



BULOVA

ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 1966

ABOUT THE COVER

This bas relief-collage wall panel is located in the reception lobby of our executive and sales offices. It tells the story of Bulova through a series of six ingeniously conceived vignettes created in a variety of tiles and stone chips. Over 10,000 parts of watches and other company products are incorporated.

See inside front and back fold-out covers for a selection of Bulova products.



ACCUTRON

A-1 ACCUTRON "218" — Stainless steel, Silvertone dial, applied markers, alligator strap, waterproof.* **\$125.00**

A-2 ACCUTRON SPACEVIEW "I" — Transparent dial lets you see the space age movement, waterproof.* **\$135.00**

A-3 ACCUTRON "417" — 10K gold filled case, stainless steel back, hand applied dial markers, mesh band, waterproof.* **\$150.00**

A-4 ACCUTRON SALON "B" — Only 3" high. Polished brass case, gold-tone dial and applied markers. Also available in ebony dial with Roman numerals. **\$150.00**

A-5 ACCUTRON "420" — 10K gold filled case, ebony dial, luminous hands and dots, mesh band, waterproof* and shock-protected. **\$175.00**

A-6 ACCUTRON CALENDAR "C" — 14K gold, waterproof*, luminous, shock-protected. **\$200.00**

A-7 ACCUTRON CALENDAR "K" — 18K gold, with gold-tone dial, waterproof*, shock-protected, alligator strap. **\$250.00**

A-8 ACCUTRON PENDANT "A" — 24" rope chain. Converts with ease to a free-standing clock. This model, **\$175.00**. With a diamond, **\$200.00**. In 18K gold, **\$395.00**.

A-9 ACCUTRON ASTRONAUT "C" — 18K gold case and band. Adjustable 24 hour outer ring, 24 hour indicator. Can be set instantly for any two time zones in the world. Waterproof*, shock-protected. **\$1000.00**
In stainless steel. **\$ 175.00**

* Waterproof when case, crystal and crown are intact.



A-1



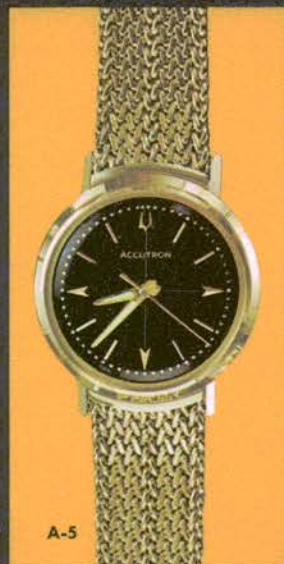
A-2



A-3



A-4



A-5



A-6



A-7



A-8



A-9

BULOVA

B-1 DATE KING "HH" — 17 jewels, calendar, stainless steel back, adjustable expansion band. **\$39.95**

B-2 PRISCILLA "A" — Pretty pendant watch with its own 24" link chain. 17 jewels, shock resistant. **\$39.95**

B-3 DATE KING "GG" — 17 jewels, calendar, adjustable expansion band. **\$49.95**

B-4 LEADING LADY "E" — 21 jewels, smart tapered bracelet. Also in white. **\$49.95**

B-5 LEADING LADY "K" — 21 jewels, sculptured case, shock resistant. Also in white. **\$59.95**

B-6 CANDLELIGHT "D" — Seven sparkling diamonds, 14K gold teardrop case, 23 jewels, faceted crystal. **\$125.00**

B-7 CANDLELIGHT "G" — Twelve diamonds in two graceful arcs. Round, 14K gold case, 23 jewels, faceted crystal. **\$150.00**

B-8 COMMANDER "D" — 30 jewels, waterproof*, self-winding, luminous dial and hands. Adjustable basket weave band. **\$79.95**

B-9 COMMANDER "G" — Impressive watch in a 14K yellow gold case with brown alligator strap, 30 jewels, self-winding, waterproof*. **\$100.00**

* Waterproof when case, crystal and crown are intact.



B-1



B-2



B-3



B-4



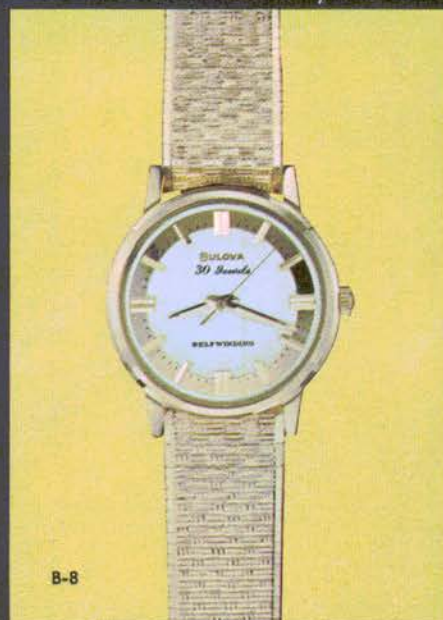
B-5



B-6



B-7



B-8



B-9

ANNUAL MEETING

Tuesday, July 26, 1966
11:30 A.M. (EDST)
Bulova Park, 75-20 Astoria Boulevard,
Jackson Heights, New York



**ANNUAL REPORT
FOR THE YEAR ENDED
MARCH 31, 1966**

CONTENTS

2. Stockholder Letter
3. Directors & Officers
4. Financial Charts
5. Financial Highlights
Five Year Review
7. Accutron
9. Bulova
11. Caravelle
13. Bulova Electric Products
15. Bulova Overseas
17. Industrial/Defense Activities
19. Other Company Activities
20. Source and Use of Funds
21. Consolidated Statement
22. Consolidated Balance Sheet
24. Notes to Financial Statement
24. Report of Independent Public Accountants

Foldout Front Covers: Accutron and Bulova
Products

Foldout Back Covers: Caravelle and
Bulova Electric Products

The following are registered trademarks:

ACCUTRON, AMBASSADOR, BULOVA, CALENDIAL, CARAVELLE, COMPANION, DATE KING, MINUET, PRISCILLA, 

TO THE STOCKHOLDERS:

Worldwide sales of Bulova during fiscal 1966 reached a new high of \$99,754,581. Net income increased 16 per cent over the previous year, to \$3,243,670, equal to \$1.64 per share for common stock outstanding at year end.

The past year marked the fourth consecutive year in which both sales and earnings increased substantially. Many factors, of course, have contributed to this good showing. Principal impetus came from the continuing across-the-board acceptance of the Company's diversified line of watch products, each of these again having set sales records in its own price range.

Our industrial and defense business responded rapidly to the military pressures exerted by the Viet Nam build-up and the technological demands from the space program and industry in general. Non-consumer business made up 20 per cent of our volume, and we entered the new year with a 56 per cent higher backlog than a year ago.

Even more meaningful to your Company, has been the coming to fruition of many of our plans and goals which were outlined in our annual report of 1961—in effect, our first five year plan.

