



Bulova Watch Company

REPORT TO STOCKHOLDERS

March 31, 1944

TO THE STOCKHOLDERS OF
BULOVA WATCH COMPANY, INC.

It gives me great pleasure to submit to you the Consolidated Balance Sheet of Bulova Watch Company, Inc., and its subsidiary companies as of March 31, 1944, and a related Consolidated Statement of Income and Earned Surplus for the twelve months' period ended on that date, as well as the Accountants' Certificate thereon.

Net income before Federal, State, Social Security and other taxes amounted to \$5,026,261.13, and equalled \$1,921,849.18 after taxes. This compared with \$2,611,845.46 before taxes, and \$1,287,059.80 after taxes for the previous fiscal year.

Earnings per share for the fiscal year just ended amounted to \$5.91, as compared to \$3.96 per share for the previous year.

Dividends paid during the current year amounted to \$649,762.00, and the balance of \$1,272,087.18 was added to working capital.

WATCHES

The Company's domestic plants and facilities have been engaged in the production of aviation instruments, navigation watches, firing control telescopes, time fuzes and other important precision instruments required for the successful prosecution of the war.

However, your Company was most fortunate in that it had a plant in Switzerland which could continue to produce watches which we shipped to our many thousands of loyal distributors throughout the country. In this way, they were able to supply Bulova Watches to the public and maintain the reputation and prestige of the name BULOVA.

BULOVA'S WAR PRODUCTION

You can take just pride in the fact that your Company has made a major contribution to the war effort. I would like to take this opportunity to give you a brief account of what your Company has done to help win the war by producing the following critical items.

Navigation Watches

The Company has made many thousands of precision sweep center-second navigation wrist watches for the Army Air Forces. These watches have been on the wrists of our pilots and bombardiers in combat on all fighting fronts.

Navigation Clocks — Altimeters — Rate-of-Climb Indicators

We have also produced many thousands of navigation clocks, altimeters and rate-of-climb indicators which are now on the panel boards of our bombers and pursuit planes.

Telescopes

These precision telescopes must be of utmost accuracy because they are used on cannon for range finding. Without these telescopes, the artillery could not function with pin-point precision.

Time Fuzes

We have established outstanding records in the production of time fuzes for bombs and big shells that are capable of penetrating the enemy's concrete foundations and pillboxes. These fuzes are timed to explode after penetration and were used in the Cherbourg invasion. We have also made other types of time fuzes, each intended to accomplish a special purpose.

Jewel Bearings

Jewel bearings made of synthetic sapphire or ruby are used as friction bearing points in all precision instruments. These bearings are vital to

the war effort since no aviation instrument could function accurately without them. Jewel bearings had always been imported from Switzerland but the Axis naturally cut off the supply, and we therefore had to set up an industry in this country to manufacture jewel bearings.

BULOVA RESEARCH LABORATORY

In the Research Laboratory we have developed a number of precision instruments which are now being used by the War Department but also have post-war possibilities. In addition to this, we have developed important scientific improvements which will be used post-war in the manufacture of watches.

BULOVA SCHOOL OF WATCHMAKING

For the purpose of aiding war veterans who are physically handicapped, the Bulova School of Watchmaking has been founded to teach the art and trade of watch, clock and instrument making and repairing, including the use of tools, machinery and equipment necessary in carrying on such trade. Graduates of the school are expected to be placed in positions in jewelry stores throughout the country and thus be assisted in finding a place in life in a useful and happy occupation. This is but a small measure of the gratitude that can be shown to these men for their service to our country in this greatest of all wars.

BULOVA PENSION FUND

So that loyal Bulova employees may enjoy the security and benefits of a job well done, the Directors of the Company have established a Pension Fund to provide a steady income to those employees who have reached the age of 60 to 65 and wish to retire. Benefits from this Pension Fund are in addition to Social Security payments from the Government. We believe that the establishment of this Pension Fund is a long step toward making our family of employees a happier one and that the employees' feeling of security will be reflected in an even greater measure of loyal service to your Company.

PERSONNEL

Of course, uppermost in our minds has been the winning of the war, to which our organization and staff has zealously applied itself. In this respect, I wish to pay special tribute to our employees who have worked unceasingly for the war effort not only in the manufacture of the instruments mentioned in this report but for the voluntary work they have done for *Red Cross, Community Chest, National War Fund, Blood Bank, Nurses' Aid and War Bond Drives*. The Company's employees' purchases for war bonds exceeded 10% of the total wages they have earned.

BULOVA ADVERTISING

To further assure our position of leadership in the industry and to protect your investment as a stockholder, we continued to expand our advertising program in the past twelve months. In this way, Bulova is creating a reservoir of consumer demand for its post-war business.

