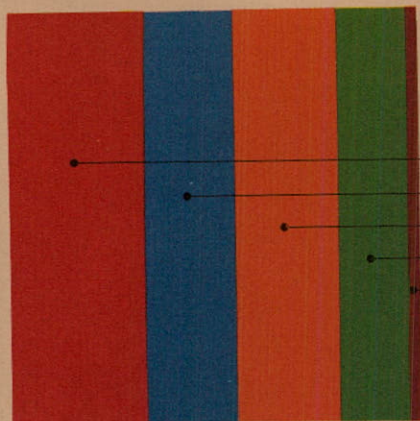
## Colt Industries Inc and Subsidiaries

Year ended December 31	(In thousands of dollars, except per share data)	
	1979	1978
Sales	\$ 2,140,515	\$ 1,807,882
Net earnings	111,375	87,020
Earnings per common share:		
Including common equivalent share	8.40	6.66
Assuming full dilution	7.86	6.07
Common share dividends:		
Total paid	32,182	25,492
Per share rate at year-end	2.50	2.10
Average number of shares:		
Common and common equivalent basis	12,992,000	12,565,000
Fully diluted basis	14,152,000	14,304,000
Working capital	518,648	503,441
Long-term debt	264,450	294,296
Shareholders' equity	621,592	563,541
Return on shareholders' equity	18.8%	16.3%
Book value per common share	44.95	38.96
Order backlog	917,998	791,708
Shareholders of record:		
Preferred	7,887	8,874
Common	28,198	29,013
Number of employees	32,100	33,100

### Cover:

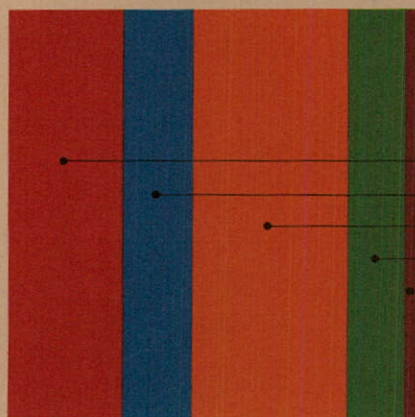
Ribbon cables in Pratt & Whitney Machine Tool Division Teammate II computerized numerical control system. A significant advance over earlier control systems, the Teammate II can be programmed to run more than one kind of machine tool. Sophisticated software adds flexibility that enables customers to change and optimize production under actual cutting conditions.





**Operating Income by Industry Segment**

- 33% Industrial and Power Equipment
- 22% Fluid Control Systems
- 25% Materials
- 17% Industrial Seals and Components
- 3% Shock Mitigation Systems
- 100%



**Sales by Industry Segment**

- 28% Industrial and Power Equipment
- 17% Fluid Control Systems
- 38% Materials
- 14% Industrial Seals and Components
- 5% Shock Mitigation Systems
- (2%) Intersegment Elimination
- 100%

# To Our Shareholders

Colt Industries had the best results in its history in 1979. Earnings were up 28 percent on an 18 percent increase in sales over 1978, and new highs were established in sales, earnings, earnings per share, new orders received, and year-end backlog.

Net earnings in 1979 were \$111,375,000, equal to \$8.40 a common share, on sales of \$2,140,515,000. This compares with 1978 net earnings of \$87,020,000, equal to \$6.66 a common share, on sales of \$1,807,882,000.

## **Breadth and Balance**

This performance was achieved despite downturns in the automotive and housing sectors of the economy and despite the impact of an extended strike at the California facilities of our Menasco Inc subsidiary.

Of the five industry segments that compose Colt Industries, all but the Shock Mitigation Systems segment, affected by the strike at Menasco, contributed to the company's earnings growth in 1979.

The record performance of the company as a whole is, therefore, continuing testimony to the importance of the breadth and balance that have been built into the company's earnings base over the past decade.

## **Return on Equity**

The return on shareholders' equity, an important measure of your company's performance, was 18.8 percent in 1979, up from the 16.3 percent return in 1978. New order receipts were up 14 percent over the prior year, and the year-end backlog was up 16 percent. It is important to note, however, that the rate of new order receipts was not as high in the second half of the year as in the first half.

Particularly strong sales and earnings contributions were made by the company's Fairbanks Morse Engine, Pratt & Whitney Machine Tool, Chandler Evans Control Systems, Trent Tube, Fairbanks Weighing, Quincy Compressor, Crucible Specialty Metals, Crucible Stainless Steel, Garlock Mechanical

Packing, and Stemco Truck Products Divisions.

While demand for our Holley line of economy carburetors in the automotive aftermarket was strong, the downturn in the automotive industry affected our original equipment carburetor business; and uncertainties in the housing market affected, directly and indirectly, several of our divisions. These factors and the impact of the Menasco strike were more than offset by the strength of our other businesses.

Tooling requirements for the downsizing of automobiles resulted in strong demand from the automotive industry for our tool steels, metalworking equipment, and metal-cutting and metal-forming tools.

## **New Boeing Contract**

Boding well for the future of our Menasco aircraft landing gear business is the multimillion dollar contract received in 1979 for the production of main and nose landing gear assemblies for the new Boeing 757 commercial jetliner. In 1978, Menasco received a contract for the nose gear for the Boeing 767. These contracts are in addition to the substantial ongoing Menasco production of landing gear for the Boeing 727 and 737 and for such other aircraft producers as Lockheed, McDonnell Douglas, and General Dynamics.

In keeping with our continuing practice of judicious pruning of products and businesses and additions to our productive capacity where warranted by market outlook, we dropped several product lines; reduced to 40 percent our interest in our formerly wholly-owned subsidiary, Manufacturera Fairbanks

Morse, S.A. in Mexico; and made several important capital expansions.

The Holley Carburetor Division has expanded its carburetor production capacity, is nearing completion of a new carburetor assembly facility, and is building a new flow test and materials laboratory. The Quincy Compressor Division has announced plans for a satellite manufacturing facility in Bay Minette, Alabama.

The Crucible Alloy Division is installing two high-power electric arc furnaces designed to meet existing environmental control requirements and increase the efficiency and flexibility of our steelmaking operations in Midland, Pennsylvania. Our capital expenditures in 1980 will be approximately \$100 million, up from the \$66 million expended in 1979.

#### Many New Products

New product development is an equally important part of our continuing efforts to assure the continuing health and viability of the company.

The Holley Carburetor Division made significant progress in 1979 on the development of a sonic flow electronic fuel injection system and a fully electronic carburetor. Both are in test by customer companies. The Crucible Specialty Metals Division developed in 1979 and introduced early in 1980 a cobalt-free, super-high-speed tool steel.

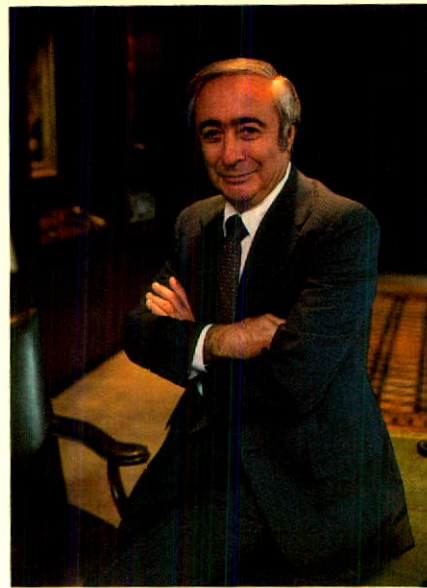
The Fairbanks Morse Pump Division is developing a new line of split case horizontal pumps and a new line of large vertical turbine pumps for industrial use. Our Pratt & Whitney Machine Tool and Elox Divisions continue to introduce computer numerically and microprocessor controlled production equipment that increase both the flexibility and productivity of their users. There were new product developments, improvements to existing products, and extensions of product applications in virtually all of our divisions.

#### Dividend Increases

Reflecting the growth of the company, there have been seven increases in the dividend rate on the common stock in the past seven years. In 1979, the annualized rate was increased to \$2.50 a share, up 19 percent over the 1978 year-end rate of \$2.10 a share.

Your company's growth during the seventies was substantial. Sales in 1979 were three times higher and net earnings were 7.9 times higher than in 1970. In the seventies, the annual compounded growth rate was 13.2 percent in sales, 25.8 percent in net earnings, 28.7 percent in earnings per share, and 15.8 percent in the dividend rate per common share.

Your company's product and process developments and capital expenditure programs will continue to be aimed at meeting customer and market needs and maintaining its leadership in industrial markets served.



George A. Strichman



David I. Margolis

A handwritten signature in cursive script that reads "George A. Strichman".

George A. Strichman  
Chairman of the Board

A handwritten signature in cursive script that reads "David I. Margolis".

David I. Margolis  
President

January 25, 1980

Right: Houston Lighting and Power Company placed first large order for Trent Tube Division Sea-Cure, a new high-performance ferritic alloy tubing designed for power plants using brackish water for cooling.

# Review of Operations



# Industrial and Power Equipment

The Industrial and Power Equipment segment of Colt Industries accounted for 28 percent of the company's 1979 sales and 33 percent of its operating income. Operating income for the segment was up 40 percent over 1978 on a 16 percent sales gain.

The segment is made up of Fairbanks Morse diesel engines, Quincy compressors, Fairbanks industrial scales, Pratt & Whitney machine tools, Elox electrical discharge machining equipment, Central Moloney transformers, Trent welded stainless steel pipe and tubing, Crucible permanent magnets and heavy-duty coil springs, and Colt firearms.

Increased shipments of Colt-Pielstick diesel engines and continued aftermarket strength added up to a record year for

the Fairbanks Morse Engine Division. Among the new orders received for Colt-Pielstick engines was one for six engines to power three 41,500-ton ocean-going integrated tug/barge tankers and another for two engines to provide electric power for Homestead, Florida. Shipments of Fairbanks Morse opposed piston engines included spark-ignited engines, fueled by natural gas, for use in the gathering and production of natural gas.

## Increased Compressor Demand

The Quincy Compressor Division also achieved a record year on the strength of increased demand for both rotary screw and reciprocating compressors from industrial and climate control markets. The division's high-pressure compressor products were also in increasing demand in the energy industries for air-



Above: Service representative conducts maintenance inspection of a Quincy helical screw compressor which provides compressed air for pneumatic power vital to operations at a major Gulf Coast oil refinery.

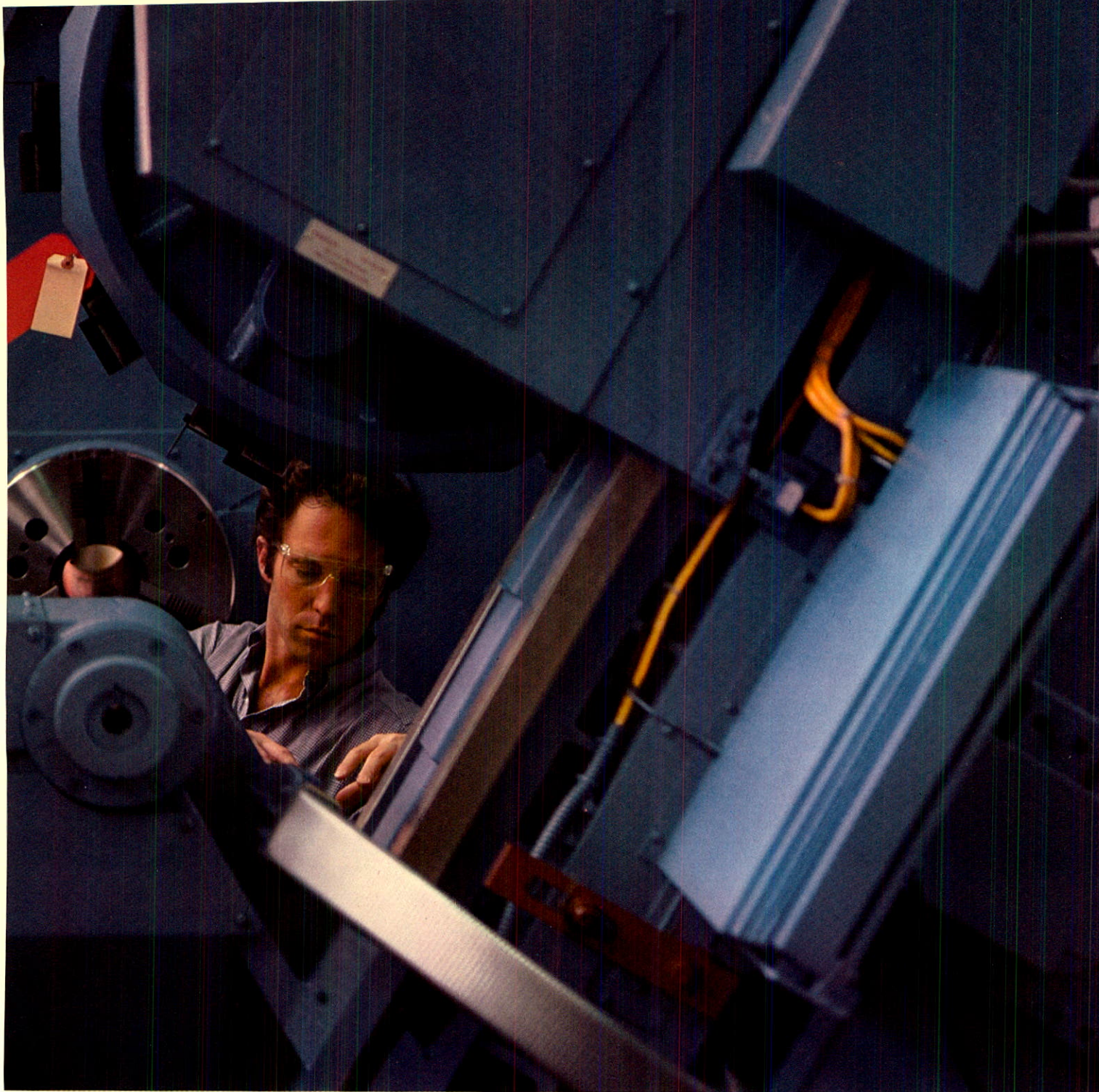
Below: New Fairbanks weighing products, the Datacenter 8811 and Datapage 3600 printer, are elements of micro-processor-based system that provides digital display, memory, and data accumulation.







U.S. Coast Guard cutter *Katmai Bay*, one of a new class of ice-breaking tug designed to help keep Great Lakes shipping channels open in winter, is powered by two Fairbanks Morse opposed piston diesel engines.



Above: Pratt & Whitney Star-Turn 1800 Universal, a computerized metalcutting lathe with 11 major interchangeable components, is readied for customer shipment at the division plant in West Hartford, Connecticut.



Left: Crucible hot-wound alloy steel springs are mounted in rail car wheel assembly spring pocket at the Greenville Steel Car Co., manufacturer of railroad freight cars.



assisted drilling and to power pneumatic equipment.

In 1979, the division added 30,000 square feet of warehouse and test space at its headquarters plant in Quincy, Illinois; and early in 1980, announced plans to acquire a 90,000-square-foot manufacturing plant in Bay Minette, Alabama.

#### **Technological Advances**

The Fairbanks Weighing Division performed at record levels in 1979 on the strength of increased sales and service revenues, expanded markets, and continued technological advances in its product lines.

