



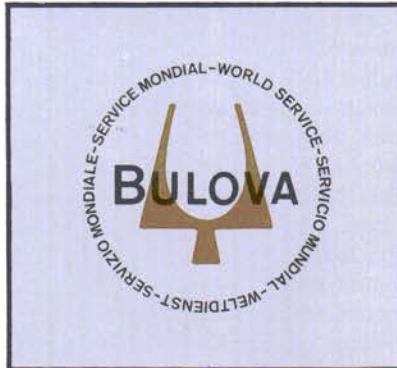
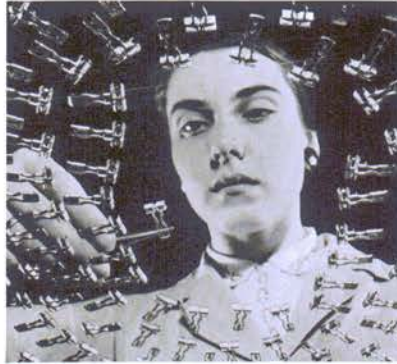
ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 1965



BULOVA

WATCH COMPANY, INC.

ANNUAL REPORT
FOR THE YEAR ENDED
MARCH 31, 1965



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ANNUAL MEETING

Tuesday, July 27, 1965
11:30 A.M. (EDST)
Bulova Park, 75-20 Astoria Boulevard,
Jackson Heights, New York

20. Source and Use of Funds
 21. Consolidated Statement
 22. Consolidated Balance Sheet
 24. Notes to Financial Statement
 24. Report of Independent Public Accountants
- Inside Back Cover Directors & Officers

To The Stockholders:

Consolidated net earnings of the Bulova Watch Company, Inc. and subsidiaries for the fiscal year ended March 31, 1965 were \$2,784,579 equal to \$1.44 per share of common stock outstanding; fiscal 1964's earnings were \$2,431,600 or \$1.26 per share based on the number of shares then outstanding, adjusted retroactively for the 2% stock dividend of June 29, 1964.

Sales for the year were \$84,200,736, an increase of 15 per cent over the previous year's sales of \$72,969,402. This is the highest sales volume in the Company's 91 year history.

The significant gains in sales and earnings were the result of substantial growth of all of the Company's consumer product lines.

Your Company's industrial and defense product mix, reflecting in many instances unique horological skills, has now achieved a better balance of volume and profit contributions with our consumer commercial business.

Accutron electronic timepieces continued to pace the growth of Bulova consumer products at home and abroad. The ever-growing recognition of its unique performance has even broader and more important implications.

This favorable consumer reaction has had a stimulating effect on the Bulova jewelers who, with confidence that comes from having this unusual and exclusive product, are now selling all Bulova lines enthusiastically and more intensively.

Sales of the low-cost, high value Caravelle watch line have continued to grow impressively as the second-largest-selling jeweled-lever watch (nation-wide) in numbers of units, exceeded only by the Company's familiar line of Bulova watches.

It is important to recognize that the leadership position of conventional Bulova watches has in no way been eroded by Accutron timepieces and Caravelle watch sales because their volume comes from markets and price levels relatively new to your Company. Radio, stereo units, and clocks comprising the non-watch portion of consumer products, continued to complement watch sales, increasing in volume sales and in number of distribution outlets.

The cumulative significance of this product diversification is that it provides the Bulova retailer with maximum variety and depth of price range, without duplication of inventory.

Volume of sales abroad has grown satisfactorily in the past year. The Company emerged with one of the strongest overseas trade advertising and promotion programs that any watch manufacturer has ever attempted. While foreign sales attained new highs, development and expansion of existing and new foreign markets proceeded at a more modest pace with emphasis on extension of distribution, service and marketing support.

Long-term financing arrangements were successfully completed during the year. Working capital at March 31, 1965 increased to \$55,115,489 compared with \$35,900,869 at March 31, 1964.

Your Board of Directors, in recognition of a higher level of earnings, declared on May 13, 1965, in addition to the regular quarterly cash dividend of 15¢ per share, a 2 per cent stock dividend payable June 29, 1965 to stockholders of record June 9, 1965. This second consecutive stock dividend was declared in lieu of increasing the cash dividend because of our continuing working capital requirements which reflect the accelerating growth in your Company's business.

Prospects for the years ahead are both challenging and exciting. Studies indicate that consumers' attitudes and their buying plans are being primarily channeled toward improving their standards of living. Goods that combine prestige and functional value are the foundation of the Company's varied product lines and should continue to gain consumer acceptance in this environment. With effective distribution now world-wide, product lines and dealer marketing support at the strongest level in the history of the Company, a further rise in sales and earnings is reasonable to anticipate in the current fiscal year as well as in the years immediately beyond, if the domestic and foreign economies continue on an upward trend.

Respectfully submitted,

Omar N. Bradley *Harry B. Henshel*

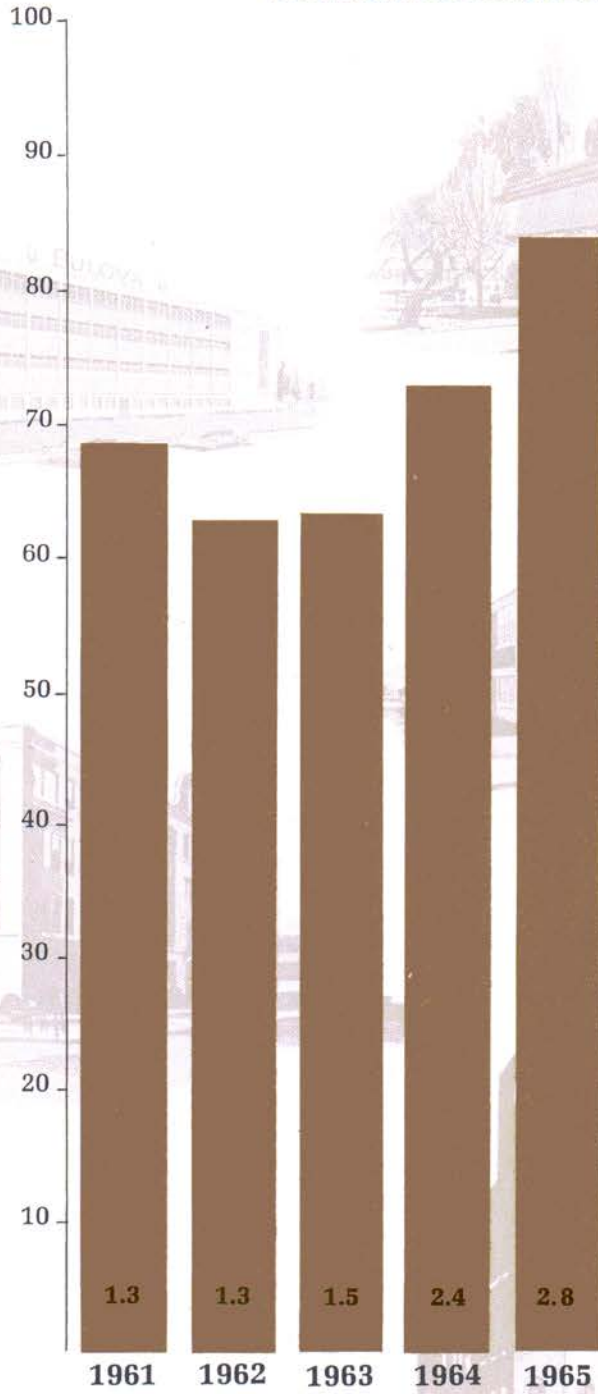
Omar N. Bradley
Chairman of the Board

Harry B. Henshel
President

June 15, 1965



Bulova Headquarters, Bulova Park, Long Island, N. Y.