The calendar year 1961 was the first full year of implementation of decisions that committed the Company to the development of new products, the opening of new distribution channels, the broadening of international markets and the creation of the most effective sales and dealer organization in our industry. As a result, there has been a distinct change in the character of the Company.

In this growth period, our Accutron and Caravelle product lines—two new businesses that had been created and developed—were fully implemented and assimilated within the Company's operational framework. These are more than merely successful products. Combined, they represent, in present dollar volume achieved, a watch business at least equal to, if not greater than that of any other jeweled-lever watch company in this country. Thus,

Bulova has created its own nearest competitor. In spite of this, the Bulova Watch Company's "Bulova" brand watch business increased 35 per cent during the same period.

In the corresponding five-year fiscal period, consolidated sales have risen 59 per cent and our profits have more than doubled.

Five years ago the Company reorganized its non-consumer activities, then largely oriented to a research and development activity, into an industrial/defense group emphasizing product development.

This five year growth at Bulova provides evidence of the vitality of our role in the worldwide watch industry. Bulova's gradual development into a multi-national company—with production facilities on three continents—provides your management with unique flexibility. Therefore, any governmental action that would reduce duties on imported watch movements will not in any way adversely affect your Company, although it would in our opinion be contrary to the national interest.

Specific reviews of activity in the individual product areas are detailed elsewhere in the report. However, the extraordinary demand for Accutron electronic timepieces bears highlighting. Orders continue to run well ahead of optimistic forecasts and production continues to be accelerated to match this demand.

Another facet of the competitive flexibility of the Company was proved with the creation of a modern jeweled-lever watch assembly plant in St Croix, Virgin Islands. Begun in May 1965, this plant's production became one of the largest in the young Caribbean watch industry within six months.

On May 25, 1966, a 2 per cent stock dividend was declared in addition to the regular quarterly cash dividend of 15 cents per share. This third consecutive annual stock dividend in lieu of increasing the cash dividends, reflects



GENERAL OMAR N. BRADLEY



HARRY B. HENSHEL



R. C. ALLEN



SOL E. FLICK



RODNEY C. GOTT



JAMES MCCORMACK

BULOVA WATCH COMPANY, INC.

our continuing working capital requirements needed to sustain the growth of the Company.

The Company's management team, with an average age of 45 years and an average of 18 years of experience with the Company, presents a resource ideally suited to direct the Company vigorously through this next phase of our growth, as they have through the recent transitions. Today the Company's direct employment, at 6,700 employees, is at an all-time high. Some 1,100 have had 15 or more years of experience, and 280 have had 25 years or more experience with the Company.

Within the next five years we expect to bring to fruition some of the long-term goals that were set in motion five years ago. Two of these objectives are to see Caravelle pass Bulova in number of units sold per year to become the jeweled-lever product worn by more people in the United States than any other, and to have Accutron timepieces made and sold in sufficient volume to pass the Bulova brand in dollar volume. This would make Accutron timepieces the dollar leader in fine watches in the world. While these are ambitious and unprecedented objectives we hope that they can be reached by 1970.

These uncommon pluses give the Company the capability to expand its leadership and markets for generations to come. The record of achievement by all employees throughout our worldwide organization, partially described in the pages that follow, confirms our optimism for the years that lie ahead.

Respectfully submitted,



Omar N. Bradley
Chairman of the Board



Harry B. Henshel
President

June 13, 1966



GEORGE M. BUNKER



BENJAMIN H. DORSEY



THOMAS A. MORGAN



JOHN L. WEINBERG

DIRECTORS

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

OFFICERS

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

* Elected April 7, 1966

** Elected May 25, 1966

Transfer Agent

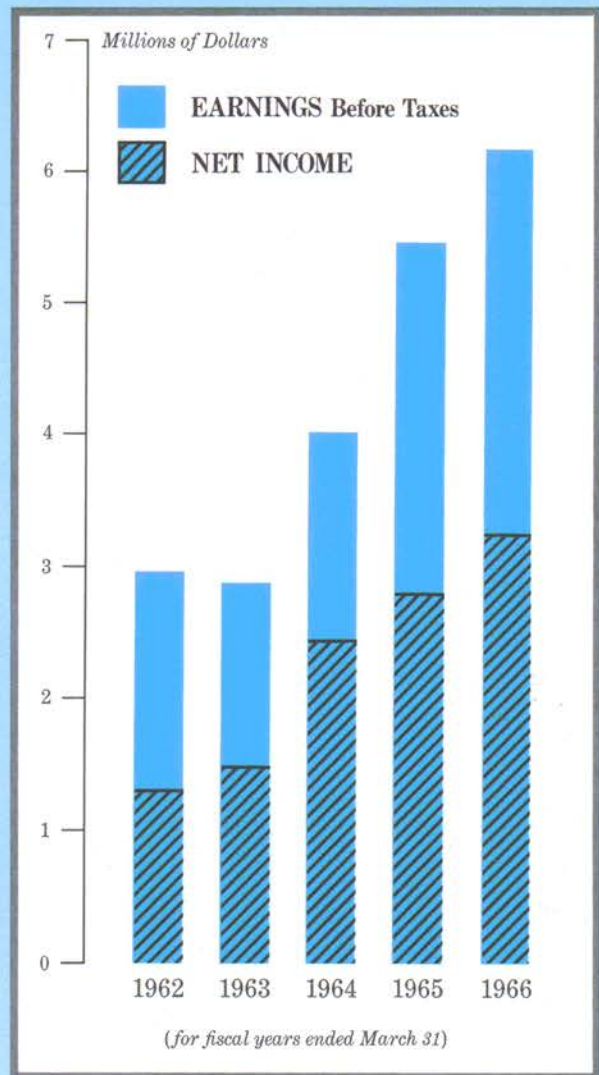
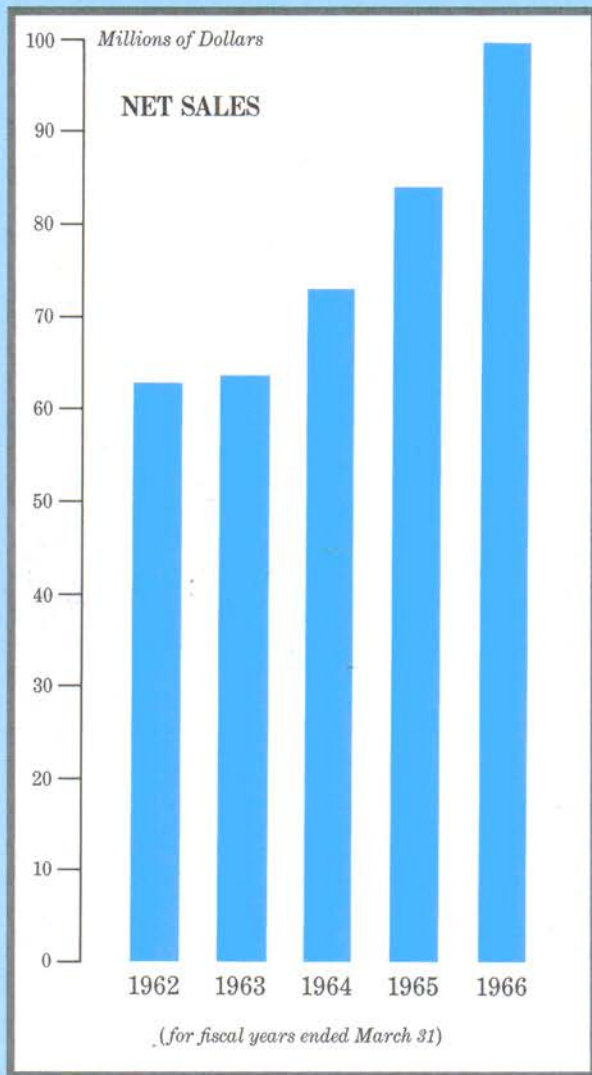
Morgan Guaranty Trust Company of New York
30 West Broadway, New York 15, New York

