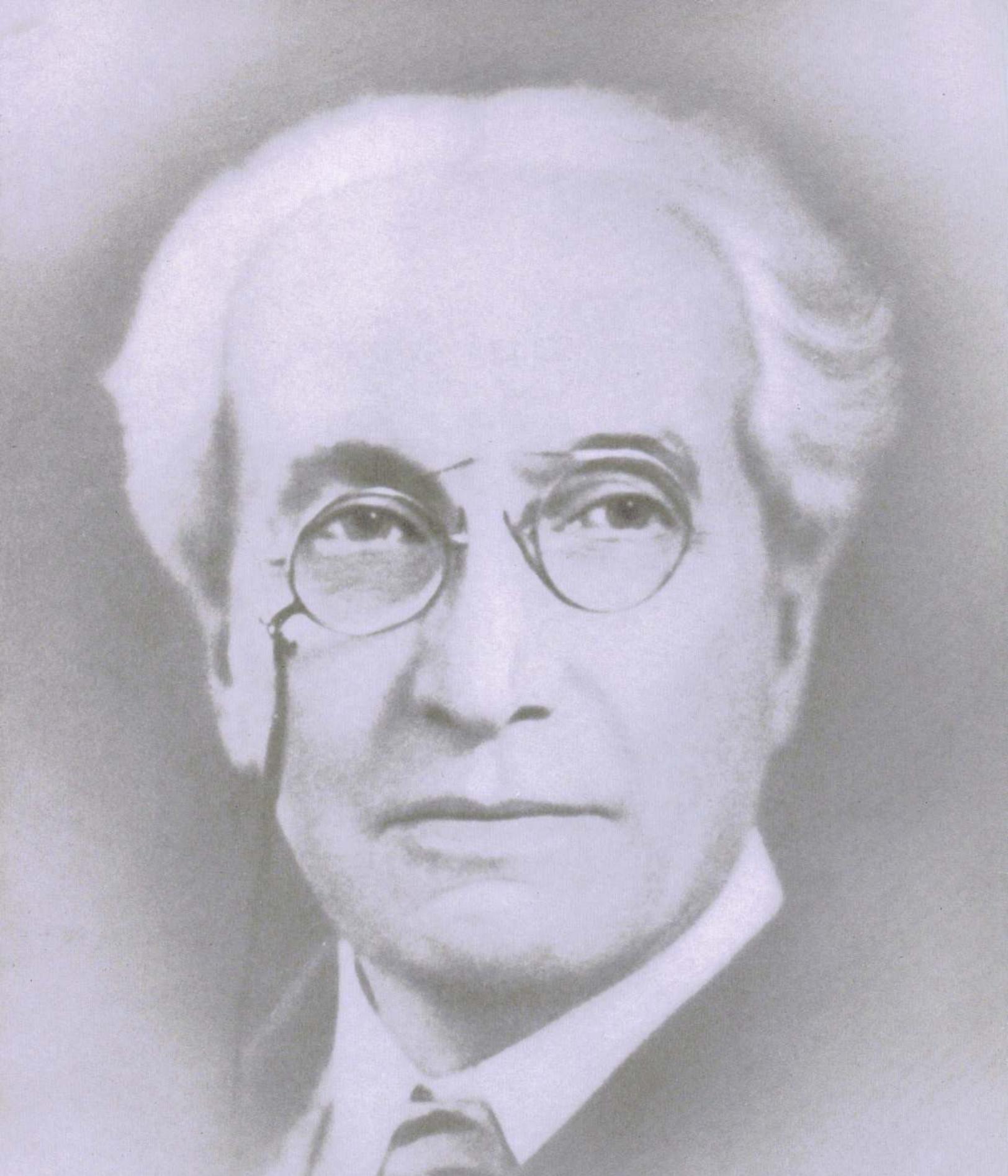


1955

**BULOVA
WATCH COMPANY
ANNUAL REPORT**

MARCH 31, 1955





JOSEPH BULOYA 1851-1935 His were the ideals, the ambition, the ability and the courage of the pioneer. On the bedrock of intelligent, honest service, he built this enterprise, and on that basis has flourished the organization his genius conceived.

BULOVA

WATCH COMPANY, INC. EXECUTIVE OFFICES • BULOVA PARK, FLUSHING 70, N. Y.

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HARRY D. HENSHEL
EMILY B. HENSHEL
THOMAS A. MORGAN
BEARDSLEY RUML

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Vice President
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Vice President
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Secretary
SEYMOUR HERSCHER
Assistant Secretary
ROLAND P. TALBOT
Assistant Secretary

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President
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Vice President
HARRY B. HENSHEL
Vice President

OFFICERS

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Vice President
MURIEL MCCULLUM
Secretary

BULOVA

RESEARCH AND DEVELOPMENT LABORATORIES, INC.

EXECUTIVE OFFICES • WOODSIDE, LONG ISLAND, N. Y.

BOARD OF DIRECTORS

Chairman — GENERAL OMAR N. BRADLEY

ARDE BULOVA
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HARRY D. HENSHEL
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BEARDSLEY RUML
THOMAS A. MORGAN
STANLEY SIMON
ALEXANDER SHAYNE



TO THE STOCKHOLDERS

Once again it is my privilege to report on our operations for the past year to the stockholders of the Bulova Watch Company.

During the fiscal year just ended, your Company made the following record:

Our net profit (before income taxes) was \$6,500,921.

Our net profit, after the payment of all taxes, was \$2,951,821.

Each share of Bulova Stock earned \$4.54.

Each share of Bulova Stock received a dividend of \$3.50.

The total dividends paid to our stockholders were \$2,230,641.

The balance of our net earnings (\$721,180) has been retained—in the pattern of our established policy—for necessary capital and for use in programs of expansion and improvement.

A review of 1954-55 must begin with the event which was of far-reaching importance to the American watch industry as a whole—the decision by President Eisenhower, on July 27, 1954, to aid the security of the United States by insuring the preservation of essential skills through an increase in the tariff on imported watches. This decision rested on the recognition by the President, fortified by recommendations from several government committees which had long studied the problem, that the American watchmaking industry is essential to our national defense—that its skills are irreplaceable, its techniques unique, its management and “know-how” crucial to the production of those precision instruments which constitute the very brain and heart of advanced armament in modern defense.

The Bulova Watch Company is, of course, in the unique position of manufacturing watches both in the United States and in Switzerland. We are both domestic manufacturers and importers. Your Company is, therefore, in the unusual situa-

tion of being able to appraise both the domestic and the importing aspects of President Eisenhower's decision from first-hand knowledge in both areas. Bulova can adjust its production program with unusual flexibility. The Chairman of your Board of Directors was called upon to appear before Preparedness Sub-Committee Number 6 of the Committee on Armed Forces of the United States Senate. Mr. Bulova presented a detailed exposition of the critical role which the watch manufacturers of America played in American defense in the last war, and outlined some of the precision devices they are being called upon to deliver to the Armed Forces today. Mr. Bulova expressed his conviction that a healthy, operating watch manufacturing industry in the United States is a prime necessity for the defense of the United States. His testimony carried the authority of your Company's past record and present status as a prime supplier of weapons for the Army, Air Force and Navy.

The past year presented your Management with troublesome problems in pricing, merchandising, and sales. It will be remembered that in 1954 the American watch market was beset with sudden and severe price-cutting on the retail level—complicated by the President's tariff increase in a market which was, finally, rocked by widespread inventory clearances and liquidations at the manufacturer's level. However, your Management has always carefully controlled our own inventory position so that it was neither overstocked nor out of balance. The Bulova Watch Company stood firm in its pricing policies throughout these instabilities. We were able—despite reckless moves on the part of certain competitors—to maintain public acceptance of the value of our product. We felt it imperative to defend our dealers and the dollar value of their inventories. We were able to prove to our customers, the retail jewelers of the country, that their investment in Bulova watches was backed to the hilt—and that any inventory of Bulova products continues to be worth 100 cents on the dollar. Your Company has never considered it wise to try to increase

sales volume at the expense of the inventories of its retail outlets.

