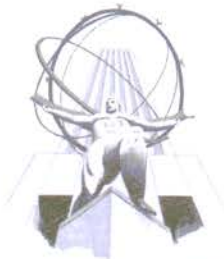


Bulova Annual Report for 1970



Bulova Headquarters
Bulova Park, Long Island, New York



Executive and Sales Offices
630 Fifth Avenue, New York, New York, 10020



Bienne, Switzerland



Geneva—Carouge, Switzerland



Bienne, Switzerland



Neuchatel, Switzerland



Warwick, Rhode Island



Valley Stream, New York



Woodside, New York



Directors

(Other affiliations in part):

Gen. Omar N. Bradley
(Chairman)
Chairman, The George C. Marshall
Research Foundation

R. Clyde Allen
Consultant, Stewart Dougall &
Associates; Director, Clauss Corp.

Benjamin H. Dorsey
Member law firm of Brookhart, Dorsey
and Callahan, Washington, D.C.; Director,
American Capital Life Insurance Co.;
Trustee, Washington Real Estate
Investment Trust

Sol E. Flick
*(Executive Vice President and General
Counsel)*
Director and Chairman, Executive Committee
Chelsea National Bank; Director, Booth
Memorial Hospital

Rodney C. Gott
Chairman and Chief Executive Officer,
AMF Incorporated; Director, The Black
& Decker Mfg. Co.; Associated Dry Goods
Co.; Trustee, Franklin Savings Bank;
Museum of Natural History; Council for
Latin America, Inc.

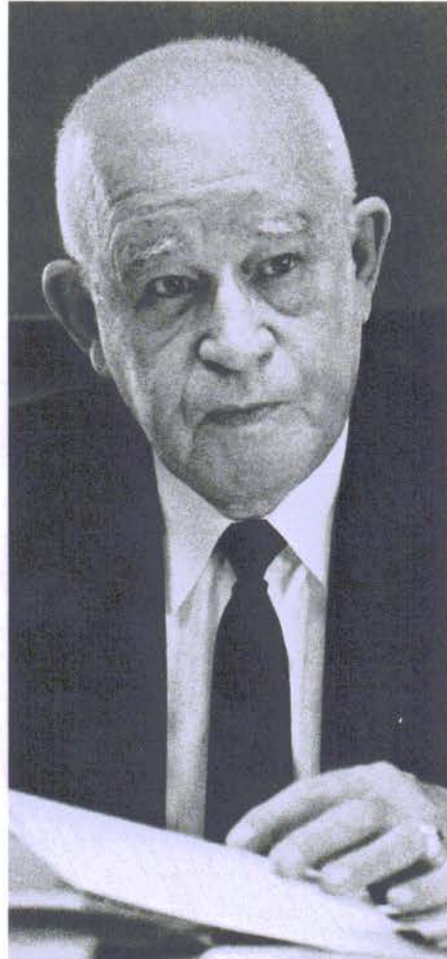
Harry B. Henshel
(President)
Trustee, Adelphi University; Director,
New York Chamber of Commerce

James McCormack
Director, Communications Satellite Corp.;
Eastern Airlines