NET SALES
Millions of Dollars

Bienne, Switzerland

Neuchatel, Switzerland

Toronto, Canada

Woodside, N. Y.

NET PROFITS
Millions of Dollars

(for fiscal years ended March 31)

Sag Harbor, N. Y.

Providence, R. I.



Highlights

Year Ended March 31	1965	1964
NET SALES	\$84,200,736	\$72,969,402
INCOME BEFORE INCOME TAXES	\$ 5,459,579	\$ 4,006,600
NET INCOME AFTER INCOME TAXES	\$ 2,784,579	\$ 2,431,600
NET INCOME AFTER INCOME TAXES Per Share*	\$ 1.44	\$ 1.26
CASH DIVIDENDS Per Share	\$.60	\$.60
CURRENT ASSETS	\$74,002,660	\$62,228,755
CURRENT LIABILITIES	\$18,887,171	\$26,327,886
WORKING CAPITAL	\$55,115,489	\$35,900,869
CURRENT ASSET RATIO	3.9 to 1	2.4 to 1
STOCKHOLDERS' EQUITY Per Share	\$ 21.27	\$ 20.44

Directors Shown Above

Top Row: General Omar N. Bradley, Chairman—Harry B. Henshel, President—
R. C. Allen—George M. Bunker—Benjamin H. Dorsey
Bottom Row: Sol E. Flick—James McCormack, Jr.—Thomas A. Morgan—
John L. Weinberg

Five Year Financial Review

Fiscal Years ended March 31

OPERATING RESULTS:

	1965	1964	1963	1962	1961
Net sales	\$84,200,736	\$72,969,402	\$63,263,275	\$62,805,592	\$68,731,270
Income before income taxes and special credits	5,459,579	4,006,600	2,877,514	2,961,360	2,891,223
Net income (excluding special credits)	2,784,579	2,431,600	1,482,514	1,301,360	1,311,223
Net income per share*	\$ 1.44	\$1.26	79¢	69¢	69¢
Cash Dividends paid	1,158,228	1,121,465	1,109,734	1,115,839	1,122,824
Earnings retained	1,626,351	1,310,135	372,780	287,862	388,415
Cash Dividends paid per share	60¢	60¢	60¢	60¢	60¢
Stock Dividend paid	2%	—	—	—	—

FINANCIAL POSITION (Year-end):

Current assets	74,002,660	62,228,755	54,792,382	50,467,177	50,629,529
Current liabilities	18,887,171	26,327,886	19,714,851	14,802,474	17,108,464
Working capital	55,115,489	35,900,869	35,077,531	35,664,703	33,521,065
Total assets	83,580,663	71,146,000	63,218,522	58,469,491	61,116,217
Stockholders' equity	41,269,516	39,441,510	37,317,781	37,015,948	36,789,909
Stockholders' equity per share	\$21.27	\$20.44	\$19.79	\$19.56	\$19.39
Long-term debt	22,482,500	4,400,000	4,850,000	5,300,000	5,750,000

ADDITIONAL DATA:

Shares of capital stock, excluding stock held for resale, adjusted for 2% stock dividend June 29, 1964	1,940,086	1,930,004	1,886,063	1,891,979	1,897,130
Additions to Plant Property	1,208,439	1,146,423	784,962	765,534	670,692

*Based on the number of shares outstanding at the end of each period, adjusted retroactively for the 2% stock dividend of June 29, 1964.



Consumer Products

Accutron

Accutron timepieces, although only in their fifth year, have firmly established themselves in the jewelry industry marketplace. For the second consecutive year, the electronic timepiece sold-out early in pre-Christmas bookings, the most tangible evidence of its market appeal. Seventeen railroads certified the timepiece for road use, bringing to 56 the number of major lines approving use of Accutron for operating personnel. Once an eight-model line, its growth is further reflected in the ten clocks, sixty men's models, and, for the first time, six women's pendant models now comprising the line. Research programs underway, indicate that the potential of its unique design has not yet been fully exploited. Psychologically Accutron has served as a stimulant to neighborhood retail jewelers who found, contrary to their experiences, that their middle to low-upper price bracket customers could be sold up to the \$125 and over category via Accutron. Annual sales of Accutron timepieces in the United States now exceed the sale of all other men's watches in its price range.

Considerable attention was paid during the year to extending the network of strategically located accredited Accutron service stations in order to expedite normal repairs, adjustments and service. Seven independently-owned but Bulova-certified Accutron Field Service Stations now provide prompt warranty service for jewelers. The stations are staffed with Bulova-trained service technicians. The Company's Field Technical Services Department developed a training and familiarization course for Accutron which is now offered at seventeen of the nation's watchmaking schools by graduates of this Joseph Bulova School of Watchmaking course. In addition, a new 8-hour Accutron bench course was also developed for jewelers and watchmakers, and has already been given to more than 1,000 "students," in the field. A new 25-minute color film on the Accutron electronic timepiece is available for

showing on such occasions, and for use at jewelers or watchmaker conventions and meetings.

The Watchmaster Products Division continues to make available a full line of service equipment that includes the factory-authorized Accutron service kit.

Paralleling, and to some extent, outdistancing the personal timekeeping application of the Accutron movement has been its harnessing to a diverse array of industrial and defense assignments. The Accutron Timer Laboratory has logged more than 100 different variations and combinations of the Accutron mechanism as they have been specified for use in our 500 industrial, federal research and development laboratories and with many space and defense contracting firms. While volume is still modest despite a quadrupling of orders, it is the range of application which best reflects the potential significance of this area of Accutron development. To date such mechanisms have been used in satellites to turn radio equipment on or off, to send "pulse" signals through the air, to control intermittent signals, and to activate missiles and other exotic hardware. A notable example of space-age assignments given Accutron timers is incorporated in each of the two Pegasus satellites, one placed in orbit early in 1964, the other in May of 1965. Moreover an Accutron timer installed in Telesat II, launched May 7, 1963, turned off, on schedule, the satellite's radio transmitter on May 16, 1965. Man's ambitious attempt to explore the Moon via Project Apollo, has generated further assignments for Accutron-based timers, these devices being employed in the Lunar Excursion Module (LEM). Not only is the application of such timing devices apparently limited only by the need and the ingenuity of man, but its use in such varied functions is continued testimony of the fundamental achievement of Accutron, to wit, the establishment of a new standard of accuracy, durability and consistency in time-keeping.