Registrar

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

SUBSIDIARIES

Atlantic Time Products Corporation
Bulova G.m.b.H.
Bulova International Limited
Bulova Watch Company Limited
Bulova Watch S.p.A.
Bulova U.K., Limited



Highlights

Year Ended March 31	1966	1965
NET SALES	\$99,754,581	\$84,200,736
INCOME BEFORE INCOME TAXES	\$ 6,168,670	\$ 5,459,579
NET INCOME AFTER INCOME TAXES	\$ 3,243,670	\$ 2,784,579
NET INCOME AFTER INCOME TAXES Per Share*	\$ 1.64	\$ 1.41
CASH DIVIDENDS Per Share	\$.60	\$.60
CURRENT ASSETS	\$88,240,389	\$74,002,660
CURRENT LIABILITIES	\$32,152,282	\$18,887,171
WORKING CAPITAL	\$56,088,107	\$55,115,489
STOCKHOLDERS' EQUITY Per Share	\$ 21.90	\$ 20.85

Five Year Financial Review

Fiscal Years ended March 31

OPERATING RESULTS:	1966	1965	1964	1963	1962
Net sales	\$99,754,581	\$84,200,736	\$72,969,402	\$63,263,275	\$62,805,592
Income before income taxes and special credits	6,168,670	5,459,579	4,006,600	2,877,514	2,961,360
Net income (excluding special credits)	3,243,670	2,784,579	2,431,600	1,482,514	1,301,360
Net income per share*	\$1.64	\$1.41	\$1.24	77¢	67¢
Cash Dividends paid	1,181,774	1,158,228	1,121,465	1,109,734	1,115,839
Earnings retained after cash dividends	2,061,896	1,626,351	1,310,135	372,780	287,862
Cash Dividends paid per share	60¢	60¢	60¢	60¢	60¢
Stock Dividend paid	2%	2%	—	—	—
FINANCIAL POSITION (Year-end):					
Current assets	88,240,389	74,002,660	62,228,755	54,792,382	50,467,177
Current liabilities	32,152,282	18,887,171	26,327,886	19,714,851	14,802,474
Working capital	56,088,107	55,115,489	35,900,869	35,077,531	35,664,703
Total assets	98,970,153	83,580,663	71,146,000	63,218,522	58,469,491
Stockholders' equity	43,359,608	41,269,516	39,441,510	37,317,781	37,015,948
Stockholders' equity per share*	\$21.90	\$20.85	\$20.04	\$19.40	\$19.18
Long-term debt	22,482,500	22,482,500	4,400,000	4,850,000	5,300,000
ADDITIONAL DATA:					
Additions to Plant Property	1,621,961	1,208,439	1,146,423	784,962	765,534
Shares of capital stock, excluding stock held for resale, adjusted for 2% stock dividends June 29, 1964 and June 29, 1965	1,980,328	1,978,888	1,968,604	1,923,784	1,929,819

*Based on the number of shares outstanding at the end of each period, adjusted retroactively for the 2% stock dividends of June 29, 1964 and June 29, 1965.



CONSUMER PRODUCTS

ACCUTRON

This year there occurred two dissimilar, but nonetheless related events that dramatize the unusual growth of Accutron electronic timepieces, a growth that is as uncharacteristic of the evolution of a new product in the watch industry, as Accutron itself differs from conventional watches. The first calendar series of Accutron timepieces was introduced to the consumer in January 1966, and on June 3, 1966 the Gemini 9 spacecraft carried aloft, as officially designated equipment, the thirty-ninth Accutron device to be orbited since 1959. These two events reflect the unique two-pronged development of the Accutron mechanism as a consumer product of untapped technical potential and as a flexible timing device for a variety of space-age uses. This type of association increases the credibility of the Accutron timepiece's basic guarantee of unparalleled accuracy to the consumer.

The public's awareness that such accuracy can be obtained continues to be demonstrated by the demand for Accutron timepieces. For the third consecutive year this demand exceeded the Company's most optimistic forecasts. Production continues to be accelerated to match this continuing demand.

The addition of the calendar model, an advanced and exceptionally precise system, represents the first new complete engineering change in Accutron since it was introduced in 1960. Both this new mechanism, and the original caliber that now reflects many engineering changes, are represented in the 1966 Accutron line.

The Accutron line, which includes women's pendants and a variety of desk and boudoir clocks, includes 83 distinct styles.

Another critical measure of the daily increasing acceptance of Accutron timepieces, is the response of watchmakers and jewelers here and abroad, to technical briefings on the timepiece. Nearly 6,000 have graduated from such courses. Most recently, the Horological Journal, the official publication of the British Horological Institute, devoted the majority of its editorial pages to describing the success of the Accutron technical programs just concluded in The United Kingdom.

The compact, self-contained nature of the Accutron movement has always intrigued engineers concerned with precision timing functions of almost any scope or variation. As a consequence, the space and defense assignments of Accutron-based timing devices have multiplied.

From the known (NASA use of a 60-hour dial Accutron clock in Project Apollo's moon-landing craft) to the unknown, the potential of the Accutron device is limited only by the ingenuity of the technical mind harnessing it. While its use in the more conventional sense as a personal timepiece may not be as dramatic as in outer space applications, the forceful impression it continues to make on the public's timekeeping habits should have equal impact.

VISITORS EYE-VIEW—of Accutron final assembly area. Joseph A. Cigna, section foreman, provides visitors with television image enlargement of Accutron movement during final adjustments.



BULOVA

Bulova watches, the bedrock of the Company's line of consumer products, continued to dominate the medium price range in which they have historically been the pace-setter, again running in volume about twice that of any competing brand.

Consumer emphasis on quality was reflected in increased sales during the past year. The Commander series, a line of 30-jewel, self-winding, thin watches, particularly emphasized this trend.

It is appropriate to note that in today's consumer-oriented selling environment, our marketing research reveals that the prime reasons given for purchasing Bulova watches are consistent with the current emphasis on quality and value. For example, the five main considerations customers gave in our annual market research survey when purchasing a wrist watch were: accuracy, durability, quality, styling or appearance, and reliability. Bulova brands led all others, in all five categories, in the recently completed study.