During the past year we introduced a new line of watches for the women of America — the self-winding Lady Bulova. This was a pioneering step that offered women self-winding watches, for the first time in mass quantities, such as those which are by now well-established favorites in our product for men.

In January, 1955, the famous Bulova "23", which has made its mark as the largest-selling watch in any line sold in this country, was presented to the public with a new and added precision feature — timing to six adjustments. The Bulova "23" in this improved form is winning new popularity with the American consumer.

The Bulova line of radios continued its rapid growth during the past year: our sales were double those of the preceding year. We have also added several new models to the Bulova line of radios: the Bulova Fidelity, a table model, and the Bulova Adventurer, a singularly compact portable radio which runs on batteries and comes in two different models. These were added to the popular Bulova Clock Radio and three-way portable Bulova Companion.

Last year's Annual Report mentioned an entirely new product which had passed through the design stage and was being tested in pilot models. It can now be revealed that this product is an electric razor, a precision product which will employ an entirely new principle in the field of electric shavers. Patient research and development have gone into this item, and intensive testing has been pursued for the past year. Our plans for the production of electric razors are proceeding favorably — and carefully. Actual production will be undertaken when final improvements are effected — improvements which will, we think, make the Bulova Shaver the finest instrument on the market.

Bulova's deliveries of defense items to various branches of our Armed Services exceeded \$27,000,000 during the past year compared with approximately \$17,000,000 in the previous year. In the field of electronics, and in the area of certain timing and precision devices, our efforts show heartening progress.

The year 1955 saw favorable improvements in the facilities of the Bulova Research and Development Laboratories, of which General of the Army Omar N. Bradley is Chairman. This organization of scientists, engineers, and technicians was moved into its own building in Woodside, Long Island — an independent location which makes it possible for creative personnel to operate with freedom from the routines of our production activities.

Recent months have seen a good deal of publicity concerning the role which Automation — the maximum mechanization of manufacturing processes — will play in industry. It was natural for the Bulova Research and Development Laboratories to enter the field of Automation with the special skills represented in a staff of over 300 scientists and engineers. Extensive research in Automation is being conducted under government contract.

For the past year, your Company has been active in designing cameras and special equipment for aerial reconnaissance. Our Research and Development Laboratories have already produced prototype cameras and special equipment for aerial reconnaissance under contracts from the Air Force. These items are now being placed in production. This new field offers important opportunities to Bulova in the years ahead.

Long-term borrowing at a favorable interest rate has been arranged with leading insurance companies — \$8,000,000 at 3½ % for 15 years. In addition, revolving credit has been arranged to take care of financial requirements for work-in-progress and accounts receivable. These combined measures have solved the financial problem of capital which is ordinarily tied up in government receivables, inventories, equipment, and work-in-progress.

The directors of your Company, believing that new opportunities lie ahead and that flexibility is desirable in our capitalization, are requesting the stockholders of the Bulova Watch Company to approve an increase in our authorized capital stock from 1,000,000 to 3,000,000 shares. The proxy statement which accompanies this report describes this proposal in detail.

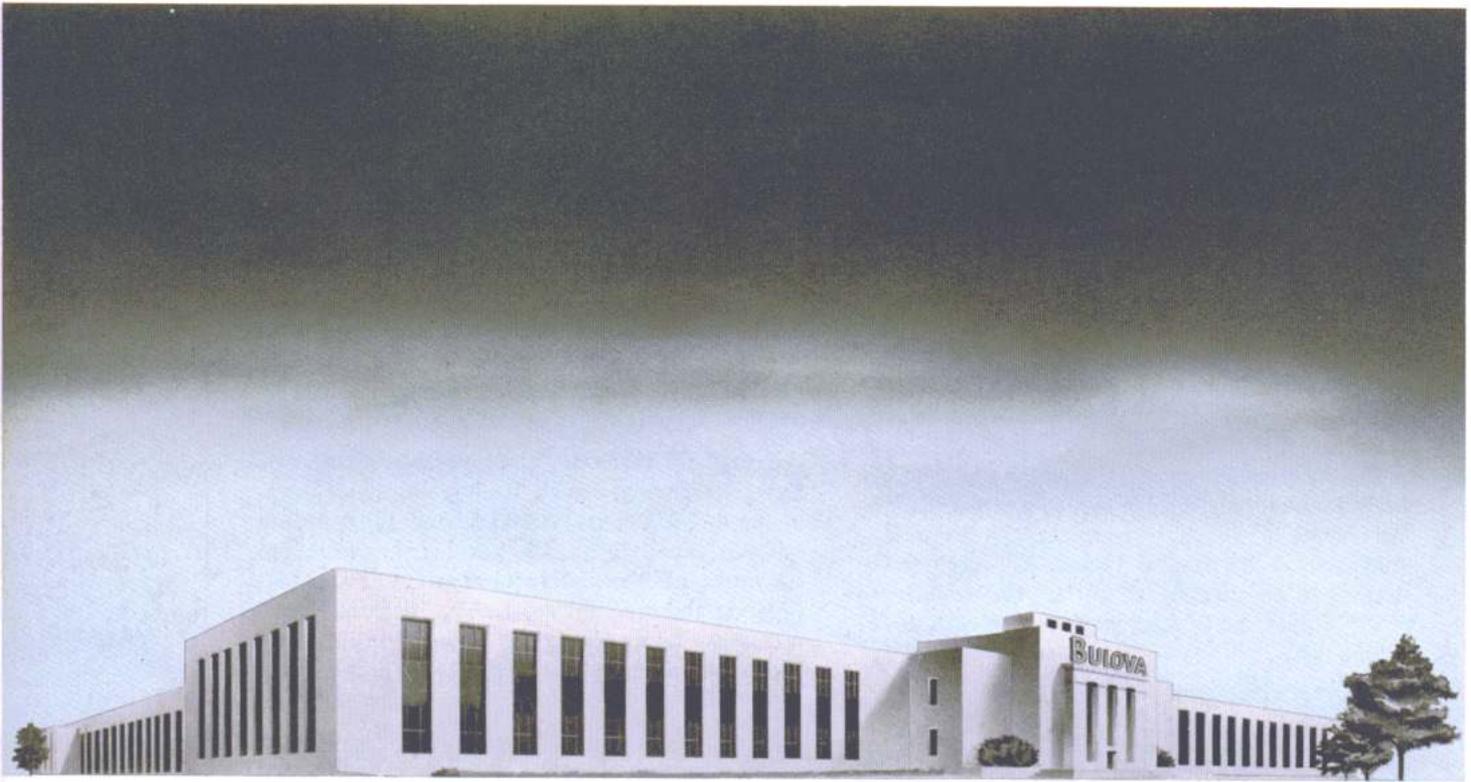
It is a matter of pride to all of us that the Joseph Bulova School of Watchmaking will observe its tenth anniversary on August 15. The unique facilities, purpose and record of the School, and the services it performs for war veterans, are described later in this report.

The Board of Directors has decided to fill the seventh Board Membership which had not previously been activated, and is recommending Mr. Stanley Simon, vice president of the Company, for this new directorship.

Finally, the policy of your Company continues to be one which seeks consistent improvement, efficiency, imagination and invention in every field of our endeavor. The skills, experience, and organizational techniques derived from the years of mass production of fine watches and precision devices continue to grow in a manner which warrants optimism for the future.



WORLD CAPITAL OF FINE



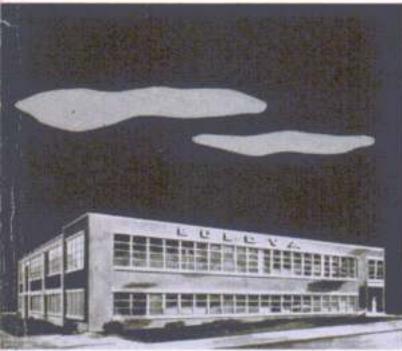
HOME OF AMERICAN HIGH PRECISION... BULOVA PARK, N. Y.