Quality Controls include a frequency test on each Accutron tuning fork for electronic timepieces and for the more than 100 different Accutron-based timing devices. Accutron forks vibrate 360 times a second, 31,104,000 times each 24 hours.



Bulova

Bulova watches, long proven leader of watch lines, continued to keep pace with the gains registered by the two new lines, Accutron and Caravelle. Some 500 new retailers took on the line. This together with the impetus generated by the enlarged sales forces and the increased effectiveness and efficiency of advertising and marketing programs resulted in an increase in sales. Four new series were introduced: the First Lady, Commander, Ambassador and the highly successful Candlelight diamond watch models. Of the 452 Bulova watch models available, 107 are diamond-set models as the Company maintains its strong position as the world's foremost manufacturer of diamond watches.

The ten model First Lady line is an extension of a thirty-seven year tradition of presidential-year feature models commemorated last spring with the men's President line. The First Lady styles emphasize high fashion design and are diamond-ornamented. The seven Commander models are thin 30-jeweled automatic movements of strong masculine design; the eleven models in the domestic Ambassador line and twenty-six in the international version, are waterproof, ultra thin automatic models, some calendar styles, incorporating 17 and 30 jewels respectively. The design features were matched to those most frequently mentioned by men in various consumer surveys conducted for the Company. The eight watch styles in the Candlelight series, newest of the diamond-ornamented women's watch line, are 23 jeweled watches incorporating up to 12 diamonds. The consumer response to these watches has been extremely good.

Sales of Bulova watches, growing in unit and dollar volume, are approximately twice that of any single competing brand.

The recently completed survey of jewelers indicated wide respect and recognition for the vigorous marketing programs the Company maintained as basic support to domestic products and to Bulova franchised dealers. Effectiveness of these programs improved during the year and a higher degree of efficiency was attained in integrating all facets—advertising, sales promotion,

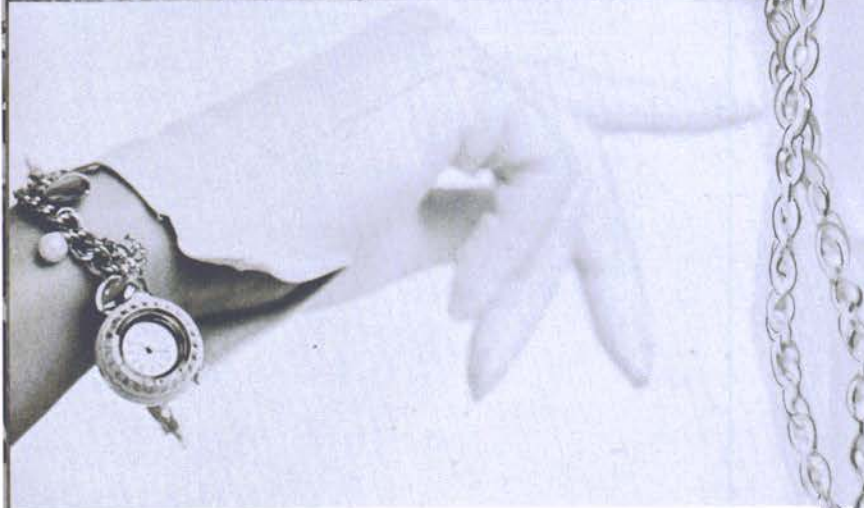
direct mail, point-of-sale and public relations—into cohesive campaigns. Considerable effort continued to communicate the company's forthright "Constructive Distribution" policy, the objective of which is to recreate a better retail environment for selling watches. The essence of the philosophy is one of "reciprocal marketing," wherein the Company for its part acknowledges its responsibility for quality, product design, innovation, competitive prices, reliable delivery and substantial pre-selling efforts. Correspondingly, the franchised retailer is expected to reciprocate by knowing his products and standing behind them, by maintaining a meaningful inventory, utilizing promotional aids made available to him and selling with enthusiasm and a perceptive sense for value. The principles are fundamental but heretofore taken so much for granted that it remained for the Company's clear-cut re-definition of them to bring them into better focus.

Still another example of the practical assistance rendered Bulova dealers is the growing program of clerk training wherein the Company's training director develops in-store programs designed to increase the salesmanship and efficiency of the sales clerk. It is axiomatic that as the sales and profits of the franchised jeweler increase, so, too will the proportionate amount of Bulova, Caravelle and Accutron units sold.

A vital link in the Company's marketing and merchandising programs has been the numerous national, state and regional publications servicing, editorially, the more than 17,000 retail jewelers in the nation. These publications receive high priority in the Company's communication activity with the jewelry industry and contribute to the improved relations with retail jewelers.

A most important aspect of your Company's watch business is its unique in-house capability, in addition to producing movements, to design, develop and manufacture our own watch cases. Bulova is the only watch manufacturer with a proven capability of making every type of watch case under one roof, with across-the-line quality control benefits resulting in greater manufacturing and marketing flexibility.

The reliable accuracy and enduring beauty of each Bulova watch are the result of 3,500 separate manufacturing operations by the skilled craftsmen who produce Bulova watches.



Caravelle

Caravelle watches, which in a short life span of some three years have already moved to second position in volume among all jeweled-lever brands in the country—exceeded, as mentioned earlier, only by the Company's own Bulova line—continued to mark notable sales increases. Retail value of Caravelle watches shipped since the line achieved national distribution in January, 1962, has exceeded \$50 million. It is the best-selling jeweled-lever watch in its price category, from \$11 to \$30. Because of its lower selling price, Caravelle watch sales are predicated upon saturation or mass market volume and the initial objectives were reached during the year. More than 2,500 new accounts were opened. The selections in the line expanded to over 100 models, as contrasted to 38 styles in the original line. The Caravelle line styles now range from diamond watches to sports models, from waterproof and calendar models to pocket styles. A design innovation was the introduction of a series of colorful pendant model charm watch spheres, heart shapes and discs suitable for wearing as fashion accessories, including those offering detachable color rings to offer greater flexibility in color coordinating the timepiece with apparel. As a complementary feature to this line, the Company added two series of Caravelle clocks, one a conventionally operated tiny alarm clock with a calendar feature and a jeweled movement, the other, a small, battery-powered jeweled-lever alarm clock.

The addition of the pendant model charm watches and the series of Caravelle clocks has enabled Caravelle to increase its scope of distribution to include various types of retail outlets ranging from jewelry stores to department stores, gift boutique stores, and specialty stores. The selection of these retail outlets has followed the Company's policy of Constructive, Selective Distribution. The widening of Caravelle distribution,

thereby creating greater product exposure and greater product availability to the consumer, has had an all-encompassing favorable result on all of the Company's franchise dealers. Because of Caravelle's low cost there is some tendency towards impulse purchasing on the part of the consumer. A visual exposure at one retail outlet has many times lead to the ultimate purchase in another retail outlet. By offering competition to the disposable pin lever watches in those shopping areas outside the jewelry store, Caravelle by virtue of its strong association with Bulova will inevitably bring more business to the franchised Bulova jeweler and will have a favorable long range implication with these dealers.