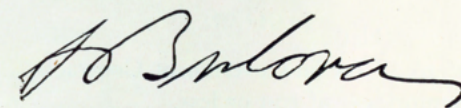
Remember, Bulova times the nation! 208 powerful radio stations broadcast Bulova Watch Time, every hour, every day, 365 days a year, the number of time signals for the period far exceeding 300,000. Of these announcements, over 25% were and are being devoted to furthering the war effort.

POST-WAR OUTLOOK

Demand for Bulova products has never been at a higher level. Equipment now in use for war time output can quickly and inexpensively be converted to peacetime production. New and improved post-war Bulova products have been developed in our Research Laboratories and await only the availability of raw materials.

Great credit for the Company's outlook should be given to the far-sighted policies of your President, Mr. John H. Ballard, and to the sound relationship which he has maintained with the thousands of loyal Bulova dealers through a most difficult period.

When our men and women employees now in uniform are returned from the Armed Forces, they will be welcomed to a Company which I feel offers far greater opportunities than the one which they so conscientiously helped to build and defend. I know you will join me in sending them greetings and an expression of deepest gratitude for the work in which they are now so gloriously engaged, and to pray for their early and victorious return.



Chairman of the Board

June 28, 1944.

ASSETS

CURRENT:	
Cash in banks, in transit, and on hand	\$ 8,444,015.83
Accounts and Notes Receivable:	
Customers:	
Accounts	\$2,525,075.83
Notes	156,370.96
Total	\$2,681,446.79
Less — Reserve for doubtful Accounts and Notes	67,166.31
Net	2,614,280.48
Deferred Cost on Government Contracts	176,027.73
Inventories — at cost or less	6,341,706.00
TOTAL CURRENT ASSETS	\$17,576,030.04
OTHER ASSETS:	
Cash Surrender Value of Insurance on Life of Officer	\$ 164,054.64
Due from Bulova Watch Company Limited	134,146.27
Funds in Swiss and Canadian Banks	117,907.34
Post-War Federal Excess Profits Tax Re- fund	167,558.72
Other Accounts Receivable	67,308.94
TOTAL OTHER ASSETS	650,975.91
PLANT PROPERTY — At Cost:	
Land, Buildings, and Improvements	\$ 830,450.70
Machinery and Equipment	1,681,619.55
Furniture, Fixtures, and Leasehold Improvements	139,543.78
TOTAL	\$2,651,614.03
Less — Reserves for Depreciation and Amortization	1,439,350.86
Net	1,212,263.17
PREPAID AND DEFERRED CHARGES	64,039.46
TOTAL	\$19,503,308.58

LIABILITIES

CURRENT:	
Accounts Payable	\$2,011,412.73
Due to Salesmen	399,479.81
Accrued Salaries, Wages, and Expenses	403,194.48
Accrued Taxes	\$3,516,823.61
Less — United States Treasury Tax Notes	1,257,313.00
TOTAL CURRENT LIABILITIES	2,259,510.61
REAL ESTATE MORTGAGES PAYABLE (Swiss Francs 137,500.00)	32,037.50
TOTAL LIABILITIES	\$ 5,105,635.13
GENERAL RESERVES	600,000.00
CAPITAL STOCK AND SURPLUS	
CAPITAL STOCK:	
Common, without par value:	
Authorized — 500,000 shares	
Outstanding — 324,881 shares at declared values	\$2,521,132.50
CAPITAL SURPLUS	1,178,748.50
EARNED SURPLUS	10,097,792.45
TOTAL CAPITAL STOCK AND SURPLUS	13,797,673.45
TOTAL	\$19,503,308.58

NOTES—The companies have contracts for the production of war materials which are subject to renegotiation. It is not possible to estimate what amounts, if any, will be required to be refunded as a result of renegotiation for the year ended March 31, 1944. Renegotiation proceedings for the year ended March 31, 1943 were concluded without any refund being required. —The consolidated balance sheet includes assets, located in Switzerland, of \$678,577.33 (exclusive of inter-company receivables) of which current assets amount to \$604,730.69, as well as liabilities of \$784,288.42.

NOTE — The current assets and all liabilities of branches operating in Switzerland have been converted into U. S. dollars at the March 31, 1944 prevailing rate of exchange, while the plant properties are stated at the U. S. dollar cost prevailing at dates of acquisition.