The past year saw the consolidation of all Bulova domestic watchmaking activities under one roof. Our modern Bulova Park, Flushing, N. Y. headquarters now houses over 2500 persons engaged in actual watch *production* and *marketing*. This new physical coordination has increased production efficiency and has allowed for a closer integration of the manufacturing and selling teams.

During this same period, the interior of the Woodside, Long Island, N. Y. building — our former watchmaking factory — was completely redesigned for the Bulova Research and Development Laboratories, now quartered there. The new location has increased the efficiency of the laboratories and will open new possibilities in government projects which require the highest security protection.

WATCHMAKING...

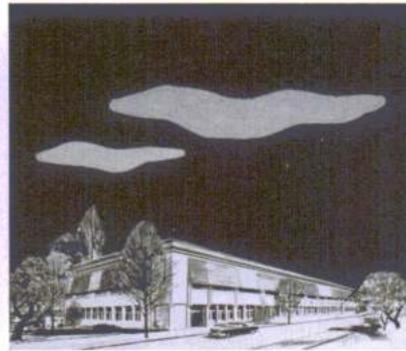
TORONTO, CANADA



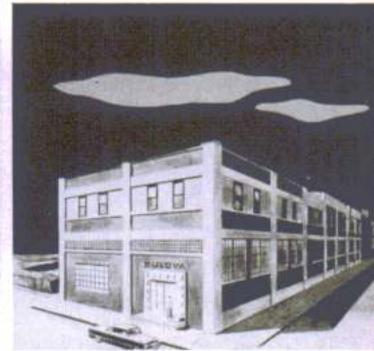
WOODSIDE, L. I., N. Y.



BIENNE, SWITZERLAND



MASPETH, L. I., N. Y.



Our Valley Stream, Long Island, N. Y. quarters have been converted into a manufacturing and assembling plant engaged in electronic production for the U.S. government.

At Providence, Rhode Island, a complete watch case manufacturing operation functions under a single roof. The processes here start with the raw stock — gold, steel, brass, glass, etc. — and continue through to the final stage of turning out finished cases for Bulova watches. In addition, a new building across the street from the main plant helps to accommodate a large volume of government production orders.

WOODSIDE, L. I., N. Y.



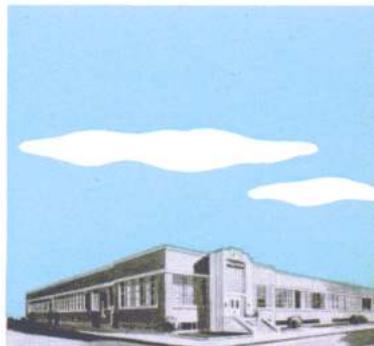
VALLEY STREAM, L. I., N. Y.



SAG HARBOR, L. I., N. Y.



PROVIDENCE, R. I.





MISS AMERICA

17 jewels
unbreakable mainspring
expansion bracelet

\$35.75

SENATOR

17 jewels, shock resistant
unbreakable lifetime mainspring
luxury expansion band

\$39.75

GODDESS OF TIME

17 jewels
2 diamonds
expansion bracelet

\$59.50

Wafer-Thin PHANTOM

17 jewels, certified waterproof
unbreakable mainspring,
shock resistant, anti-magnetic
radium hands and dial

\$49.50

MORE THAN EVER

... BULOVA TV SPECIALS ARE THE

LARGEST SELLING FINE WATCHES IN THE WORLD

MORE PEOPLE BUY BULOVA



AMERICAN GIRL
17 jewels
unbreakable mainspring
\$71.50



BULOVA "23"
23 jewels
timed to six precision adjustments
self-winding, certified waterproof
unbreakable mainspring
raised gold numerals
shock resistant, anti-magnetic
\$75.00



MARQUISE
17 jewels
18 diamonds
14kt. gold
unbreakable mainspring
\$175.00



SHERWOOD
21 jewels
14kt gold
\$135.00

In every category of fine watches — men's, women's, waterproof, self-winding, diamond, 17-jewel, 21-jewel, 23-jewel — Bulova outsells all others. And each of these best-selling numbers is a nationally advertised Bulova TV Special — a fact which unquestionably contributes heavily to the popularity which these watches enjoy with consumers.

A recent independent, unbiased A. C. Nielson Co. Survey proved that Bulova advertising reaches more people more often than all other watch advertising - *combined*. In fact, more Americans see more national advertising for Bulova than for *any* other product . . . in *any* other field . . . in the whole *world*.

This tremendous, continuous advertising program keeps the Bulova name and the Bulova line ever in the public eye. Yet it pre-sells potential consumers at a lower cost, per impression, than that enjoyed by any other advertiser of watches. It is interesting to note that customers not only ask by name for the Bulova watches they see on television — they often identify a BULOVA TV SPECIAL by *quoting* to the dealer a Bulova advertising slogan which they heard on the air.

THAN ANY OTHER FINE WATCH IN THE WORLD

Bulova "23"

PRECISION



ADJUSTED

TIMED TO SIX ADJUSTMENTS

**BULOVA SETS A NEW STANDARD
OF ACCURACY FOR THE WORLD!**

Once more, Bulova, leader in the watchmaking field, has pioneered. Last year, Bulova took the initiative and instituted a program designed to educate the public in the meaning and importance of Precision Adjustment. A fine watch must be adjusted to be accurate — in varying temperatures, in different positions, and at any degree of mainspring tension. Consumers now are being made aware of this important guarantee of accuracy and are urged to look for the words "Precision Adjusted" because they indicate "high jewel performance from a high jewel watch". The first watch to feature this new story is the Bulova "23". Its outstanding selling success is one indication of the effectiveness of Bulova's Precision Adjusted campaign.

LESS THAN ONE YEAR AFTER INTRODUCTION . . .

AMERICA'S NO. 1 SELLER!

BULOVA DIVERSIFICATION... A COMPLETE LINE OF RADIOS



BULOVA ADVENTURER

newest addition to the growing Bulova Radio family . . . world's smallest portable with table-model speaker.



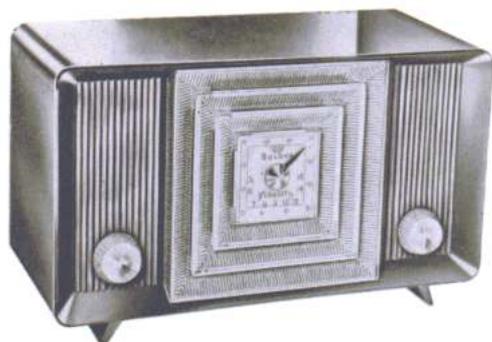
BULOVA CLOCK RADIO

growing fast in popularity, this remarkable radio lulls you to sleep, awakens you pleasantly, and starts the breakfast coffee!



BULOVA COMPANION

world's only three-way portable made with Bulova watch precision, handsomely styled in choice of colors.



BULOVA FIDELITY

new in 1954-55. Built with Bulova watch precision, this decorator-styled table model features superb tone fidelity.

MORE PEOPLE

SEE ADVERTISING FOR BULOVA

THAN FOR ANY OTHER

ADVERTISED PRODUCT IN THE WORLD

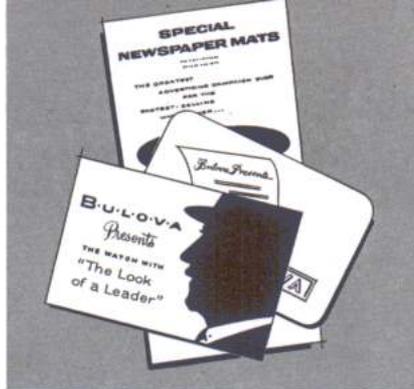




DIRECT MAIL



POINT-OF-SALE DISPLAY



NEWSPAPER MAT ADS



DEALER FILMS

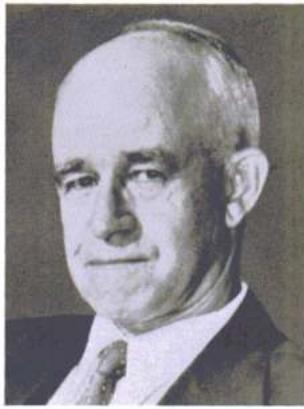
BULOVA

HELPS THE DEALER CASH IN ON THIS
BIG TV ADVERTISING...