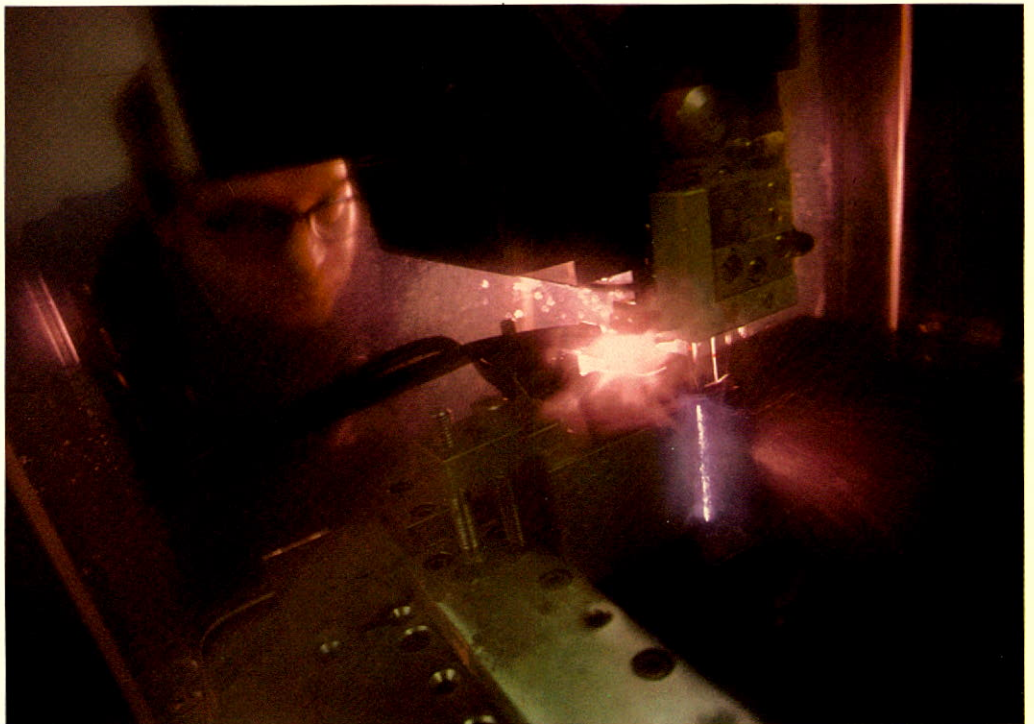
The highly successful Series 7 scale found application in the poultry and dairy products markets; and during the year, the division introduced a new micro-processor-based weighing instrument and a new family of dot-matrix printers.

The Pratt & Whitney Machine Tool Division experienced very strong demand for its computer-controlled contouring and die-sinking machines, metal-cutting lathes, and vertical and horizontal machining centers. The strongest growth came in the division's Wolverine line of profiling and contouring machines for the aerospace industry.

Market acceptance of the division's new Star-Turn 1800 Universal, a computerized metal-cutting lathe, was excellent in 1979. Demand was also strong for the division's high-precision measuring systems, many of which now use electronic techniques.

The division's Fastcut cutting tool operation shipped a record number of precision end mills to the aerospace and tool and die industries. Sales of Haber metal-

Below: Fully computer-controlled Elox Series H electrical discharge wire-cut machine produces a punch for a progressive tool operation which will stamp millions of plated steel clips for Craft, Inc., producer of specialty hinges and hardware.



forming tools were also at record levels, and sales of Sterling thread-rolling dies were up.

Elox Division sales of electrical discharge machining equipment were up significantly in 1979 as demand for this type of precision equipment continued to grow among tool and die manufacturers seeking lower-cost methods of machining die steels. Two new Elox wire-cut machines were introduced.

#### Uncertain Housing Market

Despite uncertainties in the housing market, the Central Moloney Transformer Division chalked up record sales in 1979. Softness in electric utility needs for single-family housing was offset by increased demand for commercial construction and multifamily dwellings.

Trent Tube Division gains in 1979 were sparked by increased demand from the aerospace,

beverage and food processing, and pharmaceutical industries. Significant orders were received for hydraulic tubing for the new generation of Boeing commercial aircraft and for stainless steel piping for a new Anheuser Busch West Coast brewery.

Following two years of intensive testing at sea coast electric power generating stations, the division in 1979 received significant orders for its Sea-Cure ferritic alloy tubing designed for highly corrosive environments.

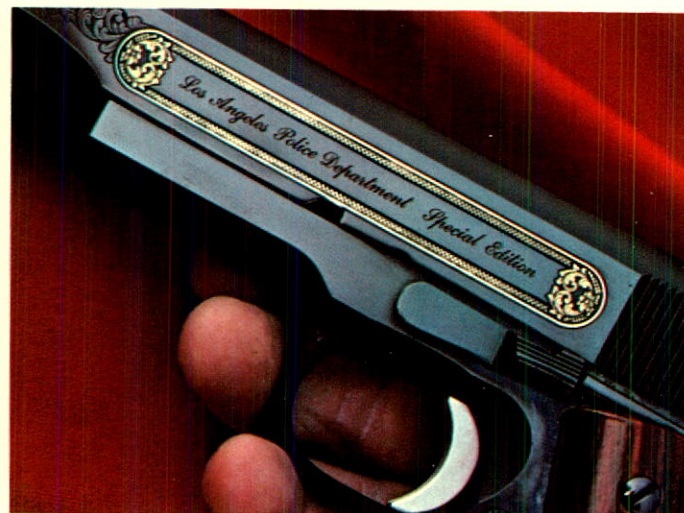
Consumer durables and the computer industry continued to provide the basis for growth by the Crucible Magnetics Division. Crucible permanent magnets play a vital role in computer memory disc drives and the read-write heads that place and

retrieve information. In durable goods markets, applications range from loudspeakers in sophisticated sound systems to appliances, telephones, and children's toys.

Expanding activity by the nation's railroads resulted in increased demand for Crucible Spring Division hot-rolled alloy steel springs for the suspension systems on railroad freight cars.

#### Pruning for Profits

The Fairbanks Morse Engine Accessories Operation pruned away a number of unpromising product lines and withdrew from some markets over the past three years to concentrate on the industrial marketplace. As a result, the operation has increased its sales and significantly improved its profit performance. The primary product lines are now magnetos, ignition systems, and industrial clutches.



Opposite: Pole-mounted Central Moloney distribution transformers are tagged for shipment to electric utilities for use in supplying electricity to homes and small businesses.

Left: Technician adjusts fractional horsepower linear motor that relies on Crucible alnico magnets. Motor actuates the read-write head in a Control Data Corporation storage module disc drive.

Above: Chemical etching process used by Colt Firearms Division Custom Gun Shop provides special editions with the look of traditionally engraved artwork. Gold-plated commemorative .45 caliber Government Model Mark IV is for Los Angeles Police Department.



# Fluid Control Systems

The Fluid Control Systems segment of Colt Industries contributed 17 percent of the company's total sales in 1979 and 22 percent of its operating income. Operating income was up three percent over 1978 on a 15 percent gain in sales. Divisions composing the segment are the Holley Carburetor, Replacement Parts, and Special Products Divisions; Chandler Evans Control Systems Division; and Fairbanks Morse Pump Division.

Demand for the Holley Carburetor Division's original equipment carburetor products was strong through the first three quarters of 1979; but, with the downturn in the automotive industry, sales declined in the fourth quarter.

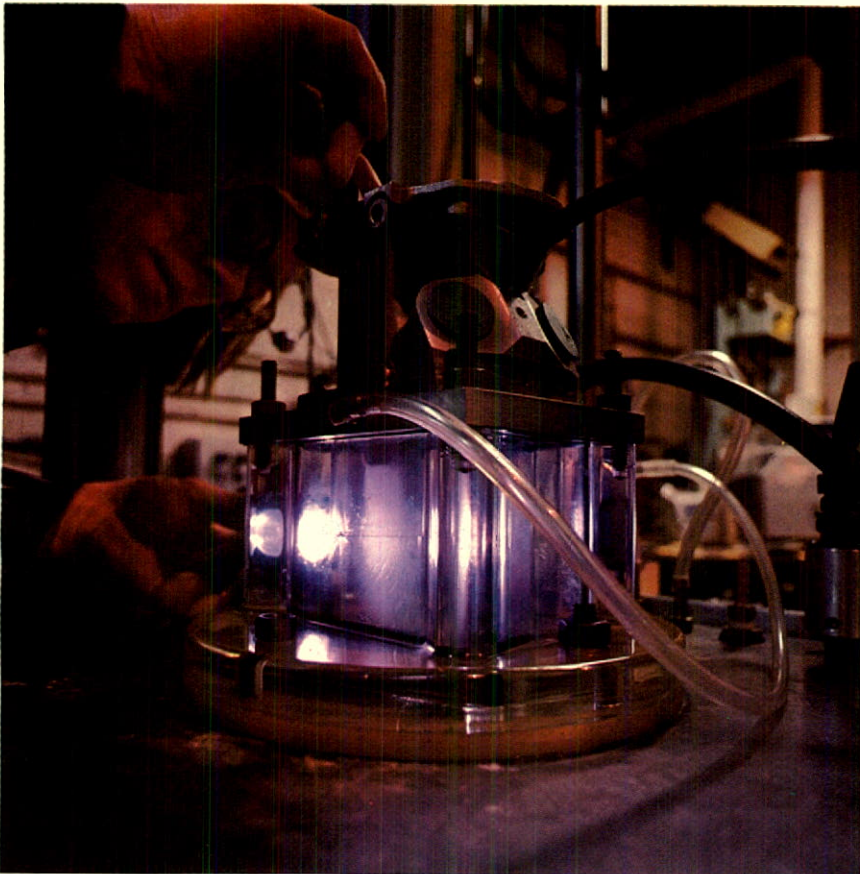
Demand for Holley replacement carburetors and other

automotive aftermarket products, however, continued strong throughout the year. This was particularly true of the Holley line of economy carburetors. Significant facilities expansions were initiated in 1979 at Water Valley, Mississippi to meet carburetor requirements for the new Ford Motor Company four-cylinder car, code named *Erika*, and in Bowling Green, Kentucky; Paris, Tennessee; and Sallisaw, Oklahoma.

## Fuel Management Systems

Significant progress was made during the year on the development of two Holley advanced fuel management systems.

The first is a sonic flow electronic fuel injection system, unique in its method of achieving a precise fuel-air mixture. The system was extensively road tested by Holley during 1979, and it will be tested by two



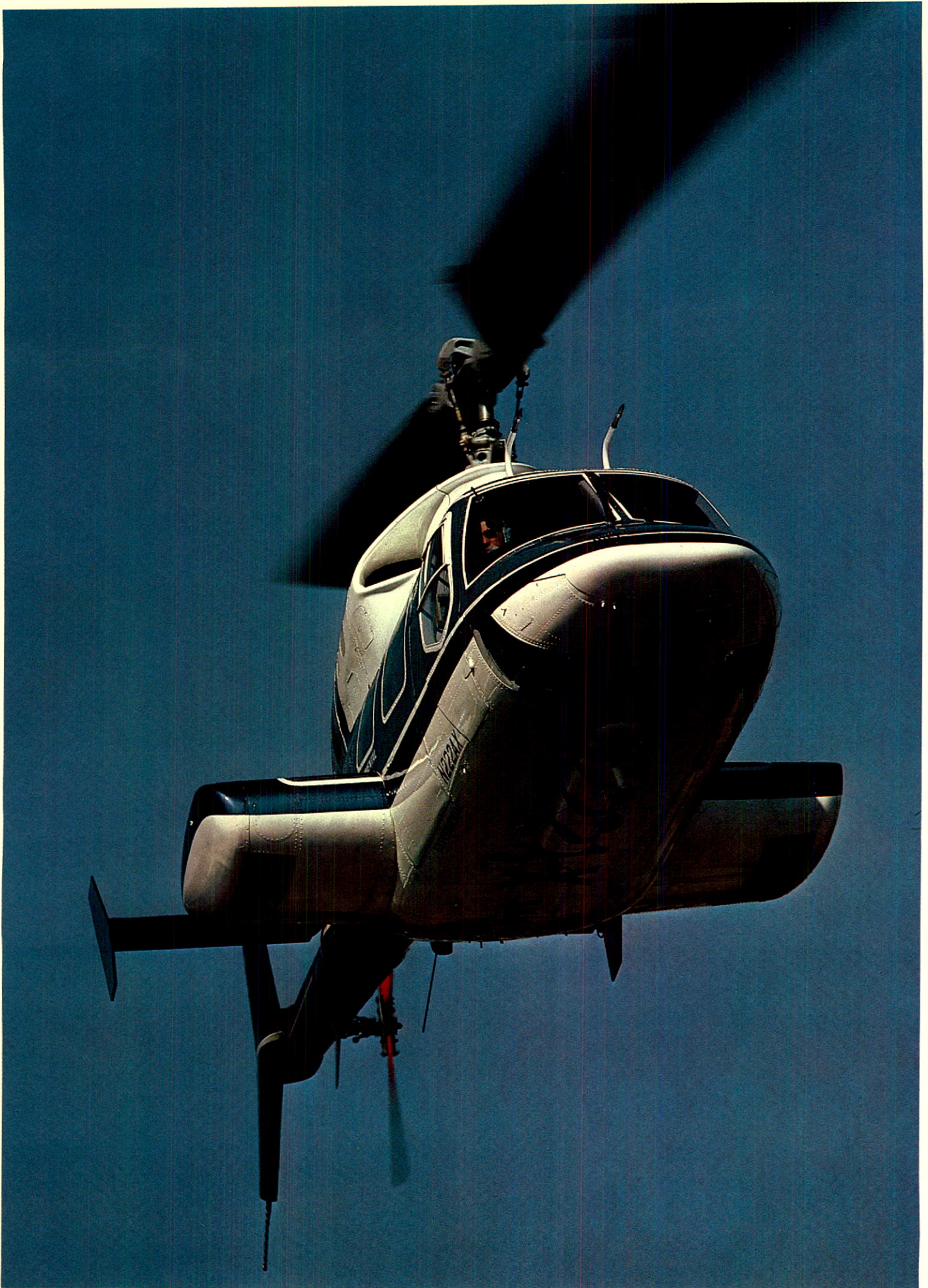
Above: Aerodynamic development of the Holley single-point microprocessor-controlled fuel injection system for passenger cars. Throttle body is mounted on lucite air box for a visual check of fuel-air atomization.

Below: Emissions control pumps for the automotive aftermarket ready for shipment from Holley Special Products Division. Pumps inject air into car exhaust systems to help reduce pollutants.





Holley test car, equipped with Holley single-point fuel injection system, is examined by engineers. System delivers incoming air at sonic speed and uses no moving parts other than conventional throttle plates.





major automotive customers during 1980.

The second development is an extension of the functions of the Holley electronic feedback carburetor now on certain small cars of the three major producers. The new, fully electronic Holley carburetor will provide precise power enrichment, metered fuel control at various altitudes, and cold engine enrichment control. It is also in test by a customer company.

Chandler Evans Control Systems Division sales were up significantly in 1979, and the division moved several new products into production and began development of other new products. The major continuing production effort is on the main fuel pumps for the F100 engines that power both the F-15

and F-16 fighter aircraft.

Among the new products moving into production in 1979 were motive flow pumps for the Canadair CL-600 executive aircraft fuel system and main fuel pumps for Lycoming LTP/LTS-101 helicopter engines being delivered for worldwide use in the Bell 222, Boelkow/Kawasaki, French Aerospatiale Astar, and U.S. Coast Guard Dauphine helicopters.

#### Engineering Development

In engineering development at Chandler Evans are the main fuel pumps for the General Electric engines for the Boeing 767 and for international tour carrier jumbo jets and main fuel pumps for the Lycoming engine for the Canadair CL-600 and the British Aerospace HS-146. Also in engineering development are flight control actuation systems for the U.S. Army 155mm Copper-

head guided projectile and the U.S. Navy projectiles to be fired from five-inch guns.

For the Allison Division of General Motors, Chandler Evans is developing a microprocessor-controlled digital electronic control system for an advanced-technology U.S. Army engine.

Increases in market share helped offset softening demand in some markets served by the Fairbanks Morse Pump Division. Sales to public works and domestic water systems markets were up, and sales of agricultural irrigation pumps were also up modestly. During the year, the division introduced a new line of four-inch submersible pumps and began the development of new lines of horizontal split case and large vertical turbine pumps for the industrial marketplace.