Bulova watches also scored highest in brand identification, which is traced to the continuation of the aggressive and comprehensive advertising, sales promotion, public relations and merchandising programs embodied in the Company's overall marketing effort. This is a vital point, because a survey of "typical" retail jewelers in another annual study which parallels our consumer survey revealed an overwhelming vote for Bulova—the company that does the best job of supporting the local retail jeweler. They backed up this belief by increasing, by 44 per cent, their use of cooperative advertising (in which they share the cost with the Company). A marketing innovation in this area was the successful development of newspaper supplements devoted solely to the promotion of Bulova products, and joined in by large and small dealers—in 40 major metropolitan markets.

Tangible evidence of jewelers' recognition of the Company's firm support, as embodied in the oft-mentioned "Constructive Distribution" policy, is reflected in the recent independent survey of retail jewelers. This study indicated that the lack of such policy was a principal reason why jewelers discontinued or de-emphasized other watch brands.

However good the product, selling in an affluent economy demands proportionate market coverage. Accordingly, the Company's sales staff was considerably augmented, with creation of three more sales territories covering both Bulova and Accutron accounts, and enlargement of the sales staff to the largest in the Company's and the jewelry industry's history. To maintain the close personal contact with both salesmen and jewelers, six district sales managers were appointed. The net effect of the expanded sales team, product line, advertising and marketing campaigns is measured by the competitive edge it gives the Company in an increasingly demanding consumer market place.

CANOPIED OPERATION—Mainspring coiling following heat treatments—providing trouble-free life to Bulova manufactured mainsprings. Operation depicts Anneliese La Bate coiling a spring into a retaining ring.



CARAVELLE

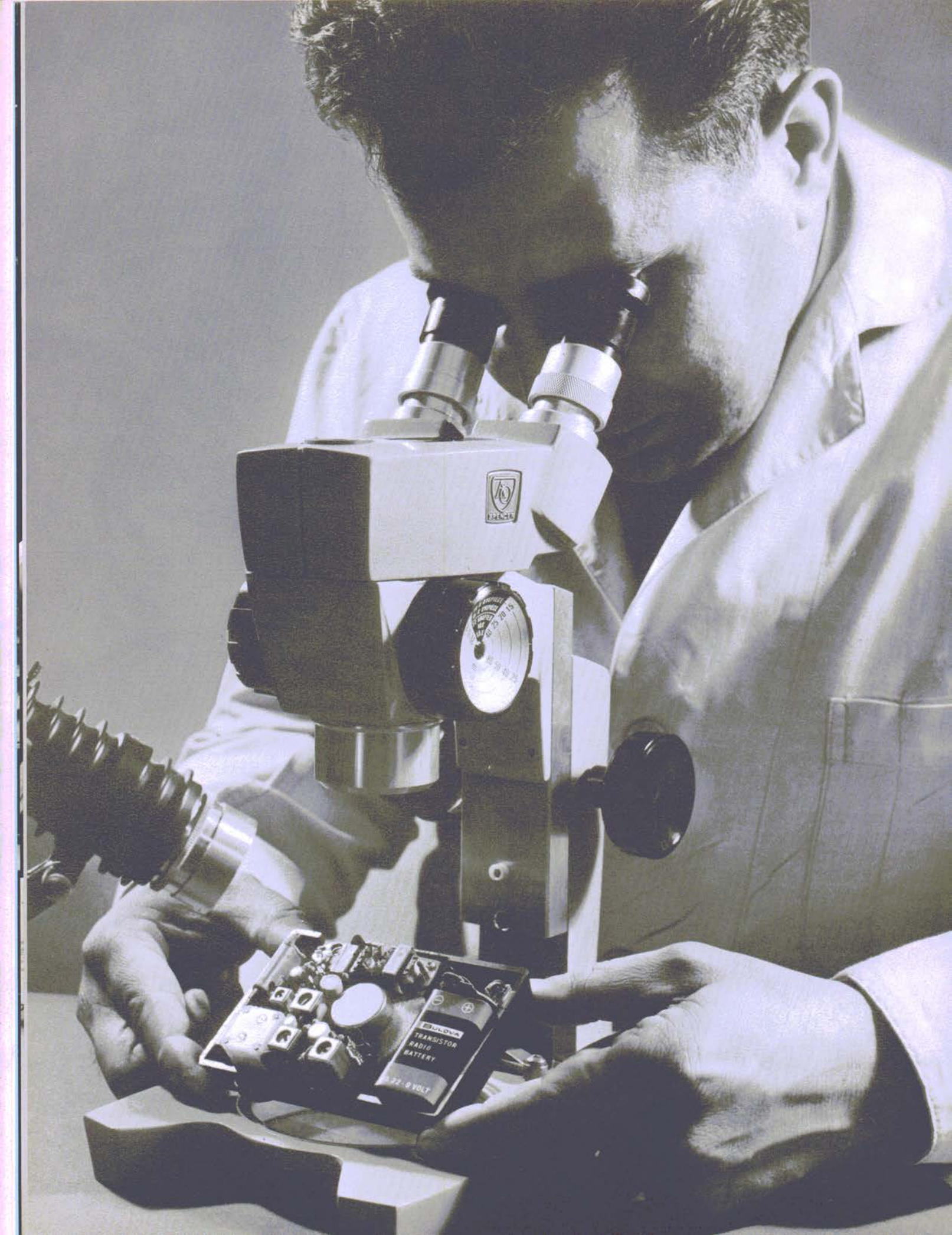
Caravelle watches, the Company's lower-priced line, continued to record increases in sales, up some 20 per cent over the previous year. Once again it is the second largest selling jeweled-lever watch line in the United States in number of units sold. Statistics, however, tell only part of the year's story. The Caravelle line, by introducing the flexibility of pendants and charms to the conventional wrist watch styles, provided the Company with strong merchandising elements in both the fashion and the utility categories. The fur strap, the new, popular wide band, and the tailored look—available in a variety of geometric shapes encasing Caravelle watches—contributed to the popularity of the line among teenagers and young adults.

Because of the lower unit value, sales of Caravelle watches require volume distribution. Considerable sales attention during the year was, therefore, directed toward extension of the line into more jewelry stores, representing the bulk of the market, as well as into such newer channels of distribution as department and specialty stores. The Company thereby achieved a 30 per cent increase in franchised dealers.

In its price range, Caravelle once again reaffirmed itself during the past year as foremost among jeweled-lever watches. The impact of this economy line on the Company's dealers is of even more significance. It offers a practical competitive product with which to challenge the past popularity of pin-lever varieties that have held the market by default until the advent of a competitive jeweled-lever watch line—the Caravelle. These watches offer our dealers the opportunity for continued or new business as the fashion features, low prices and jeweled-lever values of this merchandise have great appeal and provide an immediate solution to many gift problems.