Because Bulova believes in "total advertising"— getting full value for each advertising dollar — we make our advertising work *before* it runs, *while* it runs, and *after* it runs.

To do this most effectively, we merchandise the advertising program to everyone in the chain of distribution: Bulova salesmen, dealers, retail salesclerks and, finally, consumers. Everything from basic merchandising ideas to promotional materials is provided. Because our merchandising aids incorporate the basic themes developed in our national advertising, the selling message is multiplied many times over and the effect is greatly magnified.

The value of this to the dealer is immeasurable, because our newspaper mat services, direct mail, point-of-sale displays, films, radio and TV scripts, and sales training material, help him sell many more customers, much more easily.



Omar N. Bradley, General of the Army, Chairman of the Board, Bulova Research and Development Laboratories, Inc. The Bulova Watch Company owns and operates watch plants in both Switzerland and the U. S. The Bulova Research and Development Laboratories are engaged in advanced research in the field of subminiaturization and related high precision defense problems.

AN OPEN LETTER ON AMERICAN DEFENSE AND PRECISION WATCHMAKERS

by *General of the Army*

OMAR N. BRADLEY

can mass-produce devices sensitive to temperature variations of millionths of a degree.

Some other industry might, of course, "tool up" and train personnel for such precision work. That would take years. And that might be too long.

Only 4,000 precision watchmakers are left in America. There were 10,000 in 1948!

III CONCERNED by such facts, the Office of Defense Mobilization (through its Director, Arthur S. Flemming), told its Inter-Departmental Committee to make another special study. This committee was not concerned with questions of commercial competition, but with matters of defense. Among its findings were:

1. The number of workers in watchmaking plants in the U. S. had fallen below the level required for defense purposes.
2. Watchmaking skills cannot be "stockpiled" or stored on a standby basis.
3. The only way to preserve such skills is to keep watchmakers busy manufacturing watch movements.

Other committees had reached the same conclusion.

IV JUST RECENTLY, confusion has also arisen because the Treasury Department, through the Bureau of Customs, has proposed a ruling to stop the practice of "upjeweling." U. S. tariff on a watch movement is based on number of jewels or substitute jewels it contains; as jewel count increases, tariff rate increases. "Upjeweling" is a system by which imported watch movements, once through customs on a low-jewel low-tariff basis, can be easily and cheaply "upgraded" by the addition of more jewels—put into convenient provided places.

Plainly this practice has the effect of evading the intent of U. S. Government regulations, and the President's decision. The Government simply closed this loophole. Its ruling applied to all imported watch movements regardless of the country of origin.

This new action on upjeweling does nothing more than give effect to the President's previous conclusion that it was essential, *solely for reasons of defense*, to preserve a hard core of watchmaking skills in this country.

"May I speak up?"

I IN A DEMOCRACY, every citizen has the right to speak up and be counted. I should like to exercise this right. I have a simple reason: the belief that many people in the U. S. and in Switzerland largely misunderstand the *defense characteristics* of the crucially-important watch manufacturing industry in the United States.

President Eisenhower last July announced an upward adjustment of tariffs on certain imported watch movements. Many people on both sides of the Atlantic have wondered what the U. S. "really had in mind" when this action was taken. What the Government had in mind, I suggest, was National Defense and the defense of the free world—nothing more.

You should know that the President made the adjustment after two things happened:

- the *Tariff Commission itself twice recommended the step;*
- a *special committee set up by the Office of Defense Mobilization said that the watch industry was vital and had to be preserved for defense purposes.*

II IF I WERE SPEAKING only as a watch company stockholder, I would encourage my company to import an even greater percentage of its watch movements from Switzerland. It can make more profit on these than it can on domestically-produced watches.

But I have spent most of my life as a soldier. It is because of my lifetime interest in national defense that I am making this statement. During the two world wars we fought to preserve freedom in the Western World, I saw at first hand how vital were precision devices and precision weapons. Later, as head of the Veterans Administration, I became more intimately aware of the precision skills required of watchmakers, through training programs which were being conducted at that time. I cannot forget that the instrumentation in a single heavy bomber requires over 3,000 jeweled bearings, and that these can only be made by companies possessing watchmaking skills.

No other industry has these skills organized for production. No other industry is prepared to work to tolerances as low as millionths of an inch. No other industry

BULOVA AND

V THE SWISS are excellent watchmakers. This is demonstrated by the fact that they already have 85 per cent of the U. S. market and 90 per cent of the world market. It is relevant that last year, 1954, American production of jeweled watches shrank to 1,700,000 units (down from over 3,000,000 in 1948), although U. S. citizens last year bought approximately 10,200,000 jeweled watches.

As one who believes in the principles of world trade, I applaud this. Nations which can make good products at low prices, ought to have access to the world market. The world will prosper as a result. This is the basic principle behind the Government's reciprocal trade program, in which I deeply believe.

But let us also keep in mind that when Cordell Hull enunciated the principles of the reciprocal trade program more than twenty years ago, neither he nor President Roosevelt was seeking the instant *abolition* of all tariffs. On the contrary, the idea was that trading nations could *negotiate* tariffs one with another, to the mutual advantage of the nations involved. It was Cordell Hull's concept that free trade is as strong as its exceptions, and defense industries are the exception which give sense and flexibility to any reciprocal trade program.

Thus it is wholly consistent that President Eisenhower should currently be advocating extension of the reciprocal trade agreements program and, at the same time, should be mindful that watchmaking skills in this country are vital and must be preserved for the protection of this country and our allies. In case of war, Swiss production facilities might not be available to us.

VI IN A DEMOCRATIC society every principle has its limitations which strengthen it. We believe in free speech, yet we limit it by our libel laws. We believe in freedom of assembly, yet we limit it by laws against riot. We believe in freedom of information, yet we guard our atomic secrets. *We believe in free trade, yet we preserve our defense industries.*

All Americans who value the friendship of the Swiss, and who understand also the vital nature of the U. S. watch industry, have reason to hope that our government's action in this matter will be clearly understood for what it is—an action designed to preserve a crucially important defense industry and thus contribute to the defense of the free world.

Omar N Bradley



N A T I O N A L D E F E N S E

Each year our government employs the art of fine watchmaking more and more to produce devices, weapons, and instruments essential to the defense of our country and our allies.

Last year, the defense agencies of the nation increased their use of Bulova's facilities so substantially that the year-end saw more than 350 scientists, researchers, engineers and designers, and over 2000 precision craftsmen, employed by Bulova on projects vital to national defense.