Opposite: Bell Helicopter 222, new mid-size, twin-engine craft, is powered by Lycoming LTS-101 engines, each with a suction fuel pump produced by Chandler Evans Control Systems Division.

Left: Fairbanks Morse vertical turbine pumps supply hundreds of gallons of water each minute to center-pivot agricultural irrigation systems used by farmers in regions with low annual rainfall.

Below: Fairbanks Morse non-clog vertical and horizontal angle-flow pump casings are inspected. The division produces pumps for industrial, public works, agricultural, and domestic use.



# Materials

The company's Materials segment accounted for 38 percent of total 1979 sales and 25 percent of operating income. Operating income was up 34 percent over 1978 on a 22 percent increase in sales. The segment includes Crucible Specialty Metals, Crucible Stainless Steel, and Crucible Alloy Divisions.

Widespread demand for its full product line and growing acceptance of its Crucible Particle Metallurgy steels added up to a record year for the Crucible Specialty Metals Division.

Tool steel sales reflected strong demand from the automotive industry for dies for plastic moldings and aluminum parts, from appliance and electronic equipment makers for punches and dies, and from the metalworking industry for high-

speed steels. The division's stainless bar products set new highs in both sales and tons produced, and demand was up for titanium fastener stock for the aerospace industry.

In its first full year on the market, the division's CPM 10V tool steel greatly widened its acceptance among tool makers and users. The steel, produced by the Crucible Particle Metallurgy process, is economical and exceptionally wear-resistant.

## Super-High-Speed Steel

In response to the high cost and scarcity of cobalt, the division developed a cobalt-free, super-high-speed steel for use in making high-performance cutting tools. The new steel, designated CPM Rex 25, is also produced by the Crucible Particle Metallurgy process.

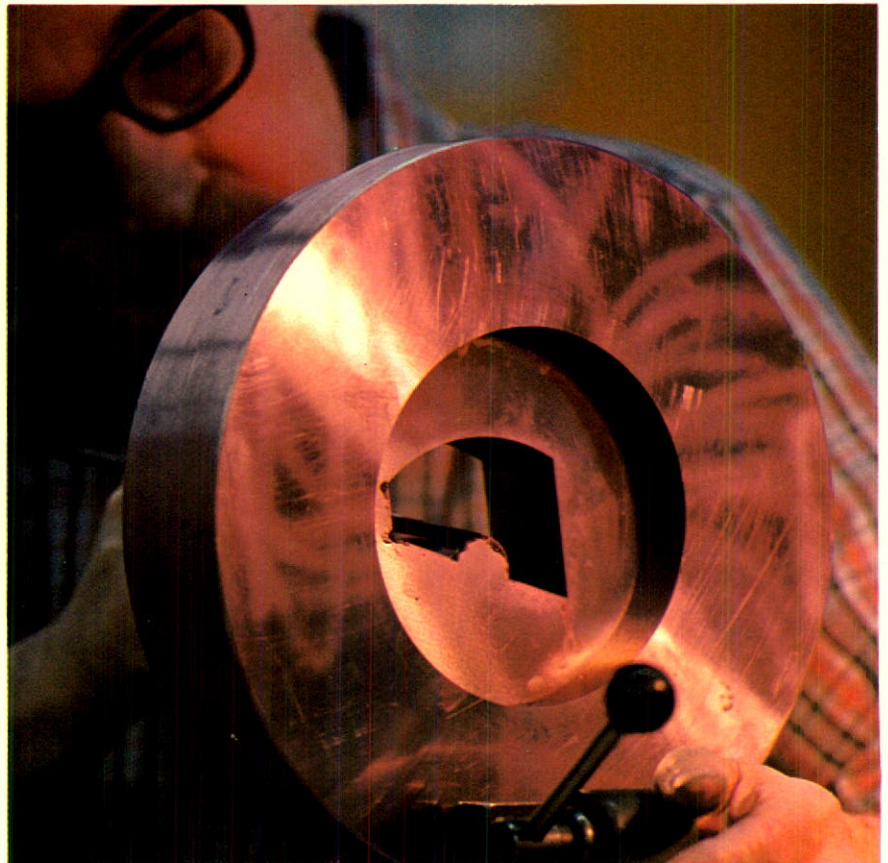
The Crucible Stainless Steel Division reached a new high in



Above: Crucible stainless steel is used to manufacture rotating spray arms for General Electric automatic dishwashers, shown here during assembly at Appliance Park near Louisville, Kentucky.

Below: Polishing a die made from CPM 10V, a high-vanadium, wear-resistant tool steel produced by the Crucible Specialty Metals Division. The tool steel is made via the Crucible Particle Metallurgy process.

Opposite: White-hot alloy steel travels by crane from top oxygen converter to ingot-teeming area at Midland, Pa. mill. Alloy steels are vital in the production of equipment for automotive, energy, and other industries.







Above: Automatic grape harvester sends grapes along conveyor to 1,000-gallon tank made of 10-gauge Crucible stainless steel. Tanks are made by Valley Foundry for Mirassou vineyards, Monterey County, California.



Left: Finished turbine engine part precision machined from near-finished shape produced via the Crucible Particle Metallurgy hot isostatic process. Minimal machining is required to produce finished part, with significant savings in both time and material.



sales revenues in 1979. Strong markets for the division's stainless steel sheet and strip were food processing and handling, microwave ovens and other appliances, and paper mill and chemical plant construction.

#### **New Plate Products**

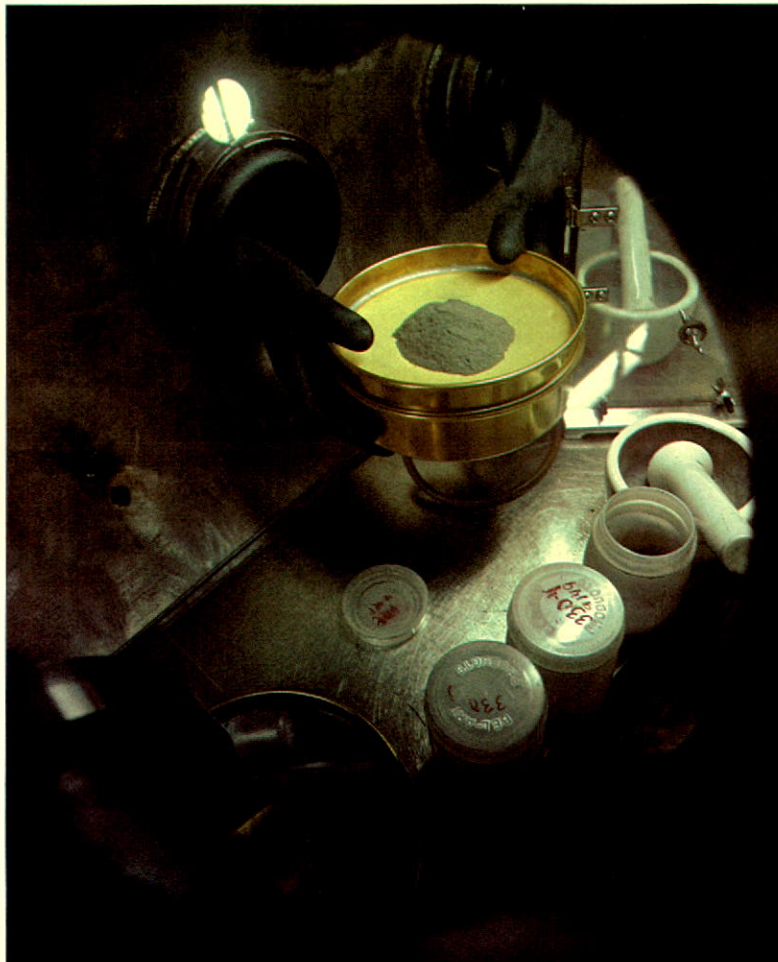
In addition to its stainless plate products in widths up to 120 inches, the division introduced tandem mill stainless plate up to 48 inches produced on a continuous mill normally used to roll stainless sheet and strip.

The Crucible Specialty Metals and Crucible Stainless Steel Divisions expect to be adversely affected by the end of import quotas in February, 1980.

Crucible Alloy Division sales increased in 1979 on the strength of demand for tough alloy steels from the aerospace industry, agriculture, and the makers of off-highway con-

struction equipment. The division increased by 40 percent its shipments of vacuum arc remelted steels for aerospace, ordnance, and nuclear applications and has added another vacuum arc furnace. Construction was begun for the installation of two high-power electric arc furnaces designed both to improve efficiency and meet existing environmental standards.

Major emphases at the Crucible Research Center in 1979 were on the development of high-performance CPM steels that avoid or minimize use of scarce and costly alloying elements, the further computerizing of the steelmaking process, and advanced methods of producing aircraft components in near final shape to minimize costly machining.



Left: Crucible Research Center researchers develop process for manufacture of materials that will maintain their magnetic properties at extreme temperatures.

# Industrial Seals and Components

The company's Industrial Seals and Components industry segment accounted for 14 percent of total sales and 17 percent of operating income in 1979. Operating income was up 25 percent over 1978 on a 21 percent increase in sales.

The segment is composed of the Garlock Mechanical Packing, Oil Seal, and Special Products Divisions, Stemco Truck Products Division, France Compressor Products Division, F. D. Farnam Division, and Woodville Polymer Engineering Ltd.

The Garlock Mechanical Packing Division had an excellent year in 1979 with strong worldwide demand for its compression packing, gasketing and gasketing materials, Klozure seals, and hydraulic and construction products.

Market acceptance and sales of such new products as Gylon seals and Thermo-sil heat-resistant fabric and of existing products improved with such new materials as Kevlar<sup>®</sup> and carbon fibers were greatly expanded.

The Garlock Oil Seal Division achieved modest sales growth in 1979 despite the downturn in its overseas operation. Oil seal sales benefited from the trend to small cars and from the division's skills in problem-solving designs and applications.

## Record Truck Product Sales

The Stemco Truck Products Division achieved record sales in 1979 for the fourth consecutive year. The growth was due primarily to increased demand, both in the U.S. and overseas, for the division's major product, the Stemco Hub-Seal wheel bearing lubrication system for trucks, buses, and tractor-trailers. Also



Above: Each compressor valve, ring, and seal made by France Compressor Products Division is inspected for dimension, finish, and sealing surface. Products are sold as original equipment and as replacement parts for air and gas compressors.

Opposite: Shell Oil Company refinery at Deer Park, Texas is one of many petroleum refining and petrochemical processing plants using Garlock Mechanical Packing Division compression packings, mechanical seals, and gaskets.

Below: Final inspection of protective shipping cover for Rolls-Royce jet engines used on Lockheed and Boeing aircraft. Cover is one of several new products developed by Woodville Polymer Engineering Ltd.







Above: Hub-Seal wheel bearing lubrication systems from Stemco Truck Products Division are original equipment on these new heavy-duty trucks produced by Peterbilt Motors Co.



Left: Double-lip, spring-loaded automotive transmission seal designed and produced by Garlock Oil Seal Division is checked for dimensional accuracy. These rubber-bonded-to-metal seals are used in the drive trains of four-wheel-drive recreational vehicles.





contributing to division growth was increased market demand for truck exhaust system components, transmission components, and wet clutch plates.

Sales volume increased in each of the Garlock Special Products Division operations: Ortman industrial hydraulic and pneumatic cylinders, Garlock bearings, Garlock PTFE tapes and powders, and Garlock valves and custom-molded PTFE products, including the PTFE-coated Gar-Seal butterfly valves for the chemical industry.

#### **Natural Gas Applications**

Sales growth by the France Compressor Products Division was spurred by the increase in natural gas exploration and production activity and the resultant demand for its compressor valves and seals. To meet performance requirements in often-corrosive environments, the

division continued to market its PTFE-filled Flur-O-Fran seals.

F. D. Farnam Division sales were up only slightly in 1979 as fourth-quarter sales were affected by the downturn in the automotive industry. The division is a leading producer of automotive and industrial gaskets and gasket assemblies.

The major thrust in Woodville Polymer Engineering Ltd. growth came from sales, both in the U.K. and on the continent, of its heat exchanger gaskets, rubber-bonded-to-metal truck brake pump seals, and automobile water pump seals. Woodville's soft rollers for advanced copying equipment are gaining acceptance in both Europe and Japan. In 1979, Woodville expanded its capacity for the production of precision polymer products.



Left: Self-lubricating filament-wound bearings produced by unit of Garlock Special Products Division are made from PTFE and Nomex® fibers drawn through an epoxy bath. Marketed under the GAR-MAX trade name, these heavy duty bearings are used in construction and agricultural equipment.

# Shock Mitigation Systems

The Shock Mitigation Systems industry segment accounted for five percent of the company's total sales in 1979 and three percent of its operating income. Operating income for the segment was down 53 percent while sales increased 15 percent. The segment is composed of Menasco California, Menasco Texas, and Menasco Overhaul Divisions; and Menasco Canada Ltée.

## Strike Affected Income

Segment operating income was seriously affected by the extended strike at Menasco's Burbank, California facilities.

Menasco California Division received a multimillion dollar contract from the Boeing Commercial Airplane Company for the production of main and nose landing gear assemblies for the new Boeing 757 short-to-medium-range jetliner. In 1978, the division had received a con-

tract for the nose gear for the Boeing 767 medium-range passenger jetliner.

Menasco Texas Division sales were up on follow-on orders for main and nose landing gear assemblies for the Lockheed L-1011 TriStar passenger jetliner and the General Dynamics F-16 fighter aircraft.

The Menasco Overhaul Division negotiated a new contract with All Nippon Airways; received an exclusive contract from Tunis Airlines, its first African customer; and added several other new customers.

Menasco Canada Ltée sales were up with follow-on orders received for landing gear for the DeHavilland DHC-7, McDonnell Douglas DC-10, Short Brothers SD3-30, and Boeing 737 and flight controls for the DHC-7.



Above: Main landing gear side-support struts for Boeing 727 jetliners are stamped with production numbers at Menasco Canada Ltée in Montreal. Menasco Canada landing gear is also widely used on commuter aircraft.

Below: Lockheed L-1011 TriStar jetliner undergoes pre-flight inspection. Menasco Texas Division produces main and nose landing gear assemblies for this wide-bodied passenger aircraft.





Boeing and Menasco engineers, working with 1/10th scale model, check specifications for main landing gear to be built by Menasco California Division for the new Boeing 757 short-to-medium-range fuel-efficient passenger airplane.



# Financial Review and Financial Statements

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Left: U.S. Air Force F-16 combat fighters on flight line at Hill Air Force Base near Ogden, Utah. Made by General Dynamics in the U.S., each F-16 is equipped with main and nose landing gear assemblies produced by Menasco Texas Division.

# Financial Review

## Sales and Earnings

In 1979, the company achieved the highest sales, net earnings, earnings per share, new orders, and year-end backlog in its history. Sales in 1979 were \$2,141 million, up 18 percent from \$1,808 million in 1978. Net earnings for the year were \$111.4 million, an increase of 28 percent over the \$87.0 million in 1978. Of the company's five industry segments, all but the Shock Mitigation Systems segment contributed to the improvement in 1979 earnings. Net earnings of the Shock Mitigation Systems segment were adversely affected by a prolonged strike at the Burbank, California facilities of the company's Menasco Inc subsidiary.

The company's return on shareholders' equity increased to 18.8 percent in 1979 over the 16.3 percent in 1978, reflecting the strength and balance built into the company's earnings base. The downturn in the automotive industry affected the Holley original equipment carburetor business, and the Central Moloney electrical transformer business was affected by higher costs not recovered in price increases. Holley's operating income was also adversely affected by flood damage at its Nashville, Tennessee warehouse. These factors and the impact of the Menasco strike were, however, more than offset by the performances in the industrial and power equipment and industrial seals and components businesses. In 1979, the company acquired F. D. Farnam Co., a supplier of automotive and industrial gaskets; disposed of the Trent Tube operation in The Netherlands; and reduced to 40 percent its interest in its formerly wholly-owned subsidiary, Manufacturera Fairbanks Morse, S.A. in Mexico.