A major indication of the maturity and sales acceptance of this five-year-old line of products—now including clocks and travel alarms as well as wrist watches and pendants—is evidenced in the creation of an independent sales and marketing force to handle its full-time growth. This Caravelle and Bulova Electric Products Group represents the Company's first major decentralization move to achieve maximum growth from a product line. It also reflects a time-proven approach to solving the myriad problems inherent in successfully producing and selling a new product line among established, more mature products. Essentially, it gives to the new line the concentration of selling effort, marketing, merchandising skill and product development requisite to sustain growth at its fullest.

COLLECTOR—Versatility of Caravelle charm watches and pendants is beautifully demonstrated by Nina Paige, who finds that these fashion accessory time-pieces add a decorative touch to any costume.



BULOVA ELECTRIC PRODUCTS

Bulova Electric Products, primarily because of unique style innovation and superior design, continued during the past year to post gains in unit sales. Furthermore, support of two main over-all sales objectives were realized: the first, to increase jeweler inclination to Bulova products and the second, to expand distribution into non-jeweler channels. On the one hand the availability of this broad line of radios, clock-radios, and stereo units under the Bulova label, not only complements the average dealer's stock but gives him the opportunity to satisfy the diverse needs of his customers.

The added impact of the brand name, as a result of the merchandising and marketing power given the entire Bulova consumer product line, including electric products, is still another practical advantage. Its impetus on expanded distribution outlets is recorded in the fact that more than half of the new accounts opened for the line were radio and music stores, department stores and specialty shops, channels generally untouched by a watch manufacturer.

As noted in the report on Caravelle, the Company's sales and distribution of electric products are now handled by a new, specially formed marketing group. This is expected to further the simultaneous development of both conventional and non-watch outlets.

The Bulova Electric Products line comprised 31 transistor radios, clock radios, cordless radio-clocks, table AM/FM models, AM/FM portable radios, and portable transistorized monaural and stereophonic record players.

Nationally, any number of surveys attest to the increased popularity in the use of radios, and this trend is paralleled by the rise in sales of battery-powered radios, which received the extraordinary endorsement of the Federal Communications Commission for the role such units played during major electrical blackouts. This is important to us because your Company still produces the only cordless clock-radio line available.

Principal appeal of the Company's diversified line of home entertainment products is its styling, its miniaturization, high performance and functional innovations. These have included the incorporation of a jeweled-lever clock into clock-radios, the unique "swivel" design featuring a radio on one face, a clock on the other and the use of solid state transistorized circuitry. Notable in the past year's product line were the "Galaxy," the smallest AM/FM clock-radio available, and the solid state stereo component system incorporating professional-type equipment. All Bulova models in the line are covered by a one-year parts and labor warranty, a concept originally introduced by Bulova.

QUALITY CONTROL—Typical of the attention to detail that distinguishes the manufacture of all Company products, is the use of a high-powered microscope by Anthony P. Corrado to inspect circuitry of a Bulova transistor radio.



BULOVA OVERSEAS

International Operations of the Company continued to show improvement, with sales of consumer products higher than the previous year. Overseas sales increased 14 per cent and a more significant fact is that international sales more than doubled their 1961 volume. Five years ago the Company's products were sold in but 19 overseas markets. In 1965 and indicative of the growth of foreign sales is the fact that the Company's consumer products were sold in 78 overseas markets.

Growth in long-standing Bulova markets in the Far East, South America and Italy, and penetration into our newer overseas markets of Japan, The United Kingdom and Germany require a steady building-block approach; such fundamentals as warehousing, service facilities, technical service training and sales service coverage cannot be leap-frogged. The Company's complete warehousing and service facilities in Bienne, Switzerland, Pforzheim, West Germany and Hong Kong provide these essentials.

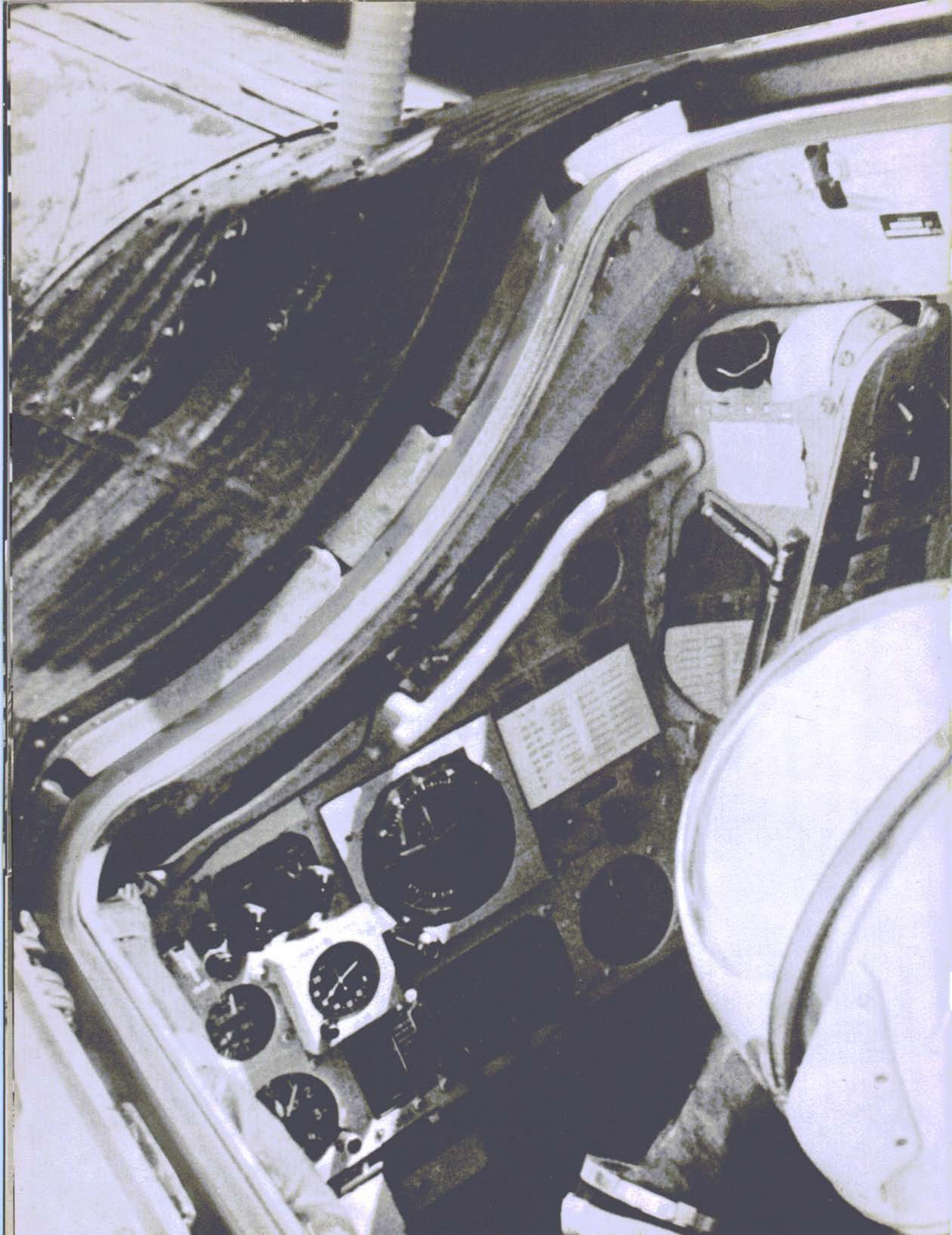
At our Bienne, Switzerland facility, merchandise reflecting European styles, produced for sale in international markets, accounts for 15 per cent of our total Swiss production. The expanded Hong Kong branch shipped over \$1 million last year to customers in the Far East.