The message on these pages by General of the Army

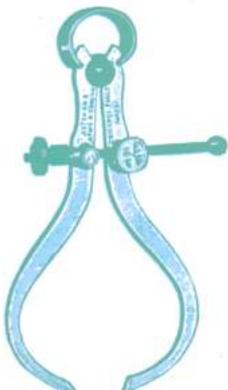
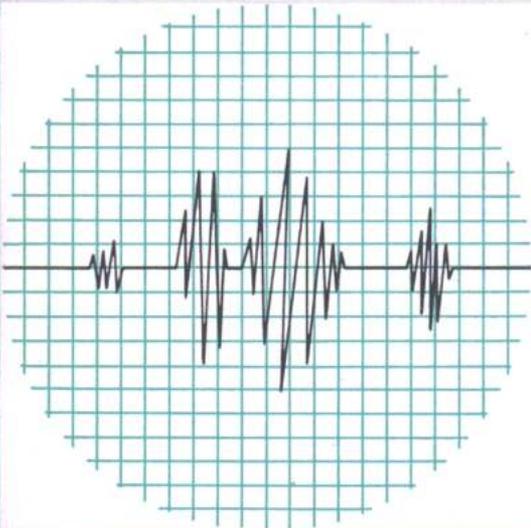
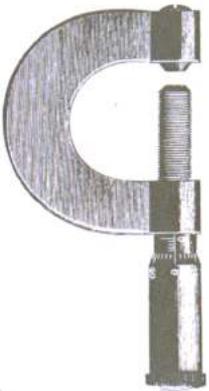
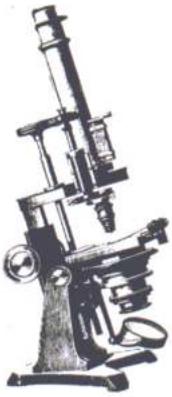
Omar N. Bradley reflects the attitude of the Bulova Company on this vital subject of American Defense and on the central role played by Precision Watchmakers.

BULOVA RESEARCH

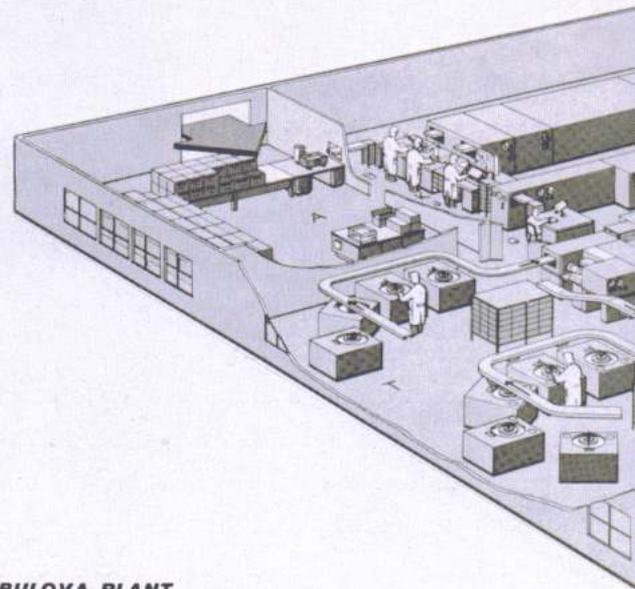
More than ever before, the defense agencies of our nation are calling upon the Bulova Company to lend its highly developed skills and knowledge to vital security projects.

During the past year, the Bulova Research and Development Laboratories have considerably expanded their work in the fields of artillery fuzes, guided missile sensing, arming and control devices, miniaturized electro-mechanical devices, and advanced electronic systems. Bulova has, in addition, initiated substantial activity in two additional fields.

One of these new fields of endeavor is Industrial Automation. Recognizing that this new science may well be the key to a Second Industrial Revolution, Bulova has entered into an extensive Automation research and



THE PRECISION SKILL OF BULOVA WATCHMAKER



PRELIMINARY DIAGRAM OF BULOVA PLANT

FOR MECHANIZED MANUFACTURE OF QUARTZ CRYSTALS

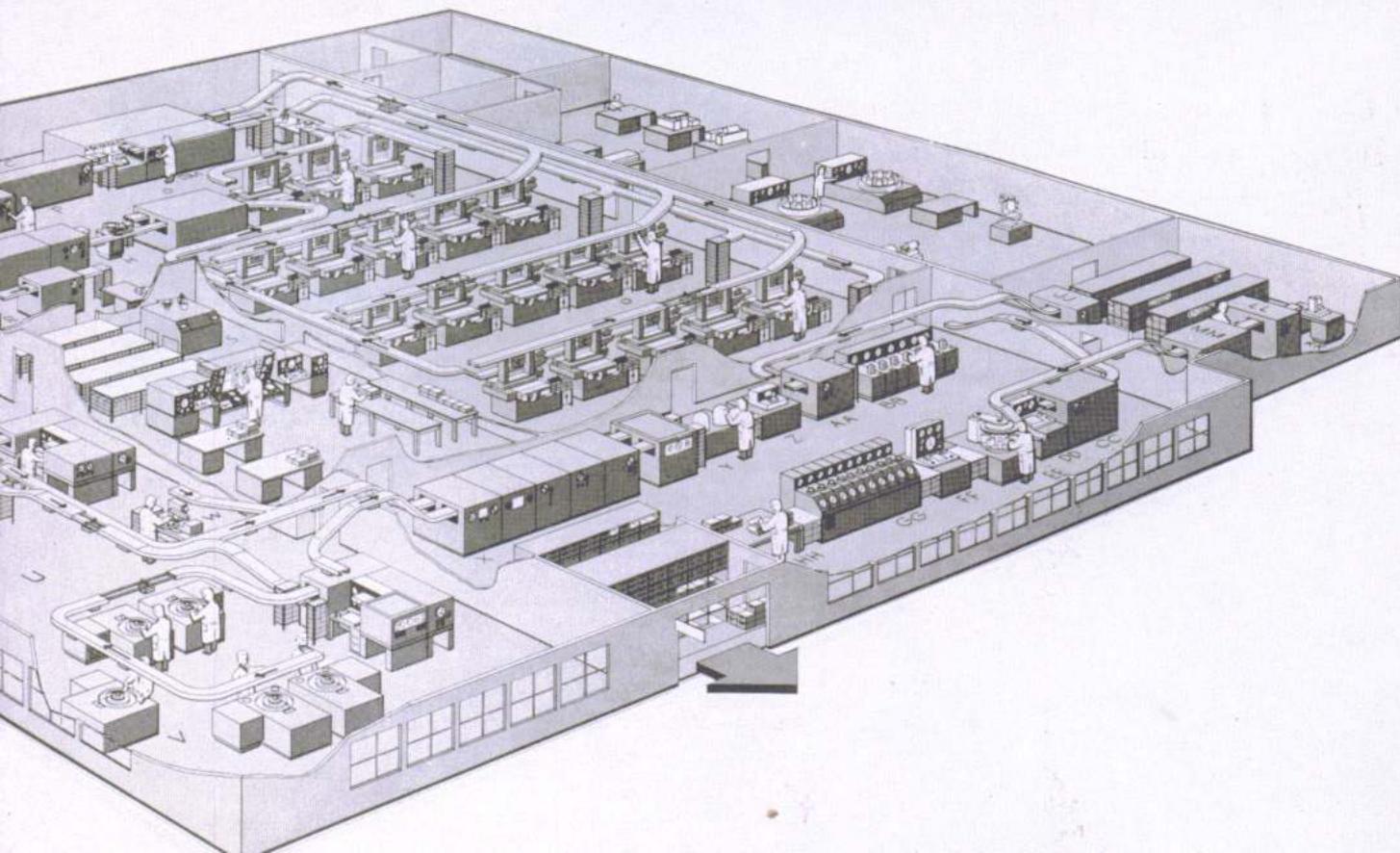
RCH AND DEVELOPMENT

experimentation project at its Valley Stream plant. Here, the Company has set up and is developing a completely automatic factory for the mechanized manufacture of Quartz Crystals — a product vital to the maintenance of accurate Frequency Standards in military and civilian communications.

Bulova Research and Development has further expanded its activity by reaching into a second new field of operation — that of military cameras. Important advances have been made in designing and developing Reconnaissance Cameras used for photographing military objectives and Gun or “Scoring” Cameras which record the effect of our military weapons.

Above and beyond this work, last year saw the initiation by Bulova of two independent research projects, one in the field of terminal ballistics, the other in advanced missile systems. In each case, the work began under direct Bulova sponsorship. And, in both instances, the contributions made were considered to be of such strategic importance that complete financing of the continuing projects is now being provided by government defense groups.