Sales and earnings increases in 1978 over 1977 were the result of improved performances of each of the company's industry segments, particularly Fluid Control Systems, Industrial Seals and Components, and Shock Mitigation Systems.

## Cost of Sales

Cost of sales in 1979 increased 19 percent over 1978. The increase in cost of sales is directly related to the increased volume of business and to continued inflationary pressures on the costs of maintenance, energy, materials, supplies, wages, payroll taxes, and fringe benefits. The Menasco strike, start-up problems at the Holley Carburetor Division on 1980 model year automotive equipment, and flood damage at the Holley Nashville warehouse were factors contributing to the increase in cost of sales. Depreciation and amortization expense increases in 1979 over 1978 were attributable to additions to property, plant, and equipment and to downward revisions of the estimated remaining useful lives of certain assets. The increase in cost of sales in 1978 over 1977 was due to the increased volume of business and inflationary cost increases.

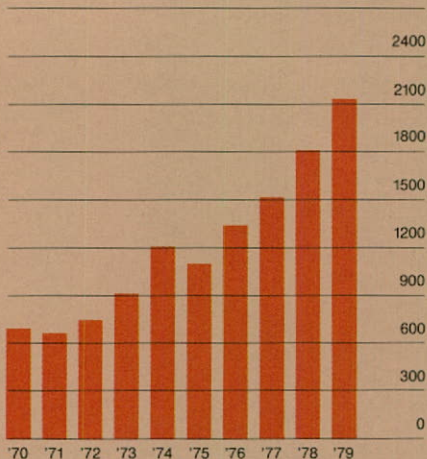
## Selling and Administrative Expense

The increase in selling and administrative expense in both 1979 and 1978 resulted from the increased volume of business and higher costs. State and local income and franchise taxes increased \$3.1 million due to higher earnings in 1979 compared with 1978. In 1979 and 1978, the company incurred foreign exchange losses, including the effect of translating inventories as sold at the new exchange rates, of \$5 million and \$1.3 million after taxes, respectively. These losses were principally due to the decline of the U.S. dollar in relation to other currencies.

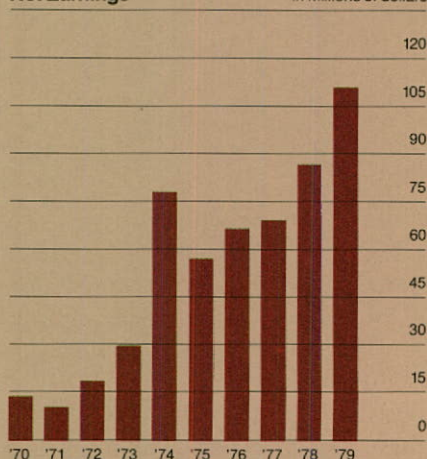
## Interest Expense and Interest Income

Interest expense was \$29.6 million, \$29.8 million, and \$25.3 million in 1979, 1978, and 1977, respectively. The 1978 increase in interest expense over 1977 was due mainly to the issuance of \$40 million of 9¾ percent senior promissory notes in December 1977. The 1978 increase in interest income over 1977 was \$7.7 million and was due to higher average cash balances and higher yields.

**Sales** in millions of dollars



**Net Earnings** in millions of dollars



## Taxes

The effective income tax rates for the years 1979, 1978, and 1977 were 45.0 percent, 46.5 percent, and 46.25 percent, respectively. The rate in 1979 was lower than in 1978 principally because of the reduction in the U.S. statutory rate.

## Financial Information by Industry Segment

The Financial Accounting Standards Board and the Securities and Exchange Commission have prescribed the criteria to be applied in financial reporting for segments of a business enterprise. Financial data by industry segment have been prepared in accordance with these reporting requirements.

Colt Industries manufactures and sells a diversified line of industrial products in the United States and abroad. Company operations are reported in five industry segments. These segments are based on the industries, product lines, markets, and technical disciplines in which Colt Industries operates. Following are the products included in each industry segment:

*Industrial and Power Equipment:* fabricated metal products, primarily welded stainless steel pipe and tubing marketed under the Trent brand name; weighing systems; industrial diesel engines and accessories; compressors;

machine tools and measuring equipment; electric distribution transformers; and firearms;

*Fluid Control Systems:* automotive carburetors and components, marketed under the Holley brand name; pumps; and aerospace fuel systems and controls;

*Materials:* Crucible specialty carbon and low-alloy steels; stainless and other special-purpose steels including high-speed, tool, die, valve, and other high-alloy steels; vacuum-melted steels; and titanium alloys;

*Industrial Seals and Components:* gaskets, packings, valves, and other devices to prevent leakage and seal out contaminants, primarily marketed under the Garlock brand name; Stemco wheel bearing lubrication systems and other truck products; France compressor products; and F. D. Farnam automotive and industrial gaskets;

*Shock Mitigation Systems:* Menasco aircraft landing gear assemblies and other shock mitigation systems, and flight control systems.

The table below shows financial information attributable to the company's industry segments. Operating income by industry segment is determined exclusive of interest income, interest expense, general corporate expenses, and federal income taxes.

## Sales and Operating Income by Industry Segment

(In millions of dollars)

	1979		1978		1977		1976		1975	
	Operating Income	Sales	Operating Income	Sales	Operating Income	Sales	Operating Income	Sales	Operating Income	Sales
Industrial and Power										
Equipment	\$ 77.3	\$ 600	\$ 55.2	\$ 516	\$ 48.2	\$ 453	\$ 48.8	\$ 432	\$ 49.4	\$ 415
Fluid Control Systems	50.0	367	48.4	320	35.4	238	33.6	212	19.7	187
Materials	59.4	808	44.3	664	42.8	582	27.2	475	39.1	454
Industrial Seals and										
Components	40.0	303	31.9	250	25.3	206	21.9	181	—	—
Shock Mitigation Systems	6.7	106	14.2	92	11.0	77	11.1	79	11.9	81
Intersegment elimination	—	(43)	—	(34)	—	(31)	—	(33)	—	(33)
Total segments	233.4	2,141	194.0	1,808	162.7	1,525	142.6	1,346	120.1	1,104
Interest expense	(29.6)	—	(29.8)	—	(25.3)	—	(23.0)	—	(20.4)	—
Interest income	14.3	—	13.1	—	5.4	—	5.1	—	8.8	—
Corporate unallocated	(15.6)	—	(14.7)	—	(13.6)	—	(8.2)	—	(11.2)	—
Consolidated	\$202.5	\$2,141	\$162.6	\$1,808	\$129.2	\$1,525	\$116.5	\$1,346	\$ 97.3	\$1,104

## Management Discussion of Operating Results by Industry Segment

Operating income of the Industrial and Power Equipment segment was \$77.3 million in 1979 compared with \$55.2 million in 1978 and \$48.2 million in 1977, representing 33 percent, 29 percent, and 30 percent, respectively, of the company's total operating income in those years. In 1979, operating income for the Industrial and Power Equipment segment increased 40 percent on a 16 percent increase in sales compared with 1978. All divisions in this segment recorded improvements in both sales and earnings in 1979 over 1978, except for the Central Moloney Transformer Division which was affected by higher costs of raw materials not recoverable by price increases. Particularly strong

1979 contributions were made by the Fairbanks Morse Engine, Pratt & Whitney Machine Tool, Trent Tube, Fairbanks Weighing, and Quincy Compressor Divisions.

Operating income in 1978 was \$7.0 million higher than in 1977 due to significant improvement in demand for the products of the Pratt & Whitney Machine Tool, Crucible Magnetics, and Central Moloney Transformer Divisions, offset in part by lower earnings in the Colt Firearms and Trent Tube Divisions. In 1977, the Pratt & Whitney Machine Tool Division was adversely affected by a ten-week strike.

Operating income in 1979 for the Fluid Control Systems segment was \$50.0 million, or 22 percent of total operating

income, compared with \$48.4 million, or 25 percent, in 1978 and \$35.4 million, or 22 percent, in 1977. The performance in 1979 by the Fluid Control Systems segment reflects the downturn in the automotive industry which adversely affected Holley Carburetor Division original equipment carburetor business. In addition to the automotive industry slowdown, 1979 Holley results were affected by flood damage at the Nashville, Tennessee warehouse and start-up problems on 1980 model year automotive equipment, including increased fuel economy and emissions control requirements. Strong demand in 1979 for the Holley line of economy carburetors in the automotive aftermarket helped offset the decline in original equipment sales. The Chandler Evans Control Systems Division was favorably affected by higher demand for its products in the aerospace aftermarket, plus increased production of fuel pumps for the F-15 and F-16 fighter aircraft. The increase in earnings in 1978 over 1977 was the result of continued improved demand for the products of Holley Carburetor and Chandler Evans Control Systems Divisions.

The Materials segment accounted for 25 percent of total operating income in 1979, or \$59.4 million, compared with 23 percent and \$44.3 million in 1978 and 26 percent and \$42.8 million in 1977. The increase in 1979 was due to record sales and earnings performance by the Crucible Specialty Metals Division as well as significantly improved results of the Crucible Stainless Steel Division. Earnings of the Crucible Alloy Division were adversely affected in 1979 by lower operating efficiencies, failure of the blast furnace at the Midland facility, and settlement costs of a pollution consent decree with respect to the Midland facility. Price increases in the stainless steel market have been insufficient to recover operating cost increases.

The Materials segment improvement in 1978 earnings compared with 1977 was due to the performance of the Crucible Specialty Metals Division, offset by lower earnings of the Crucible Stainless Steel and Crucible Alloy Divisions. The lower earnings of the Crucible Alloy Division resulted from lower operating efficiencies; and, in the Crucible Stainless Steel Division, the lower earnings resulted from increased operating costs not fully recovered by price increases, partially offset by improved operations.

The growth of the Industrial Seals and Components segment continued in 1979 as sales increased 21 percent and operating income increased 25 percent over 1978. Sales and operating income were \$303 million and \$40.0 million, respectively, in 1979 compared with \$250 million and \$31.9 million, respectively, in 1978. Demand has been increasing steadily for products of the Garlock Mechanical Packing Division due in large measure to a growing replacement-sealing market and for products of the Stemco Truck Products Division due mainly to increased market penetration and the general increase in the use of trucks for freight transportation. Both of these divisions reported record sales and earnings in 1979. The increase in operating income in 1978 over 1977 was the result of higher volume and increased administrative and manufacturing efficiencies.

Operating income for the Shock Mitigation Systems segment declined 53 percent compared with 1978 despite a 15 percent increase in sales. The decline in earnings was principally the result of a prolonged strike at Menasco's California facilities. The higher operating income in 1978 compared with 1977 was the result of expanding commercial aircraft landing gear demand and improved operating rates in the manufacture of aircraft landing gear assemblies on mature programs.

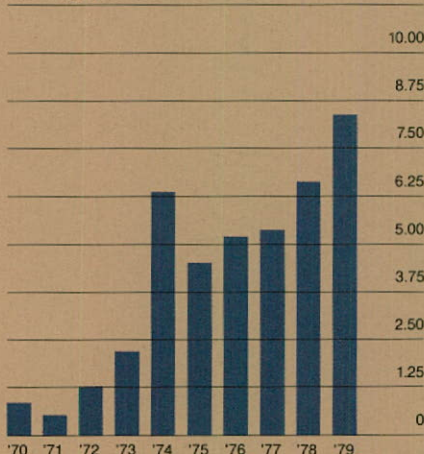
The following table sets forth the company's total assets by industry segment at December 31 for the last five years:

#### Total Assets by Industry Segment

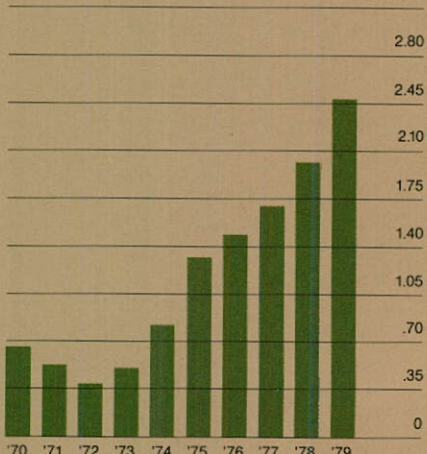
(In millions of dollars)

	1979	1978	1977	1976	1975
Industrial and Power Equipment	\$ 294	\$ 318	\$ 296	\$ 268	\$ 269
Fluid Control Systems	145	116	101	86	81
Materials	434	395	375	357	328
Industrial Seals and Components	219	190	177	165	156
Shock Mitigation Systems	87	74	65	63	69
Total segments	1,179	1,093	1,014	939	903
Corporate unallocated	123	171	98	66	32
Total Assets	\$1,302	\$1,264	\$1,112	\$1,005	\$ 935

Earnings per Common Share in dollars



Cash Dividends per Common Share in dollars





The following table shows financial information attributable to the company's geographic segments:

### Sales, Earnings Before Income Taxes, and Total Assets by Geographic Segment

(In millions of dollars)

	1979			1978			1977		
	Earnings Before Income Taxes	Sales	Total Assets	Earnings Before Income Taxes	Sales	Total Assets	Earnings Before Income Taxes	Sales	Total Assets
Domestic Operations	\$195.1	\$1,984	\$1,233	\$160.9	\$1,664	\$1,189	\$123.2	\$1,404	\$1,044
Foreign Operations	7.4	182	130	1.7	164	139	6.0	138	132
Intersegment elimination	—	(25)	(61)	—	(20)	(64)	—	(17)	(64)
Consolidated	\$202.5	\$2,141	\$1,302	\$162.6	\$1,808	\$1,264	\$129.2	\$1,525	\$1,112

The following table sets forth information on each class of similar products which accounted for at least 10 percent of the company's sales during either of the last two fiscal years:

### Sales by Class of Products

	Percentage of Sales				
	1979	1978	1977	1976	1975
Stainless Steel	18.1	16.8	17.8	16.0	17.0
Specialty Carbon and Low Alloy Steels	13.2	14.0	14.7	14.5	18.6
Industrial Seals and Components	14.2	13.8	13.5	13.4	—
Carburetors and Components	10.7	11.2	9.4	9.1	9.9

The following table sets forth sales to major markets during 1979:

### Sales by Markets Served

	Percentage of Sales		
	Original Equipment	Aftermarket	Total
Automotive and Truck Products	18	7	25
Industrial Machinery and Equipment Manufacturers	17	2	19
Metal Fabricators	17	1	18
Aerospace and Transportation Equipment	7	2	9
Utilities and Communications	8	1	9
Government	5	2	7
Chemical and Petroleum	2	3	5
All Other	6	2	8
% Totals	80	20	100

### Order Backlog

At December 31, 1979, the order backlog was \$918.0 million, a record level for the company, and 16 percent higher than the \$791.7 million order backlog at the end of 1978. All five of the company's industry segments ended the year with backlogs up compared with 1978, and most divisions within each segment participated in this increase. The

1979 year-end backlogs for each of the company's industry segments were: Industrial and Power Equipment—\$236.5 million; Fluid Control Systems—\$136.6 million; Materials—\$144.2 million; Industrial Seals and Components—\$42.5 million; and Shock Mitigation Systems—\$358.2 million. Of the December 31, 1979 backlog, approximately \$309.3 million is not expected to be shipped during 1980. Total new orders received during 1979 were up 14 percent over 1978, but the rate of new order receipts was not as high in the second half as in the first half of the year.

### Financial Position

Cash and marketable securities were \$100.4 million at December 31, 1979, a decrease of \$65.7 million from year-end 1978. The decline was due principally to increased working capital requirements to support the increased volume of business in 1979, purchases of the company's common stock, capital expenditures in excess of depreciation, and the acquisition of F. D. Farnam Co.