A continuing source of overseas sales are the post exchanges. For the more than one million American servicemen and their families abroad, the post exchange is the primary point of exposure to the Company's line of consumer products.

Tariff — Maintenance of present duty rates on imported watch movements or their reduction, continues to be the subject of investigation by the U.S. Government. The report from the Office of Emergency Planning, considerably delayed by the need of additional analysis, is expected to be submitted to President Johnson shortly.

This report will evaluate the effect of watch movement imports on the national security. While this report has been in preparation, the domestic watch industry, your Company included, has demonstrated its dual civilian/defense production capability by absorbing accelerated production schedules for fuzes for a variety of military weapons, from mortars to missiles. As has been previously stated, a report finding national security is not impaired by movement imports will not have an adverse financial affect on your Company. If it becomes economically impractical to produce watches in this country, the Company can draw upon facilities in Switzerland and other foreign sources to meet its product needs. Our primary concern continues to be the impact on national security that such a move ultimately will cause, through the irreplaceable loss of skilled personnel and manufacturing facilities.

OLD AND NEW WORLDS—Scene in Bangkok, Thailand symbolizes the blending of East and West, where Bulova Accutron illuminated clock greets downtown shoppers from a prime display location.



INDUSTRIAL/DEFENSE ACTIVITIES

Non-consumer activity of the Company, comprising the industrial/defense work carried on by five divisions, accounted for approximately 20 per cent of the year's increased volume. Military business, due in part to Viet Nam's acceleration of ordnance work, resulted in a greater proportion of defense activity.

The Systems & Instruments Division, whose highly specialized capabilities in automated systems, electro-optics and ordnance, generated diverse contract assignments from the U.S. Government and industry. The Division's growing reputation in solving unusual technical problems led to development contracts for an automated system to facilitate improved semi-conductor manufacture; for automatic systems to test out solid state logic computer components; for a position-sensing unit for NASA for scientific satellites and for the design of a sub-miniature lock. Development work was continued on a multi-purpose universal fuze of considerable potential. The Division's Timer Laboratory, established four years ago to exploit the non-consumer applications of Accutron-based timing devices, catalogued some 200 models and combinations of such high-precision electronic timers. The vitality of this market is attested to by the 27 per cent increase in customers for such timers since 1964; nearly 200 of these were new customers, with new applications for harnessing an Accutron device.

The Electronics Division ended the year with a significant increase in backlog of orders. Continuing product development resulted in introduction of two new series of crystal oscillators, new applications of tuning fork choppers and scanners for industrial and space applications, and the expansion of servo products. Production of existing communication systems and the impact of technology on new systems increased the demand for the Division's filters and magnetic components. The growth, in use of optical devices, had similar impact on the use of tuning fork-based products made by the Company's American Time Products department.

The Technical Sales & Services Division continued the buildup of technical equipment and training activities to support franchised jewelers. A new, versatile ultrasonic cleaner and a variety of watchmaker tools were added to its line. In addition to heavy attendance at domestic Accutron bench courses conducted by the Division, British watchmakers and jewelers attended similar courses conducted in seven British cities.

In May 1966, a new building was dedicated at the *Turtle Mountain Ordnance* plant at Rolla, N. Dakota which the Company has operated since 1952 for the U.S. Government under a cost reimbursement contract. The nearly 2 million jeweled bearings produced last year at this plant went to defense and space applications and to the military stockpile. The new building was part of a \$1,150,000 U.S. Government modernization program for this facility, the only one of its kind in the United States.

GEMINI TIME—This photo by a U.S. Navy frogman shows the specially designed 24-hour-dial white-cased Accutron electronic clock on the control panel of NASA's Gemini VI spacecraft after splashdown in the Atlantic.

RIGHT
TIME
5¢



OTHER COMPANY ACTIVITIES

A number of extracurricular activities mirror the Company's unusually close ties with its franchised jewelers and provide some measure of the extra support regularly given to them. Typical of a special event in cooperation with the Company's franchised jewelers was a town-wide experiment in North Conway, New Hampshire, entitled "Project Time-Out". Working with the leaders of the town, the Company effectively "blacked out" the 1400-person community from any time measurement for 45 hours and measured the impact on social, business and civic life. The results—a feeling of loss and disorientation still being cited by medical researchers—dramatized the importance of time and accurate timekeeping. Another activity of note, was the two-week course in retail jewelry store management and merchandising, co-sponsored by Bulova and New York University. In the 26 years this unusual industry service has been offered, more than 540 jewelers have participated.

On a local level, Bulova has long, in partnership with its customers, provided gratis, fine 1/10 second—36,000 beat per hour—sports timers for timing community track and swimming events. Last year, over 1,000 jewelers, supplied by Bulova, furnished 14,419 timers to 821 community events. In similar vein, the Company provided its "electronic eye" Phototimer unit for eight of the major indoor and outdoor track meets. The system was also provided for the Intercollegiate Rowing Regatta.

Of somewhat briefer history has been the Company's "Operation Hospitality" program, initially established to make a New York visit pleasanter for World's Fair bound jewelers. Last year 2,225 jewelers and their families from 48 states and 34 foreign countries, were registered and were assisted by the "volunteer" committee of twenty-three wives of Company executives. The program, because of its success, is being continued on a year-round basis.

The effectiveness with which the Company's physical and technical resources are employed, depends, in the final analysis, on the quality of the people involved. Bulova's employee-management policies are designed to recognize the individual and to attract and hold employees who have the unique skills and crafts required in our industry. Employment, as reported earlier, is at an all-time high and the stability of our work force is reflected in the fact that nearly one-third of the personnel have been with the Company for a minimum of 15 years. Last year 34 employees retired under the Company's Pension Plan. In the twenty-three years the plan has been in force, 372 employees have retired under its provisions.

The Company's Scholarship Program, in effect since 1953, has assisted 281 children of senior employees in their college education and has made grants to 87 schools.

TIME FOR SALE—Eric Pinkham, 4, had an eye for business during the Bulova-sponsored "Project Time-Out" when residents of North Conway, N. H. lived without watches and other timekeeping devices for 45 hours.