SERVES OUR NATIONAL DEFENSE AND DEFENSE OF THE FREE WORLD...



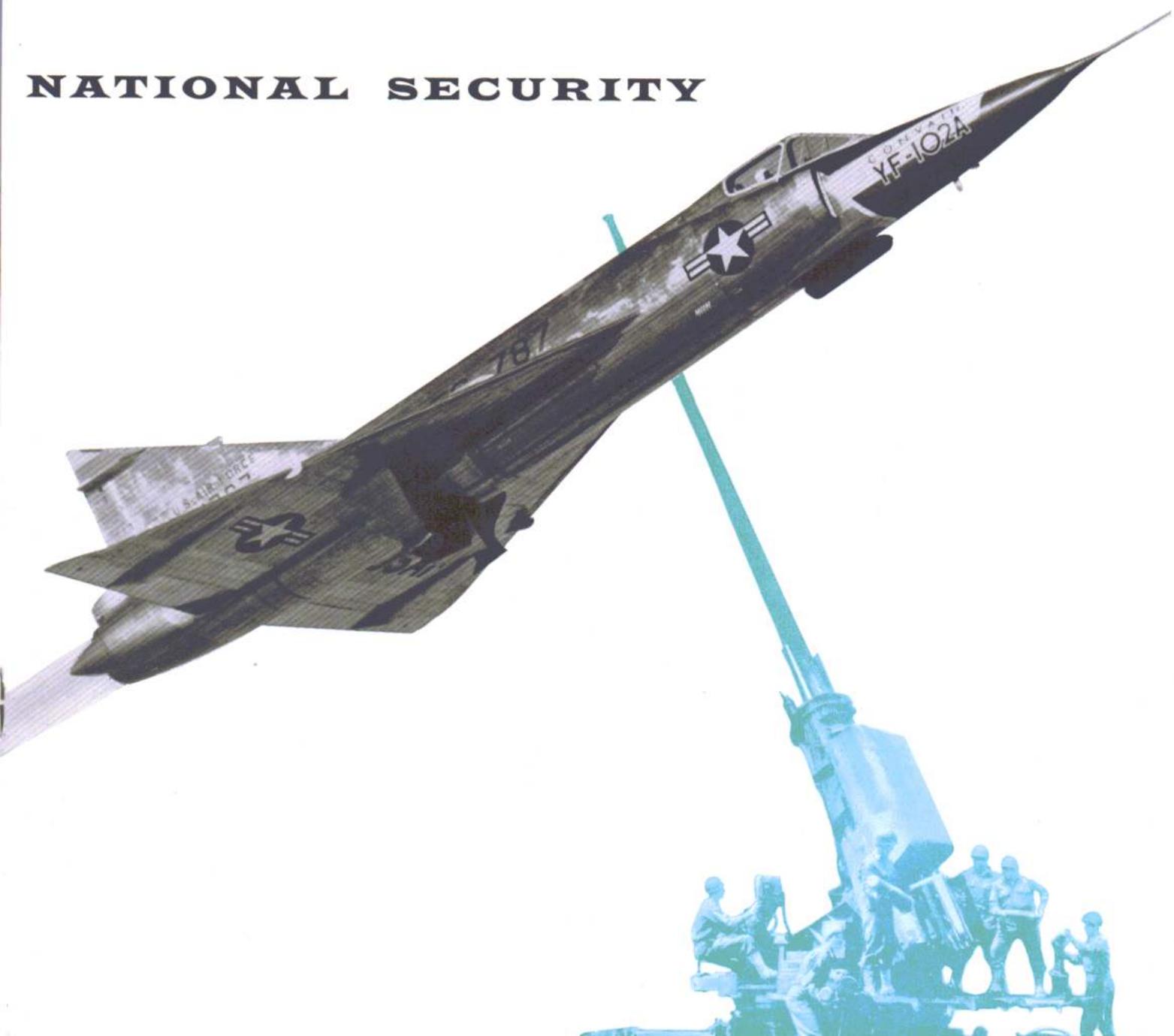


BULOVA MILITARY PRODUCTION FOR

FOR THE PRESERVATION OF PEACE

So significant have been the contributions made by the Bulova Research and Development Laboratories, that the government's defense agencies have naturally called upon the Company to *produce* many of the items Bulova invented and developed. During the year, we continued to produce the numerous defense items we have been producing since the Korean crisis. Such production includes fuzes, safety and arming devices, cameras, guided missile control mechanisms, and precision electro-mechanical timers. All this is in addition to those essential precision devices known as jewel bearings, which continue to be produced at the U.S. government Turtle Mountain Ordnance Plant in Rolla, North Dakota, operated by the Bulova Watch Company. Last year, Bulova was responsible for over twenty-seven million dollars in military production.

NATIONAL SECURITY



ON MUTUAL



BULOVA ORGANIZATION BUILT

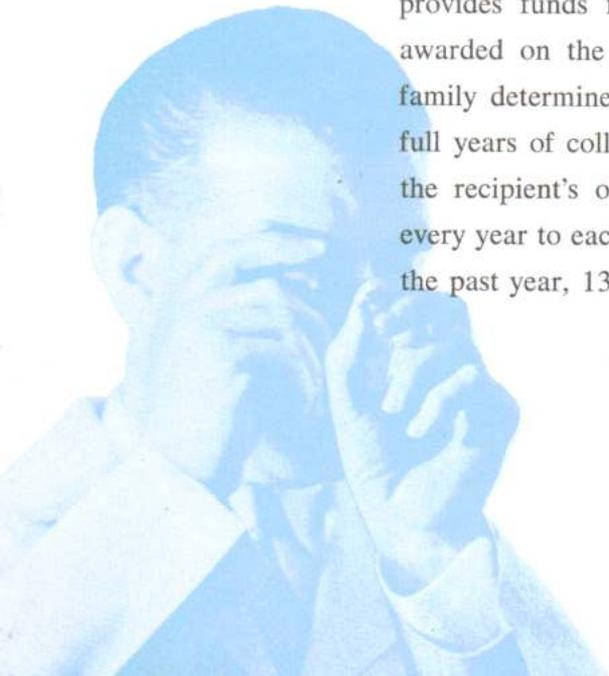
SERVICE AND RESPECT

Because watchmaking is such an exacting profession, demanding infinite patience, concentration and skill, high morale in our business is as essential as high-precision machinery. The high morale of Bulova personnel is one of our Company's greatest assets and Bulova does many things to foster it.

The highest wages in the watchmaking industry, and the finest working conditions, help attract the best workers to Bulova. Employee benefits include a comprehensive retirement pension plan, group insurance, and a liberal program of sickness and accident benefits — as well as extensive educational programs and recreational facilities. These liberal personnel policies have been instrumental in building mutual service and respect between Bulova and its employees.

BULOVA PROVIDES SCHOLARSHIP FUNDS FOR EMPLOYEES' CHILDREN

Entirely financed by the Bulova Foundation, a college scholarship award program provides funds for higher education of employees' children. Scholarships are awarded on the basis of competitive examinations, and economic need of the family determines the size of the scholarship. Scholarships may provide for four full years of college education, plus the expenses required to attend a college of the recipient's own choice. In addition, \$500 in unrestricted funds is granted every year to each privately endowed school attended by an award winner. During the past year, 13 scholarships were applied for and 8 awarded.