Working capital at December 31, 1979 was \$518.6 million, an increase of \$15.2 million from the prior-year amount. The ratio of long-term debt to total capitalization improved from 34.3 percent at December 31, 1978 to 29.8 percent at December 31, 1979. This improvement was achieved despite a reduction in shareholders' equity due to purchases of the company's common stock. Receivable turnover in 1979 improved three percent over 1978. Inventory turned over 3.35 times in 1979 compared with 3.29 times in 1978.

### Capital Expenditures

Plant and equipment expenditures during 1979 totaled \$65.7 million. The Holley Carburetor Division plant in Water Valley, Mississippi was expanded to meet carburetor production requirements for the Ford Motor Company's new four-cylinder car, code named *Erika*. This expansion is expected to increase production capacity by 950,000 carburetors per year. The Holley Special Products Division has enlarged its plant in Sallisaw, Oklahoma to produce a new line of air pumps for the emissions control systems of smaller 1981 model year cars. In addition, there were expansions and new equipment for the Holley facilities at Paris, Tennessee and Bowling Green, Kentucky. A new warehouse was completed at the Quincy Compressor Division, where production capacity is also being increased. The Stemco Truck Products Division expanded warehousing and production facilities at Longview, Texas. Garlock

Special Products Division completed expansion of a plant in New Jersey to meet increased demand for self-lubricated bearings. Woodville Polymer Engineering Ltd. in England expanded capacity for the production of precision polymer products. The Crucible Specialty Metals Division is constructing a new service center in Huntsville, Alabama to strengthen its market position in the Southeast.

In 1979, the company announced a \$50 million program to install two 170-ton, ultra-high-power electric furnaces at the Midland, Pennsylvania steelmaking facility. This installation, scheduled for completion in the first-half of 1981, is designed both to meet existing environmental control requirements and provide greater production flexibility. Capital expenditures during 1980 are expected to approximate \$100 million.

### Dividends

Record dividends of \$34.4 million were paid to the company's shareholders in 1979 and consisted of \$32.2 million to common shareholders, up 26 percent compared with 1978; and \$2.2 million to preferred shareholders, compared with \$3.3 million in 1978.

Quarterly cash dividends on the common stock were paid at the rate of 62½¢ per common share in each of the four quarters of 1979. In February 1979, the Board of Directors increased the quarterly dividend rate from 52½¢ to 62½¢ per common share.

Quarterly dividends on the company's preferred stocks were paid during 1979 and 1978 at the respective annual amounts stated in the titles of such preferred stocks. The lower total amount paid in 1979 reflects the voluntary conversions to common stock by holders of preferred stock. During 1979, all the outstanding shares of the \$4.25 cumulative preferred stock, convertible Series C, were converted into common stock of the company. The following tabulation sets forth, for each series of convertible preferred stock, the number of shares outstanding at December 31, 1979; the annual dividend rate per share; and the annual dividend rate per share if converted into common stock based on the current annual dividend rate of \$2.50 per share of common stock:

Series	Shares Outstanding December 31, 1979	Annual Dividend Rate Per Share	Dividend Rate Per Share If Converted Into Common Stock
A	161,078	\$1.60	\$ 2.00
B	10,814	4.50	19.01
D	358,225	4.25	5.42

### Distribution of Earnings

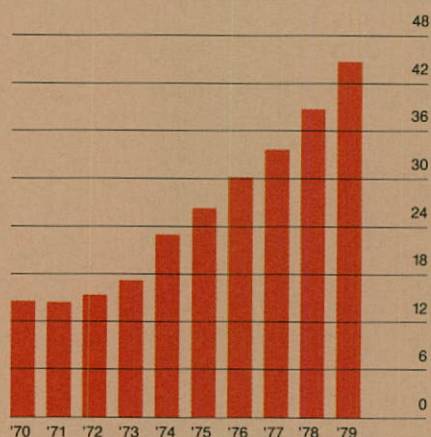
In 1979, Colt Industries paid \$34.4 million, or 12.7 percent of its earnings before taxes, in dividends to holders of the company's common and preferred stock; retained earnings of \$76.9 million, or 28.3 percent, for reinvestment in the company; and incurred tax expense of \$160.6 million, or 59.0 percent. This included U.S. federal, state, and local taxes and foreign income taxes. Of the \$160.6 million, which does not include miscellaneous taxes, \$1.5 million was in sales and use taxes, \$4.2 million in U.S. federal excise taxes, \$8.3 million in non-U.S. income taxes, \$7.1 million in property taxes, \$16.4 million in state and local income and franchise taxes, \$40.3 million in payroll taxes, and \$82.8 million in U.S. federal income taxes.

In 1978, the distribution of company earnings before taxes was \$28.8 million, or 12.8 percent, in dividends; \$58.2 million, or 25.9 percent, in retained earnings; and \$137.7 million, or 61.3 percent, in taxes. Taxes in 1978 included \$1.3 million in sales and use taxes, \$4.0 million in U.S. federal excise taxes, \$4.8 million in non-U.S. income taxes, \$7.5 million in property taxes, \$13.3 million in state and local income and franchise taxes, \$36.0 million in payroll taxes, and \$70.8 million in U.S. federal income taxes.

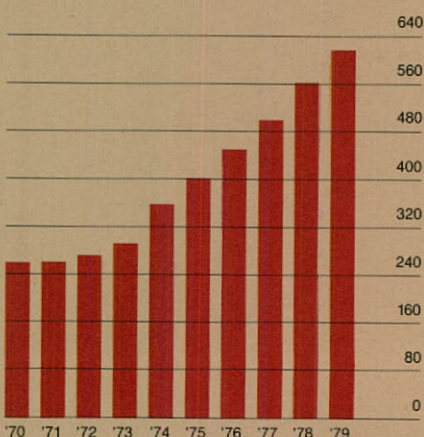
### Market Price of Colt Industries Stock

The company's common stock; the \$1.60 cumulative preferred stock, convertible Series A; and the \$4.25 cumulative preferred stock, convertible Series D, are listed on the New York, Midwest, and Pacific Stock Exchanges. In addition, the common stock is listed on the London Stock Exchange. The following table sets forth the reported high and low market prices, as reported by the Composite Tape Association ticker, of the above-mentioned stock for each quarter during 1979 and 1978, with the common stock prices adjusted for the three-for-two split on June 30, 1978:

**Book Value per Common Share** in dollars



**Shareholders' Equity** in millions of dollars



Common Stock	1979		1978	
	High	Low	High	Low
First Quarter	40	34	32½	28½
Second Quarter	43¼	37¼	39½	30
Third Quarter	51½	41½	42¾	35
Fourth Quarter	49¾	41	39¼	30½

**\$1.60 Cumulative Preferred Stock, Convertible Series A**

First Quarter	31½	27½	25	23½
Second Quarter	34	29½	31	24
Third Quarter	40	32¾	33	28¼
Fourth Quarter	39	33½	30½	25½

**\$4.25 Cumulative Preferred Stock, Convertible Series D**

First Quarter	86	75	68¾	62½
Second Quarter	92	82¼	85	65
Third Quarter	110¼	90	89¾	78½
Fourth Quarter	105¼	91	83	65½

To the best of the company's knowledge, there is no established trading market for its \$4.50 cumulative preferred stock, convertible Series B; and \$2.75 cumulative preferred stock, Series E.

**Shareholder Information**

At the end of 1979, there were 28,198 holders of the company's common stock and 7,887 holders of the four classes of preferred stock. At the end of 1978, there were 29,013 holders of common and 8,874 holders of preferred.

Including the 420,021 shares held in treasury in 1979 and 174,525 in 1978, there were 13,209,875 shares of common stock outstanding on December 31, 1979 compared with 13,040,902 at year-end 1978. On March 14, 1979, the Board of Directors authorized the purchase of up to 1,500,000 shares of the company's common stock in accordance with conditions set forth in an exemption granted by the Securities and Exchange Commission pursuant to its Rule 10b-6 under the Securities and Exchange Act of 1934. As of December 31, 1979, the company had purchased 541,500 shares.

**Dividend Reinvestment Program**

The company's common and preferred shareholders may participate in the Colt Industries Dividend Reinvestment Plan in which the company pays brokers' commissions and bank service fees on purchases of common stock.

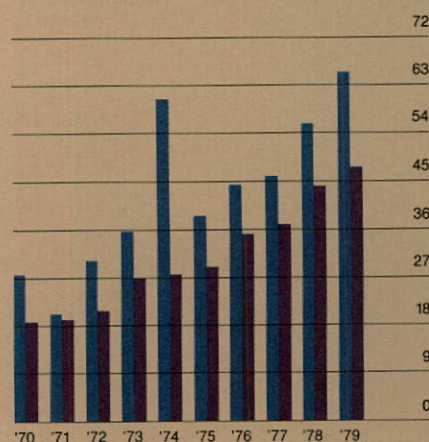
For more information about the expense-free voluntary Dividend Reinvestment Plan, or to participate in the plan, please write to Colt Industries Inc, Department SG, 430 Park Avenue, New York, N.Y. 10022.

**Annual Report to the Securities and Exchange Commission on Form 10-K Available**

The annual report on Form 10-K, without exhibits, will be made available free of charge to interested shareholders upon written request to the Corporate Secretary, Colt Industries Inc, 430 Park Avenue, New York, N.Y. 10022.

**Capital Expenditures  
Depreciation  
and Amortization**

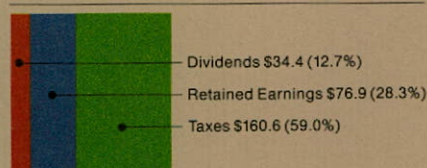
in millions of dollars



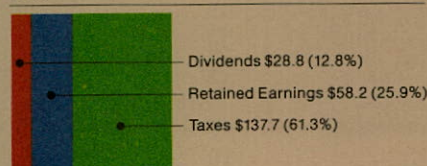
**Distribution of Earnings**

in millions of dollars

1979



1978



# Consolidated Balance Sheet

December 31

		(In thousands)	
<b>Assets</b>		<b>1979</b>	<b>1978</b>
<b>Current Assets</b>			
	Cash, including certificates of deposit of \$44,693 and \$31,270	\$ 45,383	\$ 32,438
	Marketable securities, at cost (approximates market)	55,023	133,630
	Accounts and notes receivable—		
	Trade	277,120	241,212
	Other	12,193	10,087
		289,313	251,299
	Less reserves	6,785	6,425
		282,528	244,874
	Inventories (Notes 1 and 13)—		
	Finished goods	110,133	94,408
	Work in process and finished parts	240,809	235,068
	Raw materials and supplies	122,813	101,390
		473,755	430,866
	Less reserves	33,091	32,896
		440,664	397,970
	Deferred income taxes (Note 2)	20,620	17,761
	Other current assets	9,964	9,280
	<b>Total current assets</b>	<b>854,182</b>	<b>835,953</b>
<b>Property, Plant, and Equipment, at Cost</b>			
	Land and improvements	24,733	23,616
	Buildings and equipment	150,536	144,340
	Machinery and equipment	670,702	627,057
	Leasehold improvements	7,159	7,206
	Construction in progress	32,093	26,646
		885,223	828,865
	Less accumulated depreciation and amortization	494,568	456,485
		390,655	372,380
	Funds held by custodian for pollution equipment	—	161
		390,655	372,541
<b>Other Assets</b>			
	Notes receivable from officers and employees	6,770	4,955
	Other assets (Note 1)	50,012	50,364
		<b>\$1,301,619</b>	<b>\$1,263,813</b>

Liabilities and Shareholders' Equity		(In thousands of dollars, except par values)	
		1979	1978
<b>Current Liabilities</b>	Notes payable to banks (Note 3)	\$ 15,763	\$ 25,275
	Current maturities of long-term debt (Note 3)	16,179	19,998
	Accounts payable	133,521	127,629
	Accrued expenses—		
	Salaries, wages, and employee benefits	64,742	59,943
	Taxes	60,778	62,095
	Interest	4,419	4,877
	Other	40,132	32,695
		170,071	159,610
		<b>Total current liabilities</b>	<b>335,534</b>
<b>Noncurrent Liabilities</b>	Long-term debt (Note 3)	264,450	294,296
	Reserves—		
	Employee benefits	21,708	17,517
	Losses on long-term leases	1,871	2,623
	Other	161	1,707
		23,740	21,847
	Deferred income taxes (Note 2)	52,034	48,391
Minority interest in subsidiaries	4,269	3,226	
Commitments and contingencies (Note 12)			
<b>Shareholders' Equity</b> (Notes 3, 5, and 7)	Preferred stock— \$1 par value, 2,246,023 and 2,438,901 shares authorized, 590,528 and 783,406 shares outstanding (involuntary liquidation value at December 31, 1979—\$46,670)	590	783
	Common stock— \$1 par value, 30,000,000 shares authorized, 13,209,875 and 13,040,902 shares issued	13,210	13,041
	Capital in excess of par value	160,700	169,220
	Retained earnings	463,979	387,041
		638,479	570,085
	Less cost of 420,021 and 174,525 shares of common stock in treasury	16,887	6,544
		621,592	563,541
		<b>\$1,301,619</b>	<b>\$1,263,813</b>

The accompanying notes to financial statements are an integral part of this statement.

# Consolidated Statement of Earnings

Colt Industries Inc and Subsidiaries

For the five years ended December 31, 1979

		(In thousands, except per share data)				
		1979	1978	1977	1976	1975
<b>Revenue</b>	Net sales	\$2,140,515	\$1,807,882	\$1,525,484	\$1,345,764	\$1,103,681
<b>Costs and Expenses</b>	Cost of sales	1,728,194	1,446,844	1,222,948	1,074,428	905,664
	Selling and administrative	194,501	181,785	153,407	137,004	89,120
	Interest expense	29,620	29,804	25,328	22,996	20,363
	Interest income	(14,300)	(13,191)	(5,419)	(5,115)	(8,772)
	Total costs and expenses	1,938,015	1,645,242	1,396,264	1,229,313	1,006,375
<b>Earnings</b>	Earnings before income taxes	202,500	162,640	129,220	116,451	97,306
	Provision for income taxes (Note 2)	91,125	75,620	59,760	49,606	39,870
	Net earnings	111,375	87,020	69,460	66,845	57,436
	Dividends on preferred stock	2,255	3,282	4,246	4,372	4,400
	Net earnings applicable to common stock	\$ 109,120	\$ 83,738	\$ 65,214	\$ 62,473	\$ 53,036
<b>Earnings Per Share Data</b>	Earnings per common share including common equivalent share (Note 1)	\$8.40	\$6.66	\$5.40	\$5.24	\$4.54
	Earnings per common share assuming full dilution (Note 1)	\$7.86	\$6.07	\$4.87	\$4.71	\$4.11
	Average number of shares (Note 1)—					
	Common and common equivalent basis	12,992	12,565	12,073	11,912	11,690
	Fully diluted basis	14,152	14,304	14,230	14,146	13,919
	Cash dividends per common share	\$2.50	\$2.03½	\$1.70½	\$1.50	\$1.33½

The accompanying notes to financial statements are an integral part of this statement.