Source of Funds

	<i>Year Ended March 31</i>	
	1966	1965
From operations:		
Income for year	\$3,243,670	\$ 2,784,579
Charges against income not requiring funds:		
Depreciation	867,868	751,783
Deferred Federal taxes on income	34,287	(35,128)
	<u>4,145,825</u>	<u>3,501,234</u>
Proceeds from sale of 4½% Convertible Subordinated Debentures	—	8,082,500
Proceeds from sale of 5% Promissory Notes	—	14,400,000
Proceeds from sales of capital assets, net	13,300	51,671
Proceeds from sales of Company's capital stock to officers and employees, net	28,196	120,841
	<u>\$4,187,321</u>	<u>\$26,156,246</u>

Use of Funds

	<i>Year Ended March 31</i>	
	1966	1965
Dividends to stockholders	\$1,181,774	\$ 1,158,228
Additions to plant property	1,621,961	1,208,439
Payment of 3½% sinking fund notes	—	4,400,000
Deferred charges	(107,359)	203,170
Sundry assets	518,327	(28,211)
Increase in working capital	972,618	19,214,620
	<u>\$4,187,321</u>	<u>\$26,156,246</u>

Consolidated Statement of Income and Earned Surplus

<i>Year Ended March 31, 1966 with Comparative Figures for 1965</i>	1966	1965
NET SALES	\$99,754,581	\$84,200,736
COST OF GOODS SOLD	<u>67,163,043</u>	<u>55,829,972</u>
GROSS PROFIT FROM SALES	32,591,538	28,370,764
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	<u>22,143,172</u>	<u>19,529,106</u>
PROFIT FROM OPERATIONS (after deducting depreciation: 1966—\$867,868; 1965—\$751,783)	<u>10,448,366</u>	<u>8,841,658</u>
 INCOME CHARGES:		
Taxes, other than income taxes	2,407,634	1,959,141
Interest paid (less interest earned: 1966—\$155,702; 1965—\$98,471)	1,867,934	1,410,182
Contributions to employees' retirement plans (NOTE 6)....	<u>4,128</u>	<u>12,756</u>
	4,279,696	3,382,079
INCOME BEFORE INCOME TAXES	6,168,670	5,459,579
 U.S. AND FOREIGN INCOME TAXES (NOTE 2).....		
	<u>2,925,000</u>	<u>2,675,000</u>
NET INCOME FOR THE YEAR	3,243,670	2,784,579
EARNED SURPLUS AT BEGINNING OF THE YEAR.....	<u>31,406,588</u>	<u>30,679,352</u>
	34,650,258	33,463,931
 DEDUCT DIVIDENDS PAID:		
Cash—\$.60 per share	1,181,774	1,158,228
Stock—2% (NOTE 4)	<u>832,600</u>	<u>899,115</u>
	2,014,374	2,057,343
 EARNED SURPLUS AT END OF THE YEAR (retained for use in the business)—(NOTES 3 and 4)		
	<u>\$32,635,884</u>	<u>\$31,406,588</u>

(See Notes to Financial Statements)

Consolidated Balance Sheet

ASSETS	1966	1965
CURRENT ASSETS:		
Cash	\$3,282,560	\$2,643,776
Customers' accounts and notes receivable (less allowance for doubtful accounts and notes: 1966—\$888,824; 1965—\$789,597)	34,361,644	29,058,422
Other receivables	1,442,545	970,015
Inventories, at cost or less:		
Watch materials, including finished parts	33,989,587	31,267,876
Industrial and defense materials (in 1966, net of progress collections of \$1,470,000)	8,292,349	4,145,553
Precious metals	3,297,896	2,594,389
Other	2,456,541	2,383,430
	<u>48,036,373</u>	<u>40,391,248</u>
Prepaid expenses	1,117,267	939,199
Total current assets	<u>88,240,389</u>	<u>74,002,660</u>
NONCURRENT RECEIVABLES AND OTHER ASSETS.....	<u>1,766,514</u>	<u>1,248,187</u>
PLANT PROPERTY, AT COST (NOTE 2):		
Land, buildings and improvements	7,962,721	7,772,402
Machinery and equipment	6,957,315	5,788,180
Furniture, fixtures and leasehold improvements	1,083,619	936,458
	<u>16,003,655</u>	<u>14,497,040</u>
Less accumulated depreciation	7,550,215	6,784,393
	<u>8,453,440</u>	<u>7,712,647</u>
DEFERRED CHARGES	509,810	617,169
	<u>\$98,970,153</u>	<u>\$83,580,663</u>

March 31, 1966 with Comparative Figures at March 31, 1965

LIABILITIES	1966	1965
CURRENT LIABILITIES:		
Unsecured notes payable to banks and others	\$20,832,631	\$ 8,931,106
Accounts payable	5,988,663	5,026,952
Accrued salaries, wages, commissions and expenses.....	3,118,892	2,547,842
Accrued domestic and foreign taxes	2,212,096	2,381,271
Total current liabilities	<u>32,152,282</u>	<u>18,887,171</u>
LONG-TERM DEBT (NOTE 3):		
5% Promissory Notes due May 31, 1979	14,400,000	14,400,000
4½% Convertible Subordinated Debentures due Aug. 1, 1984	8,082,500	8,082,500
	<u>22,482,500</u>	<u>22,482,500</u>
DEFERRED FEDERAL TAXES ON INCOME (NOTE 2).....	<u>975,763</u>	<u>941,476</u>
STOCKHOLDERS' EQUITY (NOTES 3 and 4):		
Common stock, \$5 par value:		
Authorized	3,000,000 shares	
Issued: 1966—2,028,038 shares; 1965—1,988,272 shares	10,140,190	9,941,360
Capital surplus	1,337,955	704,185
Earned surplus (retained for use in the business).....	32,635,884	31,406,588
	<u>44,114,029</u>	<u>42,052,133</u>
Deduct common stock, at cost, held for resale to officers and employees: 1966—47,710 shares; 1965—48,186 shares....	754,421	782,617
Total stockholders' equity	<u>43,359,608</u>	<u>41,269,516</u>
	<u>\$98,970,153</u>	<u>\$83,580,663</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 subsidiaries. Foreign currency items, principally Canadian and Swiss, included in the consolidated balance sheet consist of current assets \$13,150,000, other assets \$1,725,000, and liabilities \$7,470,000. All foreign currency items have been converted at current exchange rates at March 31, 1966 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.

Note 2. FEDERAL INCOME TAXES:

Deferred Federal taxes on income have been reflected in the accompanying financial statements to provide for the excess of tax over book depreciation of certain plant property. At such time as book depreciation exceeds tax depreciation, the tax applicable to such excess will be returned to income.

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, 1966, earned surplus not restricted as to payments of dividends amounted to approximately \$6,684,000.

(b) 4½% 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 4.04 shares for each \$100 principal amount of debentures, subject to anti-dilution provisions. The 2% stock dividend payable June 29, 1966 resulted in an adjustment of the conversion rate to 4.12 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, 1965 the Company paid a 2% stock dividend of 39,766 shares of common stock of the Company. Earned surplus was charged for \$832,600, the market value of the stock, common stock was credited with the par value of the stock issued, \$198,830, and capital surplus was credited with the remainder of \$633,770. On May 25, 1966 another 2% stock dividend was declared, payable June 29 to stockholders of record June 7. This dividend will be reflected in the accounts for the fiscal year ending March 31, 1967.