Arde Bulova 48



John H. Ballard 46



Oscar Burki 43



Charles J. Rotter 42



Leon R. Durning 38



Samuel P. Epstein 37



Harry D. Henshel 37



James B. Durning 36



Samuel Klein 33



Harriet Dimond Levy 33



Thomas H. McFarlane 33



Arnold W. Marti 32



Joseph M. Miller 32



Rudolph Sterz 32



Norman Teguns 32



Oscar J. Bibeau 31



Joseph H. Wood 31



Norman Allebaugh 30



Oscar A. Beaugregard 30



Catherine W. DesGrange 30



Eileen F. Griffin 30



Arthur M. Kaufman 30



Henry C. Lumley 30



Albert Neuhaus 30



Joseph Turner 29



Rene Berger 28



Raoul Bilodeau 28



Abraham Carnow 28



Harry Cohen 28



William Davies 28



Emil E. Fachon 28



Maude Hart 28



Milton Green 27



William Healy 27



Emanuel Hochman 27



Michael Hornak 27



Winifred Langton 27



Frank Sheinberg 27



Edward Thomy 27



Belle Isaacs Wasser 27



Adam Rothermel 26



Martin Royer 26



Joseph E. Alexander 25



Paul Calame 25



Charles Christopher 25



George C. Durning 25



Mortimer G. Evans 25



Rosalia Flamand 25



25

THE BULOVA TWENTY-FIVE YEAR CLUB



Sam Garry 35



John R. Polis 35



Tillie Schmidt Dunsworth 34



Haig Mardrossian 34



Paul Pastor 34



Samson Hittner 33



Joseph P. Johnson 33



Charles Klecka 33



Frank Cardenas 31



Charles O. Durning 31



Samuel H. Kaufman 31



Gaetano T. Langione 31



Mildred E. McCabe 31



Harry H. Prezant 31



Sylvia Schlanger 31



Lou Shoen 31



Ben Swartsberg 30



Harry Taub 30



John Burgbacher 29



Jesse Henshel 29



Marion P. Kouffman 29



John W. Newton 29



Palmira G. Reilly 29



George C. Reimer 29



Elisabeth Kammandel 28



Otto Kammandel 28



Harry Kellar 28



Lillian Peters 28



Barney Berkes 27



Benjamin R. Butler 27



Robert E. Day 27



Victor Gloeckler 27



Fred T. Bailey 26



Ovil J. Bessette 26



Werner Flury 26



Frances E. Gladding 26



Leo W. Herzman 26



Frances Koutensky 26



Albert Lempen 26



Sol Ollinger 26



Walter Flury 25



Carl G. Liljendahl 25



Mariel McCullum 25



Ruth M. O'Hara 25



Henry Sengelman 25



Robert K. Stickel 25



Gaston Villier 25



Martin Wuerthner 25

LOYAL EMPLOYEES GIVE LONG AND DEVOTED SERVICE... 1037 WITH COMPANY TEN YEARS OR MORE

One mark of a company's stability can always be found in the number of employees who have worked for that company for many years. In this respect, Bulova's remarkably low employee turnover-rate is truly outstanding: 1037 have been with the Company ten years or more . . . 96 for twenty-five years or more. This stable nucleus provides extra assurance of efficiency and dependability in every area of the business.

CONSOLIDATED

THE BULOVA WATCH COMPANY, INC.

ASSETS

CURRENT:

Cash		\$ 4,900,639
U. S. Government Securities at cost, and Accrued Interest		586,131
(Market Value \$581,406)		
Customers' Accounts and Notes Receivable	\$16,478,386	
Less - Allowance for Doubtful Accounts and Notes	832,580	
Net		15,645,806
Other Accounts Receivable		343,133
Inventories - at cost or less		8,827,453
U. S. Government Contracts:		
Accounts Receivable	\$ 5,672,280	
Inventories	4,710,406	
Reimbursable Expenditures	7,825,618	
	\$18,208,304	
Less - Progress Payments Received	2,252,462	
		15,955,842
TOTAL CURRENT ASSETS		\$46,259,004

OTHER ASSETS:

Cash Surrender Value of \$500,000 Insurance on life of Officer	\$ 271,281	
Sundry Notes and Accounts Receivable	302,968	
Due from Officers and Employees under Stock Purchase Plan	276,959	
(Secured by 8,038 shares of the company's capital stock, market value \$455,152)		
Capital Stock, at less than cost, held for resale to Officers and Em- ployees (Note G)	411,517	
TOTAL OTHER ASSETS		1,262,725

PLANT PROPERTY - At Cost (Note B):

Land, Buildings, and Improvements	\$ 7,658,252	
Machinery and Equipment	4,359,241	
Furniture, Fixtures, and Leasehold Improvements	542,266	
Total	\$12,559,759	
Less - Accumulated Depreciation	2,854,899	
Net		9,704,860

REAL ESTATE - LAND

1,176,559

PREPAID EXPENSES

253,944

TOTAL

\$58,657,092

(See Notes

BALANCE SHEET

AND SUBSIDIARIES

LIABILITIES

CURRENT:

Unsecured Notes Payable	\$ 5,396,825	
Accounts Payable	3,948,193	
Accrued Salaries, Wages, Commissions and Expenses	3,299,859	
Accrued Domestic and Foreign Taxes	3,976,372	
TOTAL CURRENT LIABILITIES		\$16,621,249
3½% SINKING FUND NOTES DUE MAY 1, 1969 (Note C)		8,000,000
DEFERRED FEDERAL TAXES ON INCOME — principally tax on accelerated amortiza- tion of emergency facilities (Note B)		639,215
CAPITAL STOCK:		
Common Stock \$5 par value:		
Authorized — 1,000,000 shares		
Outstanding — 649,762 shares	\$ 3,248,810	
CAPITAL SURPLUS	2,140,700	
EARNED SURPLUS (retained for use in the business) (Note C)	28,007,118	
TOTAL CAPITAL STOCK AND SURPLUS		<u>\$33,396,628</u>

TOTAL \$58,657,092

BULOVA WATCH COMPANY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF INCOME AND EARNED SURPLUS FOR THE YEAR ENDED MARCH 31, 1955

NET SALES	\$76,411,065
COST OF GOODS SOLD	53,196,115
GROSS PROFIT FROM SALES	\$23,214,950
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	13,592,784
PROFIT FROM OPERATIONS (after deducting \$945,957 for depreciation – Note B)	\$ 9,622,166
 OTHER INCOME:	
Interest, Discounts and Sundry Receipts	214,370
	\$ 9,836,536
 INCOME CHARGES:	
Taxes, other than income taxes	\$ 1,159,505
Interest Paid	574,344
Contributions to Employees' Retirement Plans	1,293,368
Contributions to Charities	308,398
	\$ 3,335,615
NET INCOME BEFORE INCOME TAXES	\$ 6,500,921
U. S. and Foreign Income Taxes (including \$303,174 deferred relating to accelerated amortization of emergency facilities)	3,549,100
NET INCOME FOR THE YEAR	\$ 2,951,821
Deduct – Dividends Paid – \$3.50 per share	2,230,641
	\$ 721,180
EARNED SURPLUS – April 1, 1954	\$27,285,938
EARNED SURPLUS – March 31, 1955	\$28,007,118

(See Notes to Financial Statements)

ACCOUNTANT'S CERTIFICATE

NOTES TO FINANCIAL STATEMENTS

NOTE A:

The consolidated balance sheet includes assets located in Switzerland of \$1,901,470 (of which current assets amount to \$1,856,083) as well as liabilities of \$673,210. There are also included assets located in Canada of \$2,588,729 (of which current assets amount to \$2,417,038) as well as liabilities of \$605,681. All foreign currency items have been converted at prevailing rates of exchange.

NOTE B:

Depreciation on property covered by certificates of necessity, having a gross asset value of \$4,432,164, has been booked at normal rates used by the company, although for income tax purposes the accelerated amortization of 20% per annum has been deducted. The excess of the tax amortization over normal depreciation has resulted in a temporary tax benefit of \$559,815 (\$303,174 arising during the current year) which has been charged against earnings and credited to Deferred Federal Taxes on income. The amount so deferred will be taken into earnings in the years following the amortization period, when depreciation on property covered by certificates of necessity then being booked in the accounts will not be deductible for income tax purposes.

NOTE C:

The parent company is obligated to pay \$450,000 against the 3½% Sinking Fund Notes on May 1, 1957 and on May 1 of each year thereafter. Additional payments may be made in any year but if such additional payments exceed \$450,000 in any one year a premium must be paid on the excess.