An additional example of the versatility in the Caravelle product line was the introduction of an economy-priced transistor Caravelle radio. The battery-operated radio, selling for \$11.95, is being marketed under its own trademark, Caravelle, and it is anticipated that it will complement not only the Caravelle line, but the Company's electric product line as well.

Caravelle watches and radios are sold by a newly created separate, sales force which also sells Bulova Electric Products. The record attests to the effectiveness of this new selling team and to keep pace with the steadily broadening acceptance of, and demand for, Caravelle products, this sales force was enlarged, bringing its total to over fifty men. The combined sales teams—including the Accutron/Bulova force—constitute the largest sales force in the history of the Company, and in the industry. The added sales concentration made possible from this expanded sales force is fundamental not only to obtaining distribution for the Company's varied product line but also to sustain the long-range sales objectives set down for all products.

Attractively-styled clocks and eye-appealing charm watches—expanding the Caravelle line to more than 100 models—have helped push sales of these high-value, economy-priced products to a three-year total of more than \$50 million.

Bulova Electric Products

Bulova Electric Products, radios and stereo units, have proven to be a natural adjunct to the product inventory of the Company's franchised dealers and have been given development emphasis consistent with this distribution.

The line of 28 transistor radios, radio-clocks, clock radios, table AM-FM radios and portable transistorized monaural and stereo phonograph models began to pick up sales momentum during the last half of the 1964 calendar year and continued strong in the first quarter of 1965.

A stronger emphasis thereby has been placed on associating Bulova electric home entertainment products with Bulova timepieces. Additional models of all transistorized (solid state) clock radios were introduced. The introduction of the cordless clock radio created a unique, decorative piece that was not bound to an electrical outlet. It is expected that this versatile, useful and practical time and home entertainment precision instrument will play a greater role in home furnishing decor as it is not bound by limitations of an electrical cord.

The introduction of the unique, two-face swivel radio-clock was a revolutionary new concept in clock radio design by Bulova. (The unit swivels at a touch of the finger from radio to clock and from clock to radio.) This design features a fully transistorized (solid state) radio on one side and a jeweled-lever battery-powered clock on the other. The clock automatically turns the radio on and off at a pre-set time or the radio may be operated independently.

These models caught public fancy and led the product line in sales. The majority of the line are cordless, battery-powered electric models, a design convenience providing for the utmost flexibility in use and ease in operation. Abroad, this feature is of special significance since wide variations of voltage exist and dependence upon

an electrical cord is a factor restricting the use of these products.

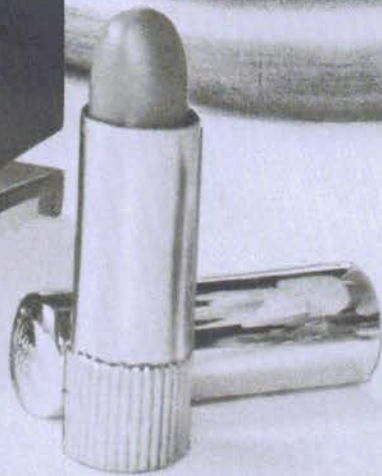
A new competitive dimension was added to the line with the introduction of the previously mentioned "Caravelle" low-cost transistor radios.

The two most important departures in the design of the line of Bulova electric products, from previous years, is the aforementioned unique "swivel" design for the two new radio-clock models and the complete change-over to solid-state transistorized circuitry for Bulova's portable phonograph line. The former represents the first significant design change in the automatic clock radio field since the early 1950's. The solid-state circuitry reflects emphasis on product improvement that has contributed much to the new competitive quality of the full line and carries forward design innovations that began with the development of the first Bulova clock radio in 1929; one of the first shirt-pocket radios in 1956 and the first transistorized "miniature" clock radio in 1962.

All models have a one year guarantee and listed retail prices include such extras as ear-phone, leather carrying case, batteries and gift package.

The uniqueness of design and quality of product plus consistent improvement in the product line, in keeping with the Bulova tradition, has led to the increased distribution of Bulova Electric Products to an ever-diversified spectrum of dealers. Bulova Electric Products are now sold in department stores, music stores, jewelry stores, specialty stores and fine gift shops. Controlled franchise distribution has led to more than 1,300 additional retail outlets that took on the radio/stereo line last year. Principally for these reasons, it is anticipated that Bulova electric products will now contribute their full share to the continued growth of domestic product sales in 1965 and beyond.

New radio-clock mirrored in photograph—one of two unique "swivel" models introduced—helped Bulova Electric Products line to register significant sales gains.



Bulova Overseas More than 200 styles of watches and Accutron electronic timepieces comprise the international line sold by the Company abroad. When France, Scandinavia and South Africa are added later this year and early in 1966, the Company will have a firm foothold in every important existing free world market. International sales contribute approximately 10 per cent to the Company's total consumer product business. The distinctive features of Accutron and Caravelle have proven to have equal consumer appeal abroad and as distribution of these timepieces broadens they are serving as effective market openers for the Company.

Although there was a 15 per cent increase in the number of foreign retail outlets selling the international line, principle emphasis during the year was directed toward expanding and strengthening the sources of supply, distribution and service. An ultra-modern three-story manufacturing and research facility was opened in Neuchatel, Switzerland and a subsidiary established in West Germany. The expanded Hong Kong branch last year shipped over one million dollars worth of watches to customers ranging from Australia to Japan.