# Consolidated Statement of Retained Earnings

Colt Industries Inc and Subsidiaries

For the five years ended December 31, 1979

		(In thousands)				
		1979	1978	1977	1976	1975
<b>Retained Earnings</b>	Balance, beginning of period	<b>\$387,041</b>	\$333,225	\$287,969	\$241,624	\$201,924
	Net earnings for the period	<b>111,375</b>	87,020	69,460	66,845	57,436
	Dividends—					
	Preferred stock	<b>(2,255)</b>	(3,282)	(4,246)	(4,372)	(4,400)
	Common stock	<b>(32,182)</b>	(25,492)	(19,516)	(15,000)	(13,121)
	Dividends of acquired company prior to pooling of interests—					
	Cash dividends	—	—	(442)	(1,046)	—
	Stock dividends	—	—	—	(771)	(215)
	Three-for-two stock split in the form of a 50% stock dividend	—	(4,199)	—	—	—
	Cash paid in lieu of fractional shares on stock split	—	(231)	—	—	—
	Adjustment to conform fiscal year of pooled company	—	—	—	689	—
	Balance, end of period	<b>\$463,979</b>	\$387,041	\$333,225	\$287,969	\$241,624

# Consolidated Statement of Capital in Excess of Par Value

For the five years ended December 31, 1979

		(In thousands)				
		1979	1978	1977	1976	1975
<b>Capital in Excess of Par Value</b>	Balance, beginning of period	<b>\$169,220</b>	\$167,605	\$162,471	\$158,378	\$157,500
	Conversion and retirements of preferred stock and exercise of options	<b>1,982</b>	1,615	5,134	2,172	705
	Excess of cost of treasury stock issued over proceeds from exercise of stock options and conversion of preferred stock	<b>(10,502)</b>	—	—	—	—
	Stock dividends of acquired company prior to pooling of interests	—	—	—	709	173
	Adjustment to conform fiscal year of pooled company	—	—	—	1,212	—
	Balance, end of period	<b>\$160,700</b>	\$169,220	\$167,605	\$162,471	\$158,378

The accompanying notes to financial statements are an integral part of these statements.

# Consolidated Statement of Changes in Financial Position

Colt Industries Inc and Subsidiaries

For the five years ended December 31, 1979

		(In thousands)				
		1979	1978	1977	1976	1975
<b>Source of Funds</b>	Net earnings	<b>\$111,375</b>	\$ 87,020	\$ 69,460	\$ 66,845	\$ 57,436
	Items not requiring use of working capital—					
	Depreciation and amortization	<b>47,876</b>	44,192	37,051	35,309	29,065
	Deferred income taxes	<b>784</b>	(4,141)	7,925	2,430	2,837
	Working capital provided from operations	<b>160,035</b>	127,071	114,436	104,584	89,338
	Long-term debt	<b>8,251</b>	24,847	50,401	84,975	2,611
		<b>168,286</b>	151,918	164,837	189,559	91,949
<b>Application of Funds</b>	Acquisition of Garlock Inc (excluding working capital of \$48,656)	—	—	—	—	38,744
	Additions to properties	<b>65,713</b>	55,981	46,131	44,547	38,683
	Decrease in long-term debt	<b>30,797</b>	41,359	23,760	77,324	18,646
	Dividends paid	<b>34,437</b>	28,774	24,204	20,418	17,521
	Purchase of treasury stock, net of stock options exercised	<b>20,951</b>	—	—	—	—
	Other—net	<b>1,181</b>	(4,519)	(9,803)	(1,691)	(2,765)
			<b>153,079</b>	121,595	84,292	140,598
<b>Working Capital</b>	Increase (decrease) in working capital	<b>15,207</b>	30,323	80,545	48,961	(18,880)
	At beginning of year	<b>503,441</b>	473,118	392,573	343,612	362,492
	At end of year	<b>\$518,648</b>	\$503,441	\$473,118	\$392,573	\$343,612
		Increase (decrease) in working capital				
		1979	1978	1977	1976	1975
<b>Changes in Components of Working Capital</b>	Cash, including certificates of deposit	<b>\$ 12,945</b>	\$(15,344)	\$ 24,060	\$ 869	\$ (2,021)
	Marketable securities	<b>(78,607)</b>	76,483	10,550	33,683	(28,054)
	Accounts and notes receivable	<b>37,654</b>	29,310	40,121	11,888	(2,019)
	Inventories	<b>42,694</b>	33,022	19,095	15,287	26,872
	Deferred income taxes	<b>2,859</b>	1,246	3,985	2,247	633
	Other current assets	<b>684</b>	2,307	(2,963)	(1,886)	5,194
	Notes payable to banks	<b>9,512</b>	(7,057)	(3,407)	(1,499)	(8,450)
	Current maturities of long-term debt	<b>3,819</b>	(1,090)	(4,694)	(3,238)	(1,548)
	Accounts payable	<b>(5,892)</b>	(43,162)	(6,763)	2,610	5,708
	Accrued expenses	<b>(10,461)</b>	(45,392)	561	(11,000)	(15,195)
		<b>\$ 15,207</b>	\$ 30,323	\$ 80,545	\$ 48,961	\$(18,880)

The accompanying notes to financial statements are an integral part of this statement.



# Notes to Financial Statements

December 31, 1979

Colt Industries Inc and Subsidiaries

## 1. Summary of Accounting Policies

**Principles of Consolidation**—Investments in which the company's ownership of common voting stock is over 50 percent are consolidated in the financial statements except for a wholly-owned finance subsidiary which is accounted for on the equity basis. This finance subsidiary is not consolidated since its operations are not similar to the operations of the consolidated group. Investments in which the company has stock ownership of at least 20 percent but not over 50 percent are accounted for on the equity basis. Intercompany transactions are eliminated.

**Foreign Currency Translation**—The accounts of foreign subsidiaries are translated into U.S. dollars as follows: (a) inventories, fixed assets, investments, intangibles, deferred charges and credits and shareholders' equity at historical rates; (b) all other assets and liabilities at year-end rates; (c) income and expenses at monthly weighted average rates, except that depreciation and amortization are translated at historical rates in effect at the time the related assets were acquired. Foreign exchange gains and losses are reflected in earnings currently. The company's net earnings were reduced by \$500,000, \$1,300,000, \$4,400,000, and \$3,000,000 in 1979, 1978, 1977, and 1976, respectively, as a result of foreign exchange losses including the effect of translating inventories as sold at the new exchange rates. The losses for 1977 and 1976 were principally due to the devaluation of the Mexican peso. The foreign exchange gain in 1975 was not significant in amount.

**Inventories**—Inventories are valued at the lower of cost or market, less reserves for potential losses from obsolete or slow moving inventories. Cost elements included in inventory are material, labor, and factory overhead primarily using standard cost. Cost on approximately 42 percent of the domestic inventory is determined on the last-in, first-out basis. Cost on the remainder of the inventory is generally determined on the first-in, first-out basis. The excess of current cost over last-in, first-out cost at December 31, 1979 and 1978 was approximately \$119,000,000 and \$85,000,000, respectively.

Beginning and ending inventories used in the determination of cost of goods sold were as follows (in thousands):

December 31, 1979	\$440,664
December 31, 1978	397,970
December 31, 1977	364,948
December 31, 1976	345,853
December 31, 1975	330,566
December 31, 1974	303,694

**Property and Depreciation**—Depreciation and amortization of plant and equipment are provided generally by using the straight-line method, based on estimated useful lives of the assets, which in some instances may be less than the lives allowed for tax purposes. For federal income tax purposes, most assets are depreciated using allowable accelerated methods and the Class Life Asset Depreciation Range System (ADR).

The ranges of estimated useful lives used in computing depreciation and amortization for financial reporting were as follows:

	Years
Land improvements	10-50
Buildings and equipment	10-50
Machinery and equipment	3-25
Leasehold improvements	Generally life of lease

The cost of special equipment and facilities purchased for specific contracts is amortized over a period not exceeding the lesser of the contract life or the asset's estimated useful life.

Renewals and betterments are capitalized by additions to the related asset accounts, while repair and maintenance costs are charged against earnings. The company and its subsidiaries generally record retirements by removing the cost and accumulated depreciation from the asset and reserve accounts, reflecting any resulting gain or loss in earnings.

At December 31, 1979 and 1978, the company and certain of its subsidiaries had the following assets recorded under capital leases (in thousands):

	1979	1978
Land and improvements	\$ 683	\$ 360
Buildings and equipment	16,379	16,286
Machinery and equipment	26,383	26,317
	43,445	42,963
Less—Accumulated depreciation and amortization	24,986	21,290
	\$18,459	\$21,673

**Start-up Costs**—Start-up costs related to new operations and major facilities are expensed as incurred.

**Revenue Recognition**—Revenue on the majority of the company's products and services is recorded at the time deliveries or acceptances are made and the company has the contractual right to bill.

**Excess of Cost over Net Tangible Assets**—It is the company's policy to amortize the excess costs arising from acquisitions on a straight-line basis over periods not to exceed 40 years. At December 31, 1979, \$27,317,000 remains to be amortized and is included in Other Assets in the Consolidated Balance Sheet.

**Earnings Per Share**—Earnings per common share, including common equivalent share, are computed by dividing net earnings less dividends on preferred stock by the weighted average number of shares of common stock and common stock equivalents outstanding during each period. Common stock equivalents are shares issuable on the exercise of stock options when dilutive, net of shares assumed to have been purchased with the proceeds.

Earnings per share, assuming full dilution, are computed as above with additional assumptions that all the dilutive convertible securities were converted and related dividends were eliminated.

## 2. Income Taxes

The provision for income taxes is as follows:

	(In thousands)				
	1979	1978	1977	1976	1975
Current	\$90,341	\$79,761	\$51,835	\$47,176	\$37,033
Deferred	784	(4,141)	7,925	2,430	2,837
Total	\$91,125	\$75,620	\$59,760	\$49,606	\$39,870

Current includes foreign income taxes of \$8,681,000, \$3,523,000, \$3,094,000, \$5,430,000, and \$2,918,000; and deferred includes foreign income taxes of \$(410,000), \$1,283,000, \$1,971,000, \$148,000, and \$185,000 for 1979, 1978, 1977, 1976, and 1975, respectively.

Deferred income taxes result principally from timing differences in the recognition of revenue and expense for tax and financial reporting. Significant items were as follows:

	(In thousands)				
	1979	1978	1977	1976	1975
Depreciation	\$ 1,541	\$ 1,897	\$ 5,976	\$ 3,707	\$ 2,486
Employee benefits	7,199	1,426	3,544	182	605
Other (not individually significant)	(7,956)	(7,464)	(1,595)	(1,459)	(254)
Total	\$ 784	\$(4,141)	\$ 7,925	\$ 2,430	\$ 2,837

The tax provisions were determined as follows:

	(In thousands)				
	1979	1978	1977	1976	1975
Tax at statutory U.S. federal income tax rate	\$93,150	\$78,067	\$62,025	\$55,896	\$46,707
Increases (decreases):					
Investment tax credit	(5,100)	(4,500)	(3,800)	(2,986)	(2,635)
Foreign losses with no tax benefit, DISC, capital gains, etc.	3,075	2,053	1,535	(3,304)	(4,202)
	\$91,125	\$75,620	\$59,760	\$49,606	\$39,870
Effective tax rate	45.0%	46.5%	46.25%	42.6%	41.0%

## 3. Long-Term Debt

	(In thousands)	
	1979	1978
Colt Industries Inc (a)—		
9½% senior promissory notes due 1982-1996	\$115,000	\$115,000
8½% senior promissory notes due 1980-1992	43,332	46,666
6% notes due 1980	2,000	5,000
7% pollution control bonds due 1998-2008	11,975	11,975
Capital lease obligations 4.2%-9.2% due 1980-2008 (c)	16,524	18,485
	188,831	197,126
Subsidiaries—(* indicates average interest rates for 1979)		
First mortgage sinking fund bonds 5.3%-6½% due serially 1980-1992 (b)	44,403	49,230
8½% notes payable to insurance company in installments to 1990	21,000	23,000
Notes due 1980-1989—9.4%*	11,302	20,797
Capital lease obligations 3.9%-12% due 1980-2070 (c)	8,219	9,246
Other long-term debt due 1980-1992—12.6%*	6,874	14,895
	280,629	314,294
Less—Amounts due within one year	16,179	19,998
	\$264,450	\$294,296

a) The company's loan agreements include various covenants that require maintenance of working capital and limit the payment of dividends. Under the most restrictive of these covenants at December 31, 1979, working capital was \$242,213,000 in excess of minimum requirements and retained earnings available for dividends was \$211,290,000. The company is in compliance with all covenants under its loan agreements.

b) At December 31, 1979, \$44,403,000 of first mortgage bonds outstanding were secured by approximately \$193,000,000 of assets, principally property, plant, and equipment.

c) The amounts payable under capital lease obligations are as follows (in thousands):

1980	\$ 4,937
1981	3,455
1982	2,545
1983	2,468
1984	2,411
Remainder	38,720
Total minimum lease payments	54,536
Less—Amount representing interest	29,793
Present value of net minimum lease payments, included in long-term debt	\$24,743

d) Minimum payments on long-term debt, including capital lease obligations, due within five years from December 31, 1979 are as follows (in thousands):

1980	\$16,179
1981	13,914
1982	19,520
1983	19,020
1984	20,914

e) During 1979, the average short-term borrowing outstanding was \$22,607,000 with \$25,063,000 being the maximum amount outstanding at any month-end. During 1978, the average short-term borrowing outstanding was \$21,856,000, with \$25,275,000 being the maximum amount outstanding at any month-end. The weighted average interest rate on short-term borrowing, principally related to foreign borrowing, was 12.5 percent during the year and 13.2 percent at year-end in 1979 and 10.6 percent during the year and 11.2 percent at year-end in 1978. The average interest rate during the year was calculated by weighting the short-term borrowing outstanding for each month.

f) At December 31, 1979, the company had unused lines of credit aggregating \$12,000,000 for short-term bank borrowings, principally related to foreign subsidiaries. In addition, the company has unused revolving credit agreements for a total of \$150,000,000 on which commitment fees are payable. The company has understandings with the banks regarding compensating balances for these agreements but the aggregate amount of such compensating balances was not material at December 31, 1979.

#### 4. Finance Subsidiary

The condensed balance sheets at December 31, 1979 and 1978 are shown below for the company's unconsolidated finance subsidiary, Colt Industries Credit Corporation:

	(In thousands)	
	1979	1978
Finance receivables	\$20,207	\$17,102
Other assets	743	843
	\$20,950	\$17,945
Notes payable	\$14,400	\$11,700
Other liabilities	708	647
Shareholder's equity	5,842	5,598
	\$20,950	\$17,945

Colt Industries Credit Corporation's note agreements with lenders provide that debt may not exceed 400 percent of net worth.

#### 5. Capital Stock

Changes in capital stock are shown below for 1977, 1978, and 1979:

	Preferred Shares \$1 Par Value	Common Shares \$1 Par Value	Treasury Stock	
			Shares	Cost
Balance at January 1, 1977	\$1,260,750	\$ 7,859,961	(116,350)	\$(6,544,000)
Conversion of preferred stock and exercise of options	(55,769)	246,203	—	—
Balance at December 31, 1977	1,204,981	8,106,164	(116,350)	(6,544,000)
Conversion of preferred stock and exercise of options	(421,575)	735,783	—	—
Stock issued under three-for-two stock split	—	4,198,955	(58,175)	—
Balance at December 31, 1978	783,406	13,040,902	(174,525)	(6,544,000)
Purchase of treasury stock	—	—	(541,500)	(22,624,000)
Conversion and retirements of preferred stock and exercise of options	(192,878)	168,973	296,004	12,281,000
Balance at December 31, 1979	\$ 590,528	\$13,209,875	(420,021)	\$(16,887,000)

The authorized preferred stock is issuable in series. Outstanding preferred stock has voting rights and is entitled to cumulative dividends. At December 31, 1979, the following series were outstanding:

	Annual Dividend Rate	Shares Outstanding	Involuntary Liquidation Value	Redemption Value Per Share
Convertible preferred				
Series A	\$1.60	161,078	\$ 6,443,000	\$ 41.00
Series B	4.50	10,814	1,081,000	101.25
Series D	4.25	358,225	35,823,000	101.50
		530,117	43,347,000	
Non-convertible preferred				
Series E	2.75	60,411	3,323,000	55.00
		590,528	\$46,670,000	

The payment of dividends on common stock is restricted if shareholders' equity of the company would thereby be reduced below the aggregate involuntary liquidation preference applicable to outstanding preferred stock (\$46,670,000), plus the amount of capital attributable to common stock (\$12,790,000). At December 31, 1979, shareholders' equity was \$562,132,000 in excess of this requirement.