Under the qualified stock option plan authorized by the stockholders in July, 1964, options were granted during the current year for 58,000 shares at \$17.94 per share, of which 1,500 shares were subsequently cancelled, and an option for 100 shares was exercised leaving 56,400 shares under option at March 31, 1966 (after adjustment for a 2% stock dividend paid June, 1965). Under this plan, 35,300 shares may be granted subsequent to March 31, 1966. Under a prior plan, options for 1,340 shares were exercised and options for 1,560 shares were cancelled during the year. At March 31, 1966 there remained 39,612 shares under option at prices ranging from \$14.42 to \$21.15 per share. No additional options may be granted under this plan.

At March 31, 1966, 326,501 shares of common stock were reserved for conversion of 4½% 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, 1965. Management is of the opinion that no excess profits were realized for the year ended March 31, 1966.

Note 6. RETIREMENT PLANS:

The cost of current service benefits under the Company's retirement plan for 1966, as computed by the actuaries, amounted to \$1,583,929, 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, 1966. 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
Bulova Watch Company, Inc.:

We have examined the consolidated balance sheet of Bulova Watch Company, Inc. and subsidiaries as of March 31, 1966 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, 1966 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 13, 1966

PEAT, MARWICK, MITCHELL & CO.

CARAVELLE

C-1 COMPANION — Full numeral dial, chrome-finished case, waterproof*, jeweled-lever movement, stainless steel back, leather strap. **\$10.95**

C-2 CALENDIAL "B" — Chrome-finished case, jeweled-lever movement, stainless steel back, waterproof*, shock resistant. Lizard grain strap. **\$14.95**

C-3 SAILSTAR "A" — Luminous hands and dial markers, adjustable expansion band, waterproof*. Also available with black dial. **\$16.95**

C-4 MINUET "A" — Calendar alarm with raised numeral dial. Precision jeweled-lever movement, spring-wound. Only 1 $\frac{3}{8}$ " in diameter. In ivory, black, red, green or light blue with gold-tone trim. **\$16.95**

C-5 ERICA "C" — Jeweled-lever movement, stainless steel back, adjustable telescope bracelet. Also in white. **\$16.95**

C-6 MUSETTE "A" — Teardrop watch pendant in white linen finish with gold-tone trim. Precision jeweled-lever movement, 24" rope chain. **\$17.95**

C-7 SKIDMORE "K" — 17 jewels, stainless steel back, black suede strap. **\$19.95**

C-8 COUNTESS "B" — Diamond-shape pendant, precision jeweled-lever movement, long, link chain. **\$19.95**

C-9 EXQUISITE — Decorative wall clock highlights the time and any decor. Precision jeweled-lever movement, 12 $\frac{1}{4}$ " high, 7 $\frac{1}{2}$ " wide, 2 $\frac{1}{4}$ " deep. **\$24.95**

* Waterproof when case, crystal and crown are intact.



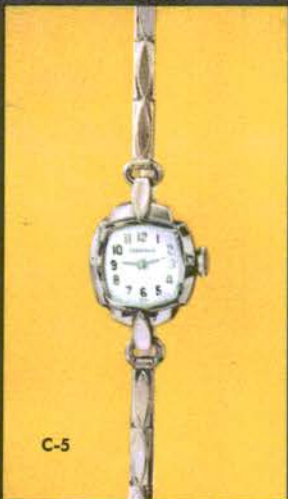
C-1



C-2



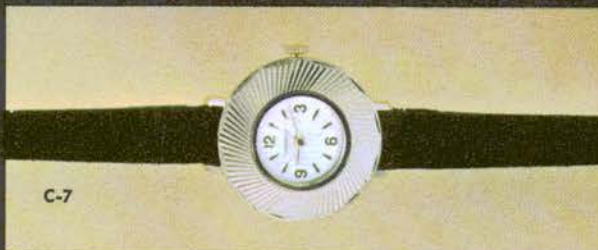
C-3



C-5



C-4



C-7



C-6



C-8



C-9

BULOVA ELECTRIC PRODUCTS

E-1 BLAZER—Eight transistors, extra-size permanent magnet speaker, sensitive ferrite-rod antenna, economical operation from single, 9 volt, long-life battery. Handsomely styled in unbreakable plastic. Presentation packaged with leather carrying case, earphone and battery. Height: 2¾", Width: 4½", Depth: 1¼". **\$12.95**



E-1

E-2 EXECUTIVE—Bulova's exclusive cordless radio-clock desk model in a dramatic new style approach. Battery operated 7 jewel electric clock with 9 transistor, 5 diode, 1 thermistor AM-FM radio. AFC. Tone control. Slide rule vernier tuning. Radio operates on 4 penlite batteries. Clock runs 1 year on low-cost mercury battery—turns radio on and off at pre-set time. Luminous hands. Unbreakable plastic cabinet. Height: 4", Width: 8", Depth: 6". **\$59.95**



E-2

E-3 GALAXY—Compact AM/FM cordless clock radio with Bulova's unique and exclusive swivel styling, features two handsome fronts, no ugly back. Converts at the touch of a finger from a highly styled, decorator 7 jewel electric clock to an unexcelled AM/FM radio, 8 transistors, 4 diodes, slide rule vernier tuning. Operates on 4 penlite batteries. Clock operates for one year on low cost mercury battery. Height: 3¾", Width: 7", Depth: 3¼". **\$59.95**



E-3

E-4 SKYSTAR—The total portable radio. Fourteen transistors, 7 diodes, 2 thermistors. Five bands, including standard broadcast, FM, marine, and two international short-wave bands. Solid, oil-stained walnut cabinet. Satin silver control panel and trim. Battery life and electric eye tuning indicator. AFC and fine tuning features. Two antenna system with big whip antenna for perfect FM and short wave reception. Operates on four long-life D-type flashlight cells. Converts to house current operation through use of Bulova AC adaptor and/or battery charger (included). Gift packaged. Height: 9", Width: 12", Depth: 4¼". **\$89.95**



E-4

E-5 S-920. PROFESSIONAL TYPE 40-WATT AUDIO OUTPUT TRANSISTORIZED (SOLID STATE) STEREO COMPONENT SYSTEM. Master unit includes push-pull two channel amplifier and deluxe record changer. Separate speaker enclosures each house two matched Jensen speakers. Auxiliary jacks permit use of amplifier with outside electronic equipment such as AM-FM tuners, tape recorders, etc. Bass, treble, balance and volume controls. Pilot light. Oil stained, genuine walnut. U/L approved. **\$169.95**



E-5



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



Neuchatel, Switzerland



Bienne, Switzerland



Executive & Sales Offices,
630 Fifth Avenue,
New York, N. Y. 10020



Woodside, N. Y.



Providence, R. I.



Sag Harbor, N. Y.



Toronto, Canada

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.



BULOVA

ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 1966