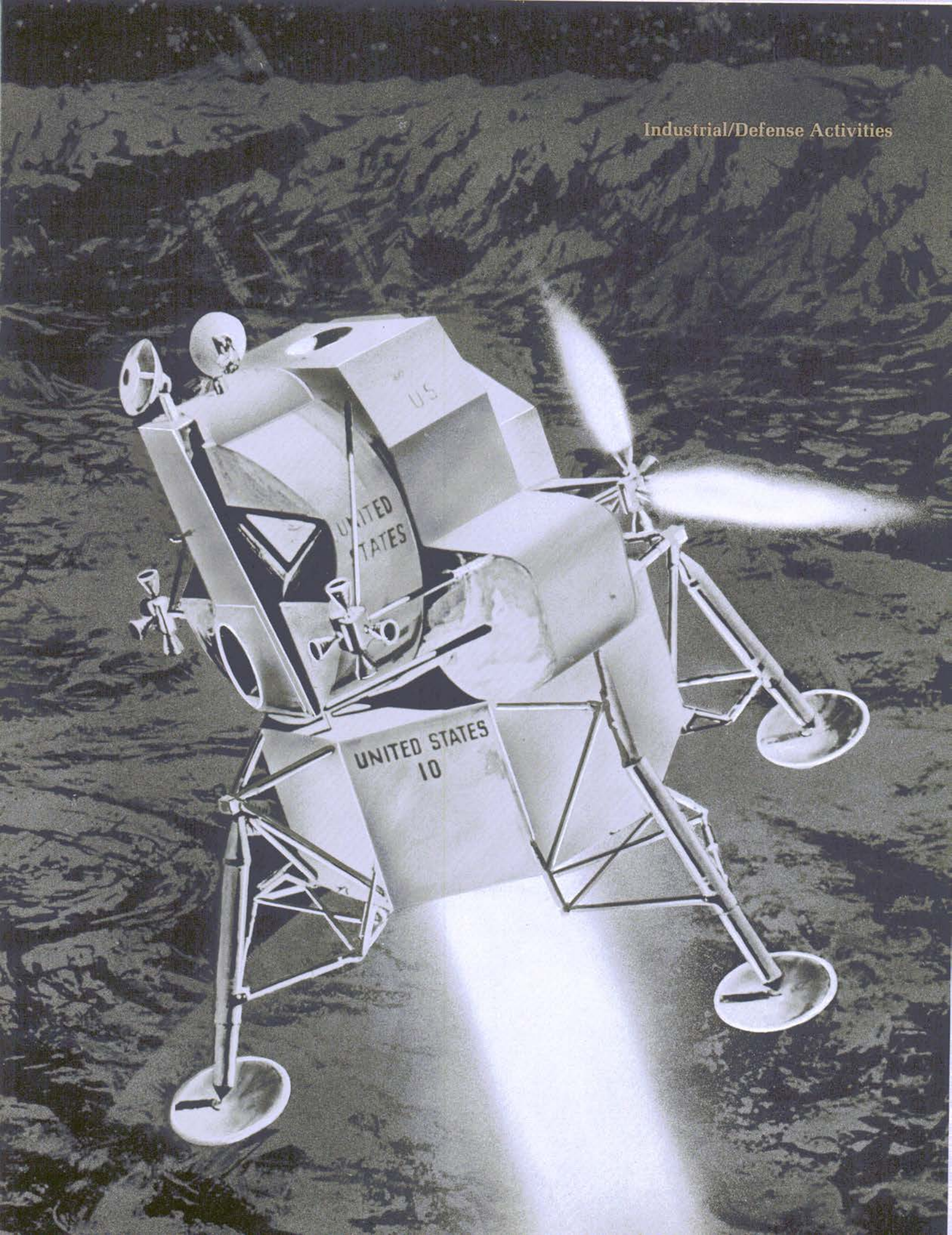
One yardstick of the growth abroad is reflected in the demands on production output at the Bienne, Switzerland plant. Overseas requirements now account for approximately 20 per cent of the Bienne plant's exports, almost all of it generated within recent years. Foreign markets also account for 100 per cent of Bienne's Accutron production in addition to some U.S. Accutron production.

The market picture abroad presents the unusual paradox of older existing markets growing at about the same pace, insofar as the Company's consumer products are concerned, as the newly emerging ones. A personal timepiece is not only prized for its functional value in the older markets but also is widely adopted as manifestation

of a higher standard of living in the areas where per capita income is extremely low. The Company therefore anticipates a steady increase in volume, from mature markets such as Great Britain, Italy, Germany, Switzerland; the exploding markets of Japan and the Far East and South America; and the relatively new market areas such as Taiwan, New Zealand, Peru, Senegal and Bolivia.

Tariff At the close of our fiscal year, no Government determination had been made as to whether duties on imported watch movements should be reduced or maintained at their present rates. After a fifteen month investigation, the United States Tariff Commission reported to the President that the probable economic effect of tariff reductions on Bulova and the other domestic producers, would be an idling of productive facilities and a decrease in employment. In August, 1964 a special subcommittee of the United States Senate Committee on Armed Services met to consider the importance of the American horological industry to the national defense program. It concluded that the domestic watch industry, now making a significant contribution to missile, space and other military programs, is important to the national security of this country. Following a directive by President Johnson, the Office of Emergency Planning is now conducting an investigation to determine the effect of watch movement imports on the national security. A report of this investigation is expected in October of this year. Since we have the flexibility of drawing upon Company facilities in Switzerland and other foreign sources, duty reductions will not result in financial loss to the Company. Even so, this matter is of grave concern to us as citizens, for with a reduction in such duties there will be an inevitable decrease in domestic watch production and with it, the loss of skilled personnel and manufacturing facilities that have been contributing to vital defense and missile programs.

Two Accutron based optical choppers—a Bulova development that uses tuning forks to modulate light and energy beams—are being supplied for the Lunar Excursion Module (LEM).





Industrial/Defense Activities

Industrial/Defense activities are carried on by three major Divisions: the Systems and Instruments Division, the Electronics Division, and the expanded Technical Sales and Services Division as well as in the domestic watch movement and watch case making facilities of the Company.

Systems & Instruments Division continued parallel programs to further diversify its participation in U.S. Government research, development, and production programs, while simultaneously launching development effort aimed at industrial and commercial markets. An example of this new activity was the continued design and prototype production of highly-automated microcircuit manufacturing equipment.

The new landing strip Glide Angle Indicator (GAI) for battle-zone airports, announced earlier, attracted increased attention from the Armed Services and contract for a pre-production run was awarded. Other development activity included work with Sandia Corporation on a new, complex timer which passed early engineering tests, and resulted in prototype deliveries and production orders.

Among those continuing programs were the development and production of safe-arm mechanisms and safety control switches for the Minuteman Intercontinental Ballistic Missile, the Advanced Minuteman ICBM, the Centaur System, and the Bullpup and Shillelagh Missiles. This activity stems from contracts from Aerojet General, Boeing, Hercules Powder, and Thiokol Chemical.

During the year, the Division stepped up development work on specialized reconnaissance equipment and on photogrammetric devices for automation. Deliveries of new reconnaissance equipment have begun under contract to General Dynamics, and a new automatic photographic rectifier was supplied under contract from the U.S. Navy. The Division also undertook a contract for the development of a new type of advanced universal fuze.

Electronics Division The year was one of growth and achievement for the Division with both overall sales and profits showing substantial increases. The percentage of defense business declined, as emphasis on industrial activity continued.

Product developments and improvements included: precision glass-sealed and "Kold-weld" sealed crystals to meet requirements for higher reliability and lower aging rates in quartz crystals; packaged solid-state crystal oscillators with

frequencies up to 200Mc; crystal filters with delay distortion and linear phase control; a new line of "Mini-Comp" filters; and an expanded line of servo loop products.

In addition, there were new applications of the optical chopper, a proprietary development of the American Time Products department that uses tuning forks to modulate light and energy beams. Two Accutron tuning fork devices using the optical chopper are being supplied for the navigation system of Project Apollo. One device will be used in the star-tracker system and the other in the horizon sensor system.

This Division's products are being supplied to leading companies for use in such space and advanced aircraft programs as Project Apollo, the Saturn and Centaur rockets, the anti-missile rocket Sprint, the F-111 bi-service combat jet, and a variety of sophisticated communications and navigation systems.

Technical Sales & Services Division This Division was established during the year to strengthen and multiply the Company's technical equipment and training activities in support of the retail jeweler and professional watchmaker. The Watchmaster Products Division became a department of the new division, which also has four other internal departments: Accutron Customer Services (field & factory); Field Technical Services; the Material Sales Division; and Special Correspondence & Service.