All series of preferred stock, except Series E, are convertible into common stock of the company: Series A at the rate of four shares of common stock for each five shares of preferred; Series B at the rate of 7.604 shares of common stock for each share of preferred; and Series D at the rate of 2.166 shares of common stock for each share of preferred; subject to certain specified adjustments.

At December 31, 1979, shares of common stock were reserved for the following purposes:

Conversion of preferred stock	987,149
Issuance under stock options	632,358

#### 6. Pension and Retirement Plans

The company and certain of its subsidiaries have in effect, for substantially all employees, pension and retirement plans under which funds are deposited with trustees. As of December 31, 1979, the actuarially computed vested benefits, using a 6 percent interest factor, were \$390,121,000, exceeding the market values of fund assets by \$127,992,000.

Pension expense of \$47,680,000, \$41,389,000, \$38,272,000, \$36,103,000, and \$28,892,000 was charged to earnings in 1979, 1978, 1977, 1976, and 1975, respectively, and is the maximum annual provision permitted by Opinion No. 8 of the Accounting Principles Board, including amortization of prior service cost at 10 percent per year.

#### 7. Stock Option Plans

The company's shareholders approved the Colt Industries Stock Option Plan, as amended in 1968, to the extent of 525,000 common shares and the Colt Industries 1974 Stock Option Plan, as amended in 1977, to the extent of 825,000 common shares. They provide for the granting of qualified and non-qualified options to officers and key employees at a price not less than 100 percent of the market price on the date of grant. Under the 1968 plan, options are no longer granted and lapsed options accrue to the 1974 plan. Under the 1974 plan, options may be granted to September 11, 1983. Qualified options granted subsequent to May 20, 1976 and not exercised by May 20, 1981, pursuant to the Tax Reform Act of 1976, will be treated as non-qualified options. Options granted are exercisable in cumulative annual installments of from 20 to 33⅓ percent, commencing one year to three years from date of grant.

At December 31, 1979, options for 491,494 shares were outstanding (of which 463,369 were non-qualified and 28,125 were qualified) at prices ranging from \$9.29 to \$49.19

per share and aggregating \$17,005,000. Shares available for grant at December 31, 1979 and 1978 were 138,890 and 181,990 (31,801 of which are shares relating to lapsed options under the plan adopted in 1968), respectively.

No charges have been made to earnings for any year with respect to stock options.

A summary of information with respect to stock options which were granted, which became exercisable, and which were exercised during the three years ended December 31, 1979, is presented below:

#### Granted

Number of Shares	Option Price		Market Price	
	Per Share	Total	Per Share	Total
	(In thousands)		(In thousands)	
1977 77,550	\$29.25-\$36.75	\$ 2,742	\$29.25-\$36.75	\$ 2,742
1978 297,500	\$29.13-\$37.92	11,253	\$29.13-\$37.92	11,253
1979 54,100	\$37.31-\$49.19	2,384	\$37.31-\$49.19	2,384
429,150		\$16,379		\$16,379

#### Exercisable (a)

Number of Shares	Option Price		Market Price	
	Per Share	Total	Per Share	Total
	(In thousands)		(In thousands)	
1977 60,919	\$10.33-\$34.67	\$1,035	\$27.59-\$36.67	\$2,091
1978 48,603	\$22.17-\$36.75	1,469	\$29.08-\$42.38	1,592
1979 48,616	\$23.96-\$36.75	1,477	\$34.63-\$49.25	1,864
158,138		\$3,981		\$5,547

#### Exercised (a)

Number of Shares	Option Price		Market Price	
	Per Share	Total	Per Share	Total
	(In thousands)		(In thousands)	
1977 262,345	\$ 9.13-\$23.96	\$2,603	\$27.59-\$38.92	\$ 8,556
1978 92,664	\$ 9.29-\$34.25	1,052	\$28.92-\$41.00	2,971
1979 129,413	\$ 9.29-\$36.75	2,047	\$34.88-\$51.38	5,643
484,422		\$5,702		\$17,170

a) The market price per share represents the highest sales price on various dates at which options became exercisable or were exercised as applicable.

The company reserved 78,093 shares of its common stock for the exercise of options granted by the company in substitution for previously outstanding options of acquired companies at an average price of \$10.37 per common share of the company. During 1979 and 1978, options for 3,212 and 6,738 shares were exercised. The average market price per common share of the company at the time these options were exercised was \$41.11 in 1979 and \$33.33 in 1978. At December 31, 1979, options for 1,974 shares were outstanding.

#### 8. Incentive Compensation Plans

The Colt Industries Incentive Plan, approved by shareholders at the 1965 annual meeting, provides that if net earnings of the company for any year, after deducting therefrom the amount of all dividends accruing during such year in respect of preferred stocks, exceeds an amount equal to 6 percent of common shareholders' average equity for the year, then there shall become available for incentive awards for that year an amount equal to 6 percent of earnings before income taxes. Under this plan, the company made cash awards of \$3,188,000, \$2,771,000, \$1,903,000, \$1,731,000, and \$1,505,000, for 1979, 1978, 1977, 1976, and 1975, respectively.

In 1977, the shareholders approved the 1977 Long-Term Performance Plan which provides for awarding performance shares. Under this plan, performance shares outstanding accrue value depending upon net earnings of the company. If net earnings in any year are less than \$50,000,000, performance shares will not accrue value. If net earnings are \$50,000,000 or more, the plan provides that each performance share will accrue \$5.00 in value plus \$.15 for each additional \$1,000,000 of net earnings in excess of \$50,000,000 to a maximum of \$12.50, with any excess carried forward in accordance with the terms of the plan. The charge to earnings to provide for awards under this plan was \$2,056,000, \$1,725,000, and \$1,240,000 in 1979, 1978, and 1977, respectively.

The persons to receive awards under these plans and the amounts thereof are determined by a committee consisting of six directors, none of whom is eligible to receive an award.

#### 9. Segment Information

The company's operations are conducted through divisions within five industry segments consisting of:

- Industrial and Power Equipment—fabricated metal products, weighing systems, industrial diesel engines and accessories, compressors, machine tools and measuring equipment, transformers, and firearms;
- Fluid Control Systems—automotive carburetors, pumps and aerospace fuel systems and controls;
- Materials—specialty carbon and low-alloy steels, stainless and other special purpose steels;
- Industrial Seals and Components—gaskets, packings, valves, and other devices to prevent leakage and seal out contaminants;
- Shock Mitigation Systems—aircraft landing gear assemblies and other shock mitigation and flight control systems.

Information on the company's industry segments for the two years ended December 31, 1979 is as follows (in millions):

Industry Segments	Operating Income	Sales	Total Assets	Depreciation and Amortization	Additions to Properties
<b>1979</b>					
Industrial and Power Equipment	\$ 77.3	\$ 600	\$ 294	\$ 9.3	\$12.2
Fluid Control Systems	50.0	367	145	3.7	15.8
Materials	59.4	808	434	24.3	22.3
Industrial Seals and Components	40.0	303	219	8.0	11.8
Shock Mitigation Systems	6.7	106	87	2.3	3.6
Intersegment elimination	—	(43)	—	—	—
<b>Total segments</b>	<b>233.4</b>	<b>2,141</b>	<b>1,179</b>	<b>47.6</b>	<b>65.7</b>
Interest expense	(29.6)	—	—	—	—
Interest income	14.3	—	—	—	—
Corporate unallocated	(15.6)	—	123	.3	—
<b>Consolidated</b>	<b>\$202.5</b>	<b>\$2,141</b>	<b>\$1,302</b>	<b>\$47.9</b>	<b>\$65.7</b>
<b>1978</b>					
Industrial and Power Equipment	\$ 55.2	\$ 516	\$ 318	\$ 8.5	\$16.3
Fluid Control Systems	48.4	320	116	6.4	6.1
Materials	44.3	664	395	20.3	20.0
Industrial Seals and Components	31.9	250	190	6.6	8.8
Shock Mitigation Systems	14.2	92	74	2.1	4.7
Intersegment elimination	—	(34)	—	—	—
<b>Total segments</b>	<b>194.0</b>	<b>1,808</b>	<b>1,093</b>	<b>43.9</b>	<b>55.9</b>
Interest expense	(29.8)	—	—	—	—
Interest income	13.1	—	—	—	—
Corporate unallocated	(14.7)	—	171	.3	.1
<b>Consolidated</b>	<b>\$162.6</b>	<b>\$1,808</b>	<b>\$1,264</b>	<b>\$44.2</b>	<b>\$56.0</b>

Information on the company's operations by geographic segments for the two years ended December 31, 1979 is as follows (in millions):

Geographic Segments	Earnings Before Income Taxes	Sales	Total Assets
<b>1979</b>			
Domestic Operations	\$195.1	\$1,984	\$1,233
Foreign Operations	7.4	182	130
Intersegment elimination	—	(25)	(61)
<b>Consolidated</b>	<b>\$202.5</b>	<b>\$2,141</b>	<b>\$1,302</b>
<b>1978</b>			
Domestic Operations	\$160.9	\$1,664	\$1,189
Foreign Operations	1.7	164	139
Intersegment elimination	—	(20)	(64)
<b>Consolidated</b>	<b>\$162.6</b>	<b>\$1,808</b>	<b>\$1,264</b>

## 10. Quarterly Sales and Earnings (Unaudited)

For the two years ended December 31, 1979 (in thousands of dollars, except per share data):

	Quarter			
	1st	2nd	3rd	4th
<b>1979</b>				
Net sales	\$545,991	\$544,235	\$512,176	\$538,113
Gross profit	102,852	111,864	100,294	97,311
Net earnings	27,466	31,106	25,986	26,817
Earnings per common share—				
Including common equivalent share	2.06	2.33	1.96	2.04
Assuming full dilution	1.91	2.17	1.84	1.92
<b>1978</b>				
Net sales	\$421,484	\$458,566	\$447,550	\$480,282
Gross profit	75,829	92,784	90,892	101,533
Net earnings	16,020	22,722	22,006	26,272
Earnings per common share—				
Including common equivalent share	1.23	1.77	1.67	1.98
Assuming full dilution	1.12	1.59	1.53	1.83

## 11. Supplementary Earnings Information

(In thousands)

	1979	1978	1977	1976	1975
Maintenance	\$107,132	\$89,158	\$73,935	\$63,570	\$51,860
Depreciation and amortization	47,876	44,192	37,051	35,309	29,065
Taxes, other than federal income taxes—					
Payroll	40,324	36,005	29,796	25,804	20,610
Property State and local	7,132	7,449	7,445	6,916	6,089
Other	17,906	14,610	10,323	10,649	9,071
	4,144	3,986	3,674	3,508	3,197
	69,506	62,050	51,238	46,877	38,967
Rent	17,868	17,869	17,390	16,427	14,339
Rental income	(4,277)	(4,159)	(3,743)	(3,797)	(3,591)
	13,591	13,710	13,647	12,630	10,748
Research and development costs	20,766	18,835	17,665	15,475	13,558

## 12. Commitments and Contingencies

The company and certain of its subsidiaries are contingently liable as guarantors of certain leases and are defendants in various lawsuits, including actions involving asbestos-containing products. In the opinion of management, these contingent liabilities are not significant in relation to the financial position of the company and its subsidiaries.

The company and certain of its subsidiaries are obligated under operating lease commitments, expiring on various dates after December 31, 1980, to pay rentals totaling \$56,321,000, as follows: \$7,749,000 in 1980, \$6,574,000 in 1981, \$4,746,000 in 1982, \$3,635,000 in 1983, \$2,684,000 in 1984, and \$30,933,000 in later years. These rent payments are before reduction for related sublease rentals of \$16,788,000.

The total amount of firm commitments to contractors and suppliers in connection with additions to property, plant and equipment approximated \$90,000,000 on December 31, 1979.

### 13. Supplementary Information on Changing Prices (Unaudited)

In compliance with the Financial Accounting Standards Board (FASB) Statement No. 33, "Financial Reporting and Changing Prices," management has estimated the impact of inflation on the company's operations for the year ended December 31, 1979.

Financial statements are prepared based mainly on historical prices, that is, prices in effect when the transactions occurred. As a result, financial statements have generally not attempted to specifically reflect inflation, which has prompted the FASB to issue its rule on inflation accounting.

The reader is cautioned that the financial information presented below is determined in accordance with the experimental techniques set forth in the FASB rule. The information does not reflect all of the effects of inflation and other economic factors on the company's current costs of operating the business. In addition, the information required by the FASB rule does not recognize the customary relationships between cost changes and changes in selling prices. The company has attempted over the years to adjust selling prices to maintain profit margins. Competitive conditions permitting, the company modifies its selling prices to recognize cost changes as incurred. Accordingly, it is management's view that the data presented below cannot be used alone to estimate the total effect of inflation on net earnings as reported.

The FASB rule requires that the effects of inflation on the company be measured under two methods, both of which involve the use of assumptions and estimates. Therefore, the resulting measurements should be viewed in that context and not as precise indicators of all of the effects of inflation. The first method provides data adjusted for general inflation using the Consumer Price Index for all Urban Consumers (CPI-U) as the measure of the general inflation rate. The objective of this approach is to provide financial information in dollars of equivalent value or purchasing power (constant dollars). The second method of measurement adjusts for changes in specific prices (current cost) related to individual assets and expenses. The objective of this method is to reflect the effects of changes in specific prices of the resources actually used in the company's operations.

The effects of inflation under the constant dollar method were determined by adjusting the historical cost of inventories; property, plant, and equipment; cost of sales; and depreciation expense to average 1979 dollars by use of the CPI-U. With respect to the current cost method, inventories were estimated based on quantities on hand at the end of 1979 and costs in effect during the fourth quarter of 1979. Cost of sales, on a current cost basis, was estimated by taking into account the approximate time lag between incurring costs and their subsequent conversion into sales rev-

enue. The current cost of property, plant, and equipment was estimated by adjusting historical cost by externally generated industrial price indices relevant to the plant and equipment of the company. Depreciation expense, on a current cost basis, was computed by adjusting historical cost depreciation by the same indices used to develop the estimated current cost of property, plant, and equipment.

Following is the statement of income from continuing operations adjusted for changing prices for the year ended December 31, 1979 (in thousands of dollars, except per share data):

	As Reported in the Financial Statements (Historical Cost)	Adjusted for General Inflation (Constant Dollars)	Adjusted for Changes in Specific Prices (Current Cost)
Net sales	\$2,140,515	\$2,140,515	\$2,140,515
Costs and expenses—			
Cost of sales	1,683,665	1,685,103	1,684,134
Selling and administrative	191,154	191,154	191,154
Depreciation and amortization	47,876	69,069	71,471
Interest—net	15,320	15,320	15,320
Total costs and expenses	1,938,015	1,960,646	1,962,079
Earnings from continu- ing operations before income taxes	202,500	179,869	178,436
Provision for income taxes	91,125	91,125	91,125
Effective tax rate	45.0%	50.7%	51.1%
Net earnings from continuing operations	\$ 111,375	\$ 88,744	\$ 87,311
Earnings from continu- ing operations per common share includ- ing common equiva- lent share	\$ 8.40	\$ 6.66	\$ 6.55
Gain from decline in pur- chasing power of net amounts owed		\$ 26,614	\$ 26,614
Difference between the current cost of inven- tories and property, plant, and equipment at the beginning and end of the year (\$98,846), less that por- tion of the difference attributable to general inflation (\$128,413)			\$(29,567)
Inventories at year-end			\$575,943
Property, plant, and equipment—net at year-end			\$575,248

The decline in earnings under the constant dollar and current cost methods is primarily the result of increased depreciation expense, reflecting the higher values for property, plant, and equipment; however, the FASB rule does not permit the offset of higher costs by any tax benefit that would accrue were such additional costs tax deductible. The gain from the decline in purchasing power of net amounts owed was determined by restating, in average 1979 dollars, the monetary assets and liabilities held during the year. Monetary assets and liabilities are items that are or will be converted into a fixed number of dollars regardless of changes in prices, such as cash, receivables, payables,

and debt. Since the company held net monetary liabilities during 1979, a period in which the purchasing power of the dollar declined, a gain was recognized under the requirements of this FASB rule. Since this gain does not represent a receipt of cash, it should not be considered as providing funds for reinvestment or dividend distribution. During 1979, the specific prices of the company's inventories and property, plant, and equipment increased at a rate approximately 20 percent less than the general inflation rate.