CONDENSED CONSOLIDATED STATEMENT OF INCOME
AND EARNED SURPLUS FOR THE YEAR ENDED MARCH 31, 1944

GROSS PROFIT FROM SALES	\$10,054,079.43
SELLING EXPENSES	\$3,095,639.99
GENERAL AND ADMINISTRATIVE EXPENSES	711,569.06
	<u>3,807,209.05</u>
PROFIT FROM OPERATIONS (after deducting \$271,952.06 for depreciation and amortiza- tion)	\$ 6,246,870.38
INCOME CREDITS:	
Discounts on Purchases	\$ 45,608.41
Interest Earned	17,467.33
	<u>63,075.74</u>
GROSS INCOME	\$ 6,309,946.12
INCOME CHARGES:	
Discounts allowed Customers	\$ 391,838.58
Federal Income Taxes	1,164,909.27
Federal Excess Profits Taxes (less post-war refund of \$167,558.72)	1,508,028.50
Social Security Taxes	282,398.15
Other Taxes	149,076.03
Interest Paid	5,298.50
Loss on Capital Assets	217,770.91
Employees' Retirement Pension Plan	518,777.00
Provision for Contingencies	150,000.00
	<u>4,388,096.94</u>
NET INCOME FOR THE YEAR ENDED MARCH 31, 1944	\$ 1,921,849.18
Deduct — Dividends Paid:	
July 1, 1943—50¢ per share	\$ 162,440.50
October 1, 1943—50¢ " "	162,440.50
December 21, 1943—50¢ " "	162,440.50
March 27, 1944—50¢ " "	162,440.50
	<u>649,762.00</u>
Transferred to Earned Surplus	\$ 1,272,087.18
EARNED SURPLUS — April 1, 1943	8,661,003.80
Add — Reduction in Reserve for doubtful Accounts and Notes, less resultant taxes thereon	\$ 160,687.01
— Adjustments by the Bureau of In- ternal Revenue of prior years' re- ports, less resultant taxes thereon	4,014.46
	<u>164,701.47</u>
EARNED SURPLUS — March 31, 1944	<u>\$10,097,792.45</u>

NOTES—The net result of the year's operations is subject to renegotiation of war contracts by the Federal Government.

—The results of branches operating in Switzerland have been converted into U. S. dollars at the March 31, 1944 prevailing rate of exchange, except that charges for depreciation of plant properties were computed at the U. S. dollar cost prevailing at dates of acquisition.

BULOVA WATCH COMPANY, INC.

We have examined the consolidated balance sheet of Bulova Watch Company, Inc. and its subsidiary companies as at March 31, 1944, and the related consolidated statement of income and earned surplus for the year then ended. In connection therewith, we have reviewed the systems of internal control and accounting procedures, and have examined or tested the accounting and other corporate records of the companies (excepting the Swiss branches) by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary, except that it was not practicable to confirm receivables from the departments and agencies of the United States Government, with respect to which we have satisfied ourselves by means of other auditing procedures.

While we have been furnished regularly with monthly reports of the Swiss branches, these accounts have been audited — as at March 31, 1944 — by other independent accountants, whose figures, after reviewing, we have accepted and incorporated in the consolidated statements.

The Federal income tax returns for the years ended March 31, 1942 and 1943 have been examined during the year by the Bureau of Internal Revenue, and additional tax liabilities for those years have been set up.

In our opinion, except for the effect, if any, which the adjustments arising from the renegotiation of war contracts may have on the accounts, the accompanying balance sheet and related statement of income and earned surplus fairly present the consolidated financial position of Bulova Watch Company, Inc. and its subsidiary companies at March 31, 1944, and the consolidated results of their operations for the year ended that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

FREDERICK WM. GREENFIELD & Co.
Certified Public Accountants

New York, N. Y.
June 26, 1944.



WHERE PRECISION MEANS VICTORY

★
“HEARTS
★
EYES
★
BRAINS”
by
BULOVA
★

WAR PRODUCTION
by BULOVA:

AVIATION INSTRUMENTS

TELESCOPES (for Fire Control)