The U. S. Government-owned **Turtle Mountain Ordnance Plant**, located near Rolla, N. D., continues to be operated by Bulova at cost plus a \$1 annual fee. The plant is the only domestic source of jewel bearings needed for precision instruments used in space and defense systems, including certain new types of advanced medical equipment. In 1964 the Government authorized expansion of the plant facilities and took title to adjacent land for the addition of a new \$338,400 building to be completed and opened in 1965.

Manufacturing Two major U.S. Army manufacturing contracts for a wide variety of artillery projectiles and safety-arming devices for air-to-ground rockets were awarded during the year past to the Company, demonstrating anew the versatile application of jeweled-lever watchmaking engineering and production facilities to the service of defense agencies. To satisfy the priority requirements of fuze manufacturing contracts, an additional two and a half floors of production space were employed.

Technicians of the Bulova Systems & Instruments Division, working under close security in a "dust-free" environment, now are producing a new, complex timer for Sandia Corporation.

Other Company Activities

Joseph Bulova School of Watchmaking The School, which will commemorate its twentieth anniversary this year, received the Distinguished Service Award of President Lyndon B. Johnson's "Committee on the Employment of the Handicapped." Current enrollment is 95 and when they graduate the alumni body will total well over 800 graduates.

The international scholarship program to develop and train rehabilitation instructors and program administrators, known as "Project Pride," has achieved modest success with the program's first graduates now active as watchmaking instructors in Lebanon, Israel and Hong Kong, the latter representing the first such course offered disabled young men in that city.

Once again the School co-sponsored the two-week Bulova-New York University course in retail jewelry store management and merchandising, the twenty-fifth such course offered. Seventeen states and Canada were represented in the "student body."

In 1964 the School again hosted the annual U.S. Wheelchair Games, attracting men and women wheelchair athletes from 25 states. The 22-member Bulova Watchmakers team captured third place. The competitors included 23 other teams and 27 individual entrants. Individual rankings determined membership in the 68-member U.S. Wheelchair Team that competed in the International Paralympics held in Tokyo, Japan, following the 1964 Olympic Games. There the U.S. team, managed by Benjamin H. Lipton, Director of the School, ranked top among 21 competing national teams.

This month the School will host the 9th annual U.S. Wheelchair Games at Bulova Park. The wheelchair athletes will compete for berths on the U.S. Wheelchair Team entered in the 1965 International Paralympics scheduled for London, England.

The 1964 Olympics increased popular and community interest in sports throughout the United States, and more jewelers than ever before re-

quested sets of synchronized sports timers (stop watches) for use by sports officials at amateur events. A total of 14,563 timers were employed in 880 different meets and events, and requests for timers for use in 134 meets could not be satisfied. Most of the timers were used for swimming, track and field events, including the Olympic tryouts in New York and Los Angeles. Others were used for sports car rallying, boat races, model plane meets and many other varieties of sports where the measurement and recording of second-splitting timing is critical to competition.

In addition, the "electronic eye" of the Bulova "Phototimer" was used throughout the year at most major indoor and outdoor track meets, including the Olympic field, track and crew tryouts as well as a variety of special events.

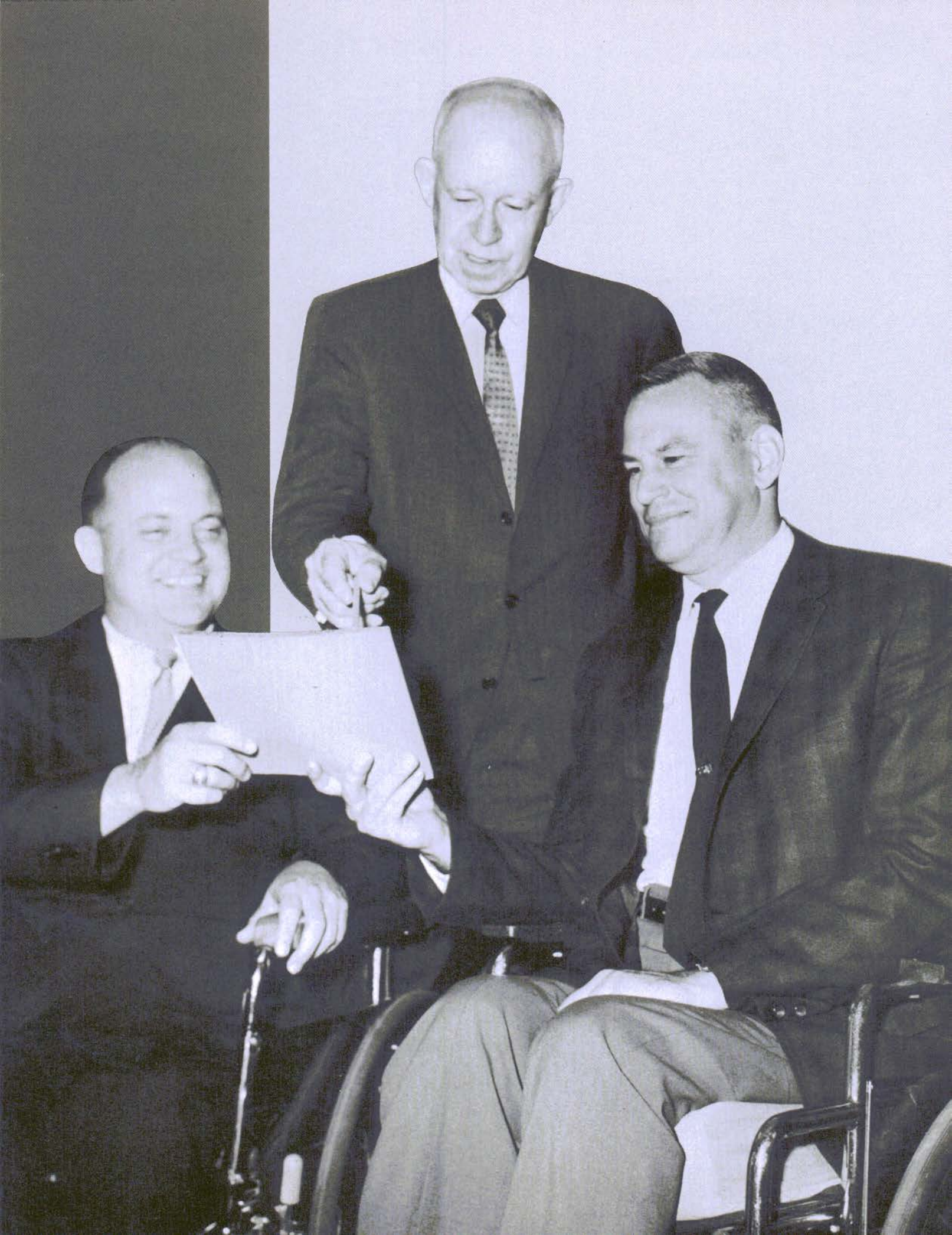
The sports timer program, originally launched experimentally 20 years ago, has become a major company service to jewelers and through jewelers to an ever larger number of communities. Scheduling requires that these requests from jewelers be received at least 8 weeks prior to their anticipated local use.