The FASB rule requires that the provision for income taxes included in historical cost earnings be the same amount included in earnings reported on the constant dollar and current cost basis. As a result, the effective tax rate for 1979 increases from 45.0 percent on an historical cost basis to 50.7 percent on a constant dollar basis and to 51.1 percent on a current cost basis. These increases in the effective tax rate emphasize the need for capital formation, as the present U.S. tax policy does not adequately provide for capital cost recovery required for reinvestment in new plant and equipment.

Following is supplementary financial data for the five years ended December 31, 1979:

	1979	1978	1977	1976	1975
<b>As Reported (historical cost)—</b>					
Net sales (in millions)	\$2,141	\$1,808	\$1,525	\$1,346	\$1,104
Cash dividends per common share	2.50	2.03½	1.70%	1.50	1.33½
Market price per common share at year-end	43%	36%	32	36¼	19
<b>As Adjusted for General Inflation (1979 constant dollars)—</b>					
Net sales (in millions)	\$2,141	\$2,011	\$1,827	\$1,716	\$1,488
Cash dividends per common share	2.50	2.26	2.05	1.91	1.80
Market price per common share at year-end	41½	38%	37%	45½	24¾
Average consumer price index	217.4	195.4	181.5	170.5	161.2

The five-year supplementary financial data shows the effect of adjusting historical sales, cash dividends, and market price per common share for the years 1975 through 1979 to average 1979 dollars, as measured by the CPI-U. During the last five years, dividends paid to holders of the company's common stock have increased more than the general rate of inflation.

At December 31, 1979, shareholders' equity, stated in average 1979 dollars, was \$894,728,000 on a constant dollar basis and \$895,143,000 on a current cost basis. The constant dollar and current cost amounts for shareholders' equity were determined by adjusting shareholders' equity, as reported in the financial statements, for the difference

between historical cost and the restated costs of monetary assets and liabilities; inventories; and property, plant, and equipment.

#### Auditors' Report

To the Board of Directors and Shareholders of Colt Industries Inc:

We have examined the consolidated balance sheet of Colt Industries Inc (a Pennsylvania corporation) and subsidiaries as of December 31, 1979, and 1978, and the related consolidated statements of earnings, retained earnings, capital in excess of par value and changes in financial position for each of the five years in the period ended December 31, 1979. Our examinations 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.

In our opinion, the financial statements referred to above present fairly the financial position of Colt Industries Inc and subsidiaries as of December 31, 1979, and 1978, and the results of their operations and the changes in their financial position for each of the five years in the period ended December 31, 1979, in conformity with generally accepted accounting principles applied on a consistent basis.

*Arthur Andersen & Co.*

New York, N.Y.,  
January 25, 1980

# Directory of Operations

## Industrial and Power Equipment

### Fairbanks Morse Engine Division

701 Lawton Avenue  
Beloit, Wisconsin 53511  
608/364-4411

Diesel engine generator systems for standby, peaking, and continuous service/Diesel engines for industrial drives/Marine diesel propulsion systems and generator systems.

### Central Moloney Transformer Division

2400 West Sixth Avenue  
Pine Bluff, Arkansas 71601  
501/534-5332

Pole, pad-mounted, underground, and station-type distribution transformers/Transformer components.

### Pratt & Whitney Machine Tool Division

Charter Oak Boulevard  
West Hartford,  
Connecticut 06101  
203/236-6221

Numerically controlled machining centers/NC lathes/Jig borers/NC and tracer milling machines/Electronic measuring systems/Sterling thread-rolling dies/Haber cold-heading tools/Fastcut cutting tools.

### Elox Division

P.O. Box 2227  
Davidson,  
North Carolina 28036  
704/892-8011

Electrical discharge machining equipment including conventional vertical, traveling wire, and grinding machines.

### Fairbanks Weighing Division

711 East St. Johnsbury Road  
St. Johnsbury, Vermont 05819  
802/748-5111

Bench and portable floor scales/Warehouse, hopper, and conveyor scales/Portable and stationary truck scales/Static and in-motion railroad scales/Mechanical and electronic indicators.

### Quincy Compressor Division

217 Maine Street  
Quincy, Illinois 62301  
217/222-7700

Unit, tank, and skid-mounted reciprocating compressors/Stationary and portable helical screw compressors.

### Trent Tube Division

2188 Church Street  
East Troy, Wisconsin 53120  
414/642-7321

Welded stainless steel, titanium, and other high-alloy tubing to 150-foot lengths for electric utility condensers and feed-water heaters/Nuclear, liquefied natural gas, and special alloy tubing/Stainless and high-alloy pipe and tubing for processing, aerospace, pulp and paper, cryogenic, and instrumentation applications.

### Crucible Magnetics Division

RFD 2  
Elizabethtown, Kentucky 42701  
502/769-1333

Cast alnico, Ferrimag ceramic, and Crucore rare earth-cobalt permanent magnets.

### Crucible Spring Division

1 McCandless Avenue  
Pittsburgh, Pennsylvania 15201  
412/782-7300

Hot-wound heavy-duty coil springs for railroad car and other industrial applications.

### Colt Firearms Division

150 Huyshope Avenue  
Hartford, Connecticut 06102  
203/278-8550

Hunting rifles/Sporting, target, custom, and commemorative arms and accessories/Police, security, and military handguns/M16 military rifles/Grenade launchers.

## Fluid Control Systems

### Holley Carburetor Division

11955 East Nine Mile Road  
Warren, Michigan 48090  
313/497-4000

Design, manufacture, and sale of OEM car and truck carburetors/Development of non-carburetor automotive fuel management systems.

### Holley Replacement Parts Division

11955 East Nine Mile Road  
Warren, Michigan 48090  
313/497-4000

Engineering, distribution, and sale of Holley products for the automotive aftermarket.

### Holley Special Products Division

11955 East Nine Mile Road  
Warren, Michigan 48090  
313/497-4000

Emissions control air injection pumps, controls, and other non-fuel system products.

### Chandler Evans Control Systems Division

Charter Oak Boulevard  
West Hartford,  
Connecticut 06101  
203/236-0651

Fuel pumps, fuel controls, and other gas turbine engine accessories and components/Aircraft and airframe valves/Missile flight control systems, valves and actuators.

### Fairbanks Morse Pump Division

3601 Fairbanks Avenue  
Kansas City, Kansas 66110  
913/371-5000

Centrifugal, turbine, and axial-flow pumps for pollution control, fire protection, water supply, irrigation, drainage, and industrial applications.

## Materials

### Crucible Alloy Division

P.O. Box 226  
Midland, Pennsylvania 15059  
412/643-1100

Alloy and special quality carbon steel ingots, blooms, billets, and bars/Vacuum arc remelted alloys/Stainless forging blooms, billets, and reforcing bars/Discs and colters for agriculture/Other flat-rolled special products.

### Crucible Stainless Steel Division

P.O. Box 226  
Midland, Pennsylvania 15059  
412/643-1100

Stainless steel sheet, strip, and plate products.

### Crucible Specialty Metals Division

P.O. Box 977  
Syracuse, New York 13201  
315/487-4111

Crucible particle metallurgy and conventional high-speed steel/Tool and die steels/Stainless free-machining bars and rods/High-temperature aerospace, nuclear, and chemical processing alloys/Valve steels/Commercially pure and alloyed titanium bars, rods, and wire.

### Affirmative Action

In striving to develop and maintain an effective work force, the company provides employment, training, and advancement opportunities without regard to race, color, religion, sex, age, or national origin. The company's affirmative action program covers the employment of minorities, women, handicapped persons, and veterans of the Vietnam conflict.



## Industrial Seals and Components

### Garlock Mechanical Packing Division

1666 Division Street  
Palmyra, New York 14522  
315/597-4811

Molded and extruded rubber and urethane products/Seals/Gasketing/Expansion joints/Flexible couplings and flue duct connectors/Braided and other compression packings/Mechanical seals for pumps.

### France Compressor Products Division

P.O. Box A  
Newtown, Pennsylvania 18940  
215/968-5959

Compressor and industrial engine components.

### Stemco Truck Products Division

P.O. Box 1989  
Longview, Texas 75601  
214/758-9981

Wheel lubrication systems/Exhaust systems and leaf springs for heavy-duty trucks.

### Garlock Oil Seal Division

P.O. Box 1767  
Gastonia, North Carolina 28052  
704/864-8352

Oil seals for automotive and other mechanical equipment/Spiral-wound gaskets/Automotive transmission kits.

### Garlock Special Products Division

Suite 1250, Midtown Tower  
Rochester, New York 14604  
716/232-1400

Plastic-based bearings and bearing materials/TFE-coated butterfly valves and components/Ortman hydraulic and pneumatic cylinders.

### F. D. Farnam Division

P.O. Box 327  
Necedah, Wisconsin 54646  
608/565-2241

Gaskets, gasket assemblies for automotive and industrial applications.

## Shock Mitigation Systems

### Menasco California Division

P.O. Box 7071  
First and Cedar Streets  
Burbank, California 91510  
213/842-9111

Landing gear for military and commercial aircraft/Shock mitigation systems for missiles and other applications.

### Menasco Texas Division

P.O. Box 7656  
Fort Worth, Texas 76111  
817/283-4471

Military and commercial aircraft landing gear/Hydraulic systems and weapons loading systems for submarines and destroyers/Helicopter components.

### Menasco Overhaul Division

P.O. Box 7071  
26 East Providencia Avenue  
Burbank, California 91510  
213/843-0611

Overhaul and repair of landing gear and related components and reconditioned spare parts for U.S. and foreign airlines and military services.

### Colt Industries Credit Corporation

430 Park Avenue  
New York, New York 10022  
212/940-0503

Financing and leasing of income-producing equipment for customers of Colt Industries and for users of equipment of other manufacturers in the machine tool, construction, plastics, and other industries.

## International Operations

### Colt Industries (Canada) Ltd.

Case Postale 520  
Sorel, Québec, Canada J3P 5P2  
514/743-7931

Crucible tool and die steels and custom forgings/Fairbanks Morse diesel engine sales and service.

Facilities: Crucible Steel Division, Sorel, Québec; Fairbanks Morse Engine Division, Halifax, Nova Scotia, Vancouver, B.C., and Dorval, Québec.

### Menasco Canada Ltée

3495 Cote Vertu  
Montreal, Québec,  
Canada H4R 1R3  
514/332-3330

Landing gear and flight controls for military and commercial aircraft/Helicopter rotor components/Flight control overhaul service.

### Garlock of Canada Ltd.

66 Jutland Road  
Toronto, Ontario  
Canada M8Z 2H3  
416/255-9114

Molded and extruded rubber products/Braided packings/Compressor and industrial engine components/Wheel lubrication and truck exhaust systems for heavy duty trucks.

Facilities: Garlock Mechanical Packing Division, Toronto, Ontario; France Compressor Products Division, Brantford, Ontario; Stemco Truck Products Division, Mississauga, Ontario.

### Woodville Polymer Engineering Ltd.

Alton Lane, Ross-on-Wye  
HR9 5NF Herefordshire  
England

High-technology specialty molded rubber products.

Facilities: Ross-on-Wye Division, Ross-on-Wye, Herefordshire; Swadlincote Division, Burton-on-Trent, Staffordshire.

### Crusteel Limited

Rutland Way  
Sheffield S3 8DG  
Yorkshire, England

Specialty steel and tubing distributors.

### Garlock AG

Lindauerstrasse 21  
CH-8307 Tagelswangen  
Switzerland

Manufacture and distribution of Garlock products and Stemco truck products.

Facilities: Garlock Mechanical Packing Division, Tagelswangen; Stemco Truck Products Division, Zurich.

### Chromex S.A.

2, rue Tirebarbe  
91510 Lardy, France

Oil seals, valve seats, TFE piston rings, and other products for the automotive and other industries.

### Liard France S.A.

49, Route National  
59570 Bavay, France

Compressor and industrial engine components.

### Garlock GmbH

Postfach 300 450  
Scheffelstrasse 73  
4000 Düsseldorf 30  
West Germany

Manufacture and distribution of Garlock products, Stemco truck products, and France compressor products.

Facilities: Garlock Valves & Industrial Plastics, Düsseldorf; France Compressor Products Division, Gross Gerau; Stemco Truck Products Division, Neuss.

### Garlock de Mexico, S.A.

Poniente 116, No. 571  
Mexico 15, D.F.

Industrial packing and gasketing/Compressor components/TFE specialty products and molded rubber products.

# Directors and Officers

## Directors

Robert A. Alberty  
Dean, Massachusetts  
Institute of Technology  
School of Science  
Cambridge, Massachusetts

William D. Ford  
Senior Vice President  
Secretary and  
General Counsel  
Colt Industries Inc  
New York, New York

George C. Lessner  
Attorney  
Manchester, Connecticut

Gerald J. Lynch  
Chairman  
Menasco Inc  
Burbank, California

David I. Margolis  
President  
Colt Industries Inc  
New York, New York

A. J. McMullen  
Chairman of the  
Executive Committee  
Garlock Inc  
Rochester, New York

William H. Rea  
Chairman  
Tyrone Hydraulics Inc.  
Pittsburgh, Pennsylvania

Matthew B. Ridgway  
General, U.S. Army (Ret.)  
Pittsburgh, Pennsylvania

William S. Schwab  
Attorney  
Chicago, Illinois

Louis T. Seith  
General, U.S. Air Force (Ret.)  
Arlington, Virginia

George A. Strichman  
Chairman of the Board and  
Chief Executive Officer  
Colt Industries Inc  
New York, New York

Max E. Wildman  
Partner  
Wildman, Harrold, Allen &  
Dixon, attorneys  
Chicago, Illinois

### Director Emeritus

Alva W. Phelps  
Retired  
Kenilworth, Illinois

## Officers

George A. Strichman  
Chairman of the Board and  
Chief Executive Officer

David I. Margolis  
President

Salvatore J. Cozzolino  
Senior Vice President  
Finance and Treasurer

William D. Ford  
Senior Vice President  
Secretary and  
General Counsel

Andrew C. Hilton  
Senior Vice President  
Administration

Ben H. Cook  
Group Vice President

Gerald J. Lynch  
Group Vice President

Eugene A. March  
Group Vice President

Guy C. Shafer  
Group Vice President

Philip Wallach  
Group Vice President

Phil Berkowitz  
Vice President  
Personnel

Robert M. Burns  
Vice President

John F. Campbell  
Vice President  
Public Relations

P. Daniel Gold  
Vice President  
Government Relations

Julius Levinson  
Vice President  
Taxes

Joseph P. Lisa  
Vice President  
and Controller

Martin N. Ornitz  
Vice President

Richard B. Steinmetz  
Vice President and Deputy  
General Counsel

## Transfer Agents

Manufacturers Hanover  
Trust Company (New York)

The First National Bank  
of Chicago

Bank of America  
National Trust and Savings  
Association (San Francisco)

## Registrars

Mellon Bank, N.A.  
(New York)

Harris Trust & Savings  
Bank (Chicago)

United California Bank  
(San Francisco)

## Auditors

Arthur Andersen & Co.

## Executive Offices

430 Park Avenue  
New York, N.Y. 10022

## Washington Office

1901 L Street, N.W.  
Washington, D.C. 20036



**Colt Industries**



Colt Industries Inc  
430 Park Avenue  
New York, NY 10022