Under the terms of the Notes, the company has agreed not to permit its working capital to fall below certain prescribed limits, and has also agreed to restrictions on the creation of additional funded debt and on various other matters.

The terms of the Notes place certain restrictions on the payment of dividends, other than stock dividends, and on the purchase or retirement of shares of the company's capital stock. The net effect of these restrictions is to limit the amount available for dividends and stock purchases after March 31, 1955, to \$2,721,180, plus subsequent earnings, less annual sinking fund payments of \$450,000 commencing May 1, 1957.

NOTE D:

Federal income tax returns for the years ended March 31, 1951 and prior have been examined by the Treasury Department and all taxes for such years have been settled.

NOTE E:

Profits under contracts with the United States Government subject to price redetermination and renegotiation have been cleared through the year ended March 31, 1953. Management is of the opinion that no excessive profits were realized for the years ended March 31, 1954 and 1955.

NOTE F:

The unpaid cost as at March 31, 1955 of past services in connection with the company's employees retirement plan as determined by independent actuaries is \$731,848, subject, however, to termination or amendment as provided in the plan. It is expected that this amount will be charged to income over a period of 14 and ¾ years.

NOTE G:

At March 31, 1955 options to purchase 16,815 shares of the parent company's stock at prices ranging from \$30.50 to \$45.50 per share were held by certain officers and employees. During the year ended March 31, 1955 options for 27,285 shares were exercised at prices ranging from \$30.50 to \$35.00 per share. All options have been granted at 85% of the quoted market value on the dates of grant. The difference between the option price and market value is charged against income and credited to capital stock held for resale to officers and employees.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors
of Bulova Watch Company, Inc.

PEAT, MARWICK, MITCHELL & CO.
SEVENTY PINE STREET
NEW YORK 5, N. Y.

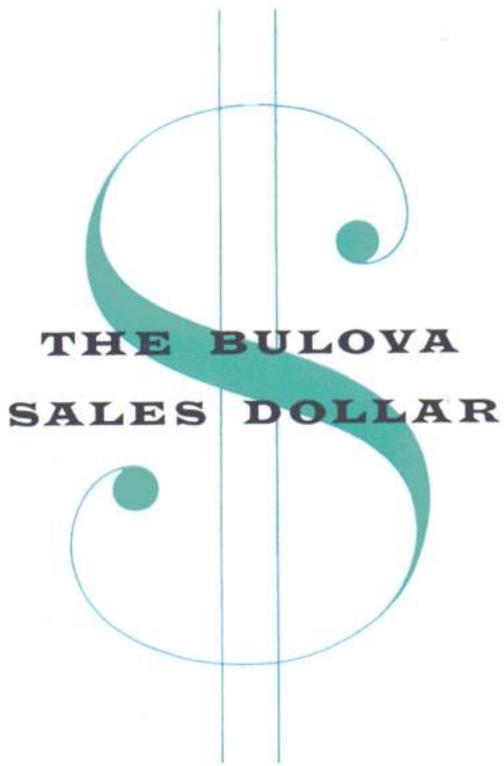
We have examined the consolidated balance sheet of Bulova Watch Company, Inc. and subsidiaries as of March 31, 1955 and the related statement of income and earned surplus for the year then ended. Our examination, which included all companies and branches except two Canadian subsidiaries and the Swiss branch, was 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. It was not practicable to confirm by correspondence amounts due from the United States Government, but we satisfied ourselves as to such amounts by means of other auditing procedures.

The accounts of the Canadian subsidiaries and the Swiss branch which are included in the consolidated statements were examined by other independent accountants. The assets and net sales so examined constitute 8% and 4% respectively of the related consolidated figures.

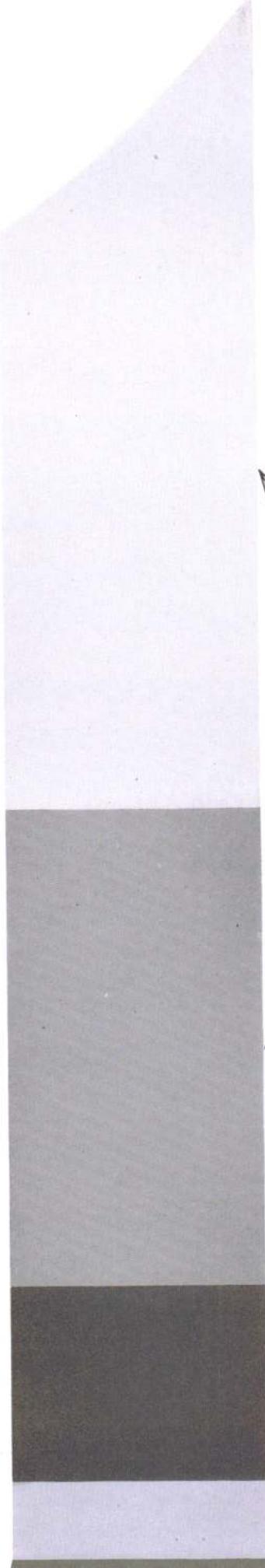
In our opinion, based on our examination and on the reports of other independent public accountants, the accompanying consolidated financial statements present fairly the financial position of Bulova Watch Company, Inc. and subsidiaries at March 31, 1955 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.

New York, N. Y.
June 17, 1955



**THE BULOVA
SALES DOLLAR**



LABOR 42.1¢

MATERIALS
AND
PURCHASES 34.5¢

GENERAL
BUSINESS
EXPENSES 14.0¢

TAXES 5.6¢

DIVIDENDS
PAID 2.9¢

RETAINED FOR
BUSINESS
DEVELOPMENT .9¢

FINANCIAL POSITION END OF FISCAL YEAR

ASSETS

Cash and Government Securities	\$ 5,486,770
Owed to us by our Customers	15,988,939
Civilian Inventories	8,827,453
Owed to us by U. S. Military Procurement Services	15,955,842
Company's Stock Held for Resale and Amounts Due us for Stock Sold	688,476
Plant Properties and Equipment	9,704,860
All Other Assets	2,004,752
TOTAL	\$58,657,092

LIABILITIES

Current Payables for Raw Material, Payrolls, Taxes, etc.	\$11,863,639
Borrowed Capital	13,396,825
Total Liabilities	\$25,260,464
Stockholders' Equity	33,396,628
TOTAL	\$58,657,092

SUMMARY

Income Before Federal Income Taxes	\$6,500,921	Dividends Per Share	\$3.50
U. S. and Foreign Taxes on Income	\$3,549,100	Earnings Retained in the Business	\$721,180
Net Income	\$2,951,821	Ratio: Current Assets to Current Liabilities	2.8 to 1
Net Income Per Share	\$4.54		



THE JOSEPH BULOVA

SCHOOL OF WATCHMAKING

40-24 62nd Street • Woodside, L. I., N. Y.

"To serve those who served us"

At the Joseph Bulova School of Watchmaking, disabled war veterans are taught the complicated art and science of watchmaking and watch repairing — then placed throughout the country in jobs for which they have been trained.

Founded in 1944, the School is financed entirely by the Bulova Foundation, without federal funds or subsidies of any kind. There is no charge at all to the disabled veteran and, upon graduation, he leaves fully equipped to earn a fine living for himself and his family.

THE BULOVA WATCH COMPANY FOUNDATION

Effective April 1, 1955, the Bulova Foundation was incorporated as The Bulova Watch Company Foundation, with the following directors: Arde Bulova, John H. Ballard, Harry D. Henshel, Emily B. Henshel, Thomas A. Morgan, Beardsley Ruml, Mrs. Louise B. Guilden and Stanley Simon.

This Foundation, to which all your Company's philanthropic contributions are made, provides funds for the Joseph Bulova School of Watchmaking and other meritorious activities, including the scholarship award program for children of Bulova employees.