The People of Bulova Relations with employees continued to be harmonious and were highlighted during the year by signing of a three year pact with the production employees, an unprecedented labor contract for the Company. Total employment rose to some 4,200 employees domestically and 1,400 abroad. More than 1,000 have been with the Company for fifteen years or longer; 230 have twenty-five years or more of service.

Forty-one employees retired under the Company's Pension Plan, bringing to 338 the total number of employees who have participated in this plan during the past twenty-two years that it has been in force.

The Scholarship Fund for employees' children, initiated in 1953, has aided 248 "students" and 82 schools for total expenditures of approximately \$443,397.

General Omar N. Bradley shown planning successful nation-wide fund drive with two other directors of the U. S. Wheelchair Sports Fund. With him are Dwight D. Guilfoil, Jr. (left), president of Paraplegics Manufacturing Company Inc. and Robert C. Hawkes, star wheelchair athlete from Brewer, Me.



Source of Funds

	Year Ended March 31	
	1965	1964
From operations:		
Income for year	\$ 2,784,579	\$2,431,600
Charges against income not requiring funds:		
Depreciation	751,783	710,282
Deferred Federal taxes on income	(35,128)	(69,681)
	<u>3,501,234</u>	<u>3,072,201</u>
Proceeds from sale of 4 ¹ / ₂ % Convertible Subordinated Debentures	8,082,500	—
Proceeds from sale of 5% Promissory Notes	14,400,000	—
Proceeds from sales of capital assets, net	51,671	40,889
Proceeds from sales of Company's capital stock to officers and employees, net	120,841	674,350
	<u>\$26,156,246</u>	<u>\$3,787,440</u>

Use of Funds

	Year Ended March 31	
	1965	1964
Dividends to stockholders	\$ 1,158,228	\$1,121,465
Additions to plant property	1,208,439	1,146,423
Payment of 3 ¹ / ₂ % sinking fund notes	4,400,000	450,000
Deferred charges	203,170	119,873
Sundry assets	(28,211)	(26,934)
Increase in working capital	19,214,620	976,613
	<u>\$26,156,246</u>	<u>\$3,787,440</u>

**Consolidated Statement of Income
and Earned Surplus**
Year Ended March 31, 1965 with Comparative Figures for 1964

	1965	1964
NET SALES	\$84,200,736	\$72,969,402
COST OF GOODS SOLD	<u>55,829,972</u>	<u>49,816,184</u>
GROSS PROFIT FROM SALES	28,370,764	23,153,218
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>19,529,106</u>	<u>16,239,199</u>
PROFIT FROM OPERATIONS (after deducting depreciation: 1965—\$751,783; 1964—\$710,282)	<u>8,841,658</u>	<u>6,914,019</u>
INCOME CHARGES:		
Taxes, other than income taxes	1,959,141	1,996,267
Interest paid (less interest earned: 1965—\$98,471; 1964—\$92,275)	1,410,182	898,350
Contributions to employees' retirement plans (NOTE 6)	<u>12,756</u>	<u>12,802</u>
INCOME BEFORE INCOME TAXES	<u>3,382,079</u>	<u>2,907,419</u>
U.S. AND FOREIGN INCOME TAXES (NOTE 2)	5,459,579	4,006,600
NET INCOME FOR THE YEAR	<u>2,675,000</u>	<u>1,575,000</u>
EARNED SURPLUS AT BEGINNING OF THE YEAR	2,784,579	2,431,600
DEDUCT DIVIDENDS PAID:	<u>30,679,352</u>	<u>29,369,217</u>
Cash—\$.60 per share	33,463,931	31,800,817
Stock—2% (NOTE 4)	1,158,228	1,121,465
EARNED SURPLUS AT END OF THE YEAR (retained for use in the business)—(NOTES 3 and 4)	<u>899,115</u>	<u>—</u>
	<u>2,057,343</u>	<u>1,121,465</u>
	<u>\$31,406,588</u>	<u>\$30,679,352</u>

(See Notes to Financial Statements)

Consolidated Balance Sheet

ASSETS	1965	1964
CURRENT ASSETS:		
Cash	\$ 2,643,776	\$ 2,399,794
Customers' accounts and notes receivable (less allowance for doubtful accounts and notes: 1965—\$789,597; 1964—\$768,879)	29,058,422	22,847,693
Other receivables	970,015	678,270
Inventories, at cost or less:		
Watch materials, including finished parts	31,267,876	27,596,485
Precious metals	2,594,389	2,397,723
Other	6,528,983	5,659,096
	<u>40,391,248</u>	<u>35,653,304</u>
Prepaid expenses	939,199	649,694
Total current assets	<u>74,002,660</u>	<u>62,228,755</u>
NONCURRENT RECEIVABLES AND OTHER ASSETS	<u>1,248,187</u>	<u>1,276,398</u>
PLANT PROPERTY, AT COST (NOTE 2):		
Land, buildings and improvements	7,772,402	7,684,171
Machinery and equipment	5,788,180	5,286,849
Furniture, fixtures and leasehold improvements	936,458	754,233
	<u>14,497,040</u>	<u>13,725,253</u>
Less accumulated depreciation	6,784,393	6,498,405
	<u>7,712,647</u>	<u>7,226,848</u>
DEFERRED CHARGES	617,169	413,999
	<u>\$83,580,663</u>	<u>\$71,146,000</u>

(See Notes to Financial Statements)

BULOVA WATCH COMPANY, INC. AND SUBSIDIARIES

March 31, 1965 with Comparative Figures at March 31, 1964

LIABILITIES	1965	1964
CURRENT LIABILITIES:		
Unsecured notes payable to banks and others	\$ 8,931,106	\$17,866,202
Accounts payable	5,026,952	3,928,736
Accrued salaries, wages, commissions and expenses	2,547,842	2,132,267
Accrued domestic and foreign taxes	2,381,271	1,950,681
Instalment on 3½% sinking fund notes due within one year...	—	450,000
Total current liabilities	<u>18,887,171</u>	<u>26,327,886</u>
 LONG-TERM DEBT (NOTE 3):		
5% Promissory Notes due May 31, 1979	14,400,000	—
4½% Convertible Subordinated Debentures due Aug. 1, 1984..	8,082,500	—
3½% Sinking Fund Notes due May 1, 1969 (Paid in 1965)	—	4,400,000
	<u>22,482,500</u>	<u>4,400,000</u>
DEFERRED FEDERAL TAXES ON INCOME (NOTE 2).....	<u>941,476</u>	<u>976,604</u>
 STOCKHOLDERS' EQUITY (NOTES 3 and 4):		
Common stock, \$5 par value:		
Authorized	3,000,000 shares	
Issued ... 1965—1,988,272 shares; 1964—1,949,286 shares	9,941,360	9,746,430
Capital surplus	704,185	—
Earned surplus (retained for use in the business)	31,406,588	30,679,352
	<u>42,052,133</u>	<u>40,425,782</u>
Deduct common stock, at cost, held for resale to officers and employees—1965, 48,186 shares; 1964, 57,125 shares.....	782,617	984,272
Total stockholders' equity	<u>41,269,516</u>	<u>39,441,510</u>
	<u>\$83,580,663</u>	<u>\$71,146,000</u>