NAVIGATION CLOCKS and WATCHES

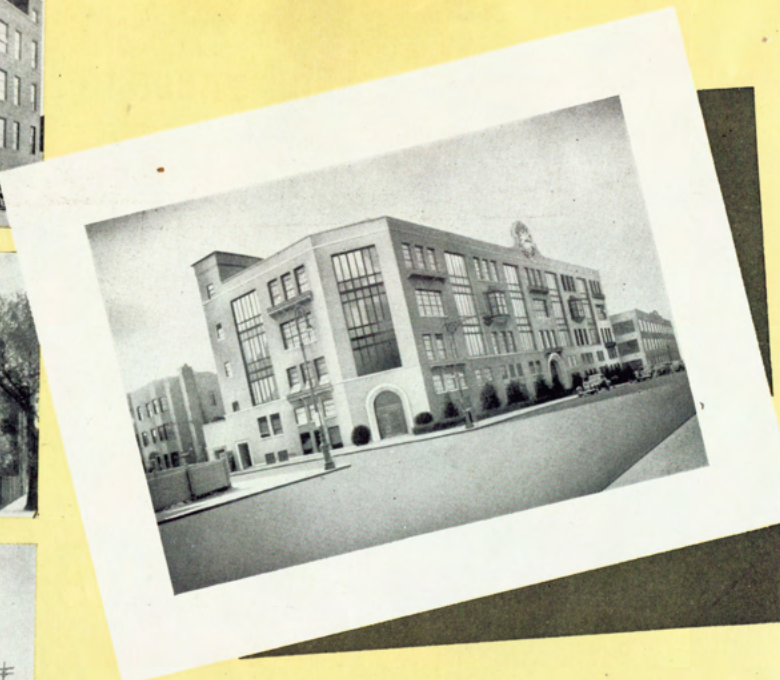
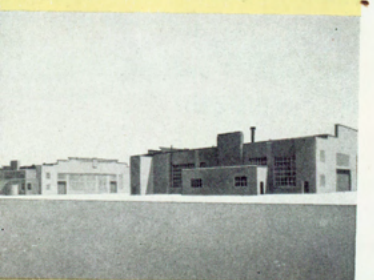
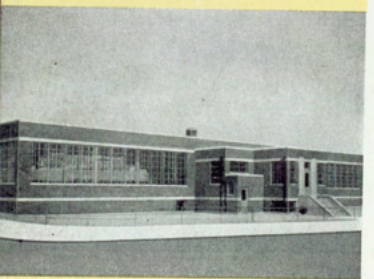
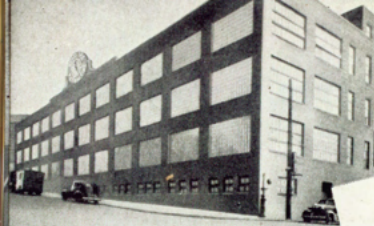
TIME FUZES

JEWEL BEARINGS

These “hearts — eyes — brains” are high precision war instruments vitally needed by every branch of our armed forces.

Their unbelievable accuracy prevents human error . . . provides the devastating precision that enables our courageous fighting men to blast the enemy out of the skies, out of the seas and off the ground!

We are proud that Bulova craftsmen are so well adapted to this vital work.



*Where Bulova Craftsmanship
is producing
precision war instruments!*

In the factories shown on this page — the most modern, the most scientific watch factories in the world — the skilled hands of Bulova artisans are turning out ever-increasing quantities of vital war instruments.

Executive Offices

630 FIFTH AVENUE, NEW YORK

Factories

- Woodside, Long Island, N. Y.
- Sag Harbor, Long Island, N. Y.
- Waltham, Massachusetts
- Long Island City, Long Island, N. Y.
- Valley Stream, Long Island, N. Y.
- Providence, Rhode Island
- Bienne, Switzerland
- Philadelphia, Pennsylvania



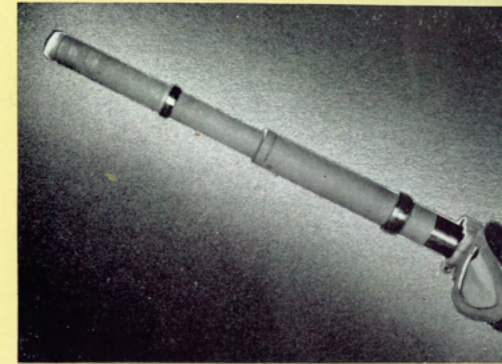
JEWEL BEARING



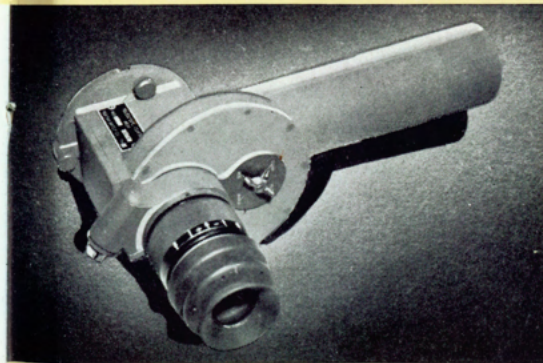
RATE-OF-CLIMB INDICATOR



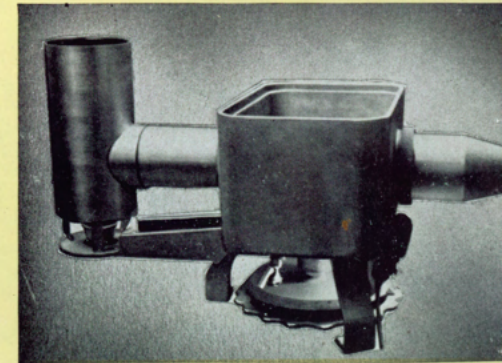
TIME FUZE



TELESCOPE (for Fire Control)



TELESCOPE (For Fire Control)



CONOSCOPE



NAVIGATION WATCH



NAVIGATION CLOCK

Over **200**

powerful radio stations broadcast

BULOVA WATCH TIME

Every Hour... Every day... 365 days a year!



More than twenty-five percent of this
advertising is used to promote
the sale of War Bonds!

Invest in Victory — Buy More War Bonds!