(See Notes to Financial Statements)

Notes to Financial Statements

Note 1. PRINCIPLES OF CONSOLIDATION:

The accompanying consolidated financial statements include the accounts of Bulova Watch Company, Inc. and all of its wholly-owned domestic and foreign subsidiaries. Foreign currency items, principally Canadian and Swiss, included in the consolidated balance sheet consist of current assets \$12,280,000, other assets \$2,075,000, and liabilities \$2,175,000. All foreign currency items have been converted at current exchange rates at March 31, 1965 as to current assets and current liabilities, and at rates of exchange at time acquired as to plant property. It is the company's practice to reflect any unrealized profit or loss in the consolidated statement of income and earned surplus.

Certain of the 1964 figures previously presented have been reclassified to place them on a basis comparable with 1965.

Note 2. FEDERAL INCOME TAXES:

Property covered by certificates of necessity became fully amortized for tax purposes during the year ended March 31, 1959. Deferred Federal taxes on income set up in prior years to provide for the temporary tax benefit arising from the excess of tax amortization over normal depreciation are being returned to income to offset taxes related to normal depreciation recorded in the accounts not deductible for tax purposes.

Federal income tax returns for the years ended March 31, 1963 and prior have been examined by the Treasury Department and all taxes for such years have been paid or adequately provided for.

Note 3. LONG-TERM DEBT:

(a) 5% Promissory Notes due May 31, 1979:

The notes are payable in instalments of \$1,280,000 on January 31 in each of the years 1970 to 1979, inclusive, and a final instalment of \$1,600,000 on May 31, 1979. The notes contain minimum working capital requirements and place restrictions on the creation of additional indebtedness and other corporate actions, including the payment of dividends other than stock dividends. At March 31, 1965, earned surplus not restricted as to payments of dividends amounted to approximately \$4,626,000.

(b) 4 $\frac{1}{2}$ % Convertible Subordinated Debentures due August 1, 1984:

The indenture relating to the debentures provides for a sinking fund for the redemption at par on August 1 in each year beginning August 1, 1975, of not less than 10% or more than 20% of the total principal amount of debentures outstanding on July 31, 1974. Additional debentures may be redeemed at any time at stipulated premium prices. Debentures converted into shares of common stock, or otherwise cancelled or redeemed (but not through the sinking fund, except in excess of the minimum annual requirement) on or after August

1, 1974, may be credited against subsequent sinking fund requirements.

The debentures are convertible into common stock at the rate of 3.96 shares for each \$100 principal amount of debentures, subject to anti-dilution provisions. The 2% stock dividend payable June 29, 1965 resulted in an adjustment of the conversion rate to 4.04 shares.

The indenture places restrictions on various corporate actions, but these are generally less stringent than those contained in the 5% Promissory Notes referred to in (a) above.

Note 4. STOCKHOLDERS' EQUITY:

In June, 1964 the Company paid a 2% stock dividend of 38,986 shares of common stock of the Company. Earned surplus was charged for \$899,115, the market value of the stock, common stock was credited with the par value of the stock issued, \$194,930 and capital surplus was credited with the remainder of \$704,185. On May 13, 1965 another 2% stock dividend was declared, payable June 29, to stockholders of record, June 9. This dividend will be reflected in the accounts for the fiscal year ending March 31, 1966.

At March 31, 1964 (after adjustment for 2% stock dividend paid June, 1964), 52,530 shares of capital stock were under option to certain officers and employees at prices ranging from \$12.25 to \$21.57 per share. During the year ended March 31, 1965 no options were granted. However, options for 9,831 shares were exercised and options for 1,020 shares were cancelled. At March 31, 1965 there remained 41,679 shares under option at prices ranging from \$14.71 to \$21.57 per share. Under the qualified stock option plan authorized by the stockholders on July 28, 1964, 90,000 shares of common stock are available for grants.

At March 31, 1965, 320,099 shares of common stock were reserved for conversion of 4 $\frac{1}{2}$ % Convertible Subordinated Debentures.

Note 5. CONTRACTS SUBJECT TO RENEGOTIATION:

Profits under contracts with the United States Government subject to renegotiation have been cleared through the year ended March 31, 1964. Management is of the opinion that no excess profits were realized for the year ended March 31, 1965.

Note 6. RETIREMENT PLANS:

The cost of current service benefits under the Company's retirement plan for 1965, as computed by the actuaries, amounted to \$1,319,269, but because the total of excess investment income and security gains realized was greater than this amount, no contribution was required from the company. There was no unpaid past service cost at March 31, 1965. Separate retirement plans are maintained by the Company's Swiss branch and by a Canadian subsidiary.

Report of Independent Certified Public Accountants

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

We have examined the consolidated balance sheet of Bulova Watch Company, Inc. and subsidiaries as of March 31, 1965 and the related statement of income and earned surplus for the year then ended. Our examination 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.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Bulova Watch Company, Inc. and subsidiaries at March 31, 1965 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.

New York, N. Y.

June 15, 1965

PEAT, MARWICK, MITCHELL & CO.

BULOVA WATCH COMPANY, INC.

DIRECTORS

General Omar N. Bradley, *Chairman*
R. Clyde Allen
George M. Bunker
Benjamin H. Dorsey
Sol E. Flick
Harry B. Henshel
James McCormack
Thomas A. Morgan
John L. Weinberg

OFFICERS

Harry B. Henshel, *President*
Sol E. Flick,
Executive Vice President and General Counsel
David Anderson, *Senior Vice President*
William O. Bennett, *Vice President*
August R. Bozzo, *Vice President*
John J. Carpenter, *Vice President*
Simon C. Gershey, *Vice President*
Michael D. Roman, *Vice President*
John Chiappe, *Controller*
Haskell C. Titchell, *Secretary*
Lawrence F. Codraro, *Assistant Secretary*
Isidore Roberts, *Assistant Treasurer*
Roland P. Talbot,
Assistant Controller and Assistant Secretary

Transfer Agent

Morgan Guaranty Trust Company of New York
30 West Broadway, New York 15, New York

Registrar

Manufacturers Hanover Trust Company
40 Wall Street, New York 15, New York

SUBSIDIARIES

BULOVA INTERNATIONAL, LIMITED
BULOVA WATCH COMPANY, LIMITED
BULOVA WATCH S.p.A.
BULOVA G.m.b.H.
BULOVA U.K., LIMITED
BULOVA RADIO INTERNATIONAL, S.A.

Neither this report nor any statement contained herein is furnished in connection with any offering of the Company's securities nor for the purpose of promoting or influencing the sale or purchase of its securities.



ANNUAL REPORT
FOR THE YEAR ENDED
MARCH 31, 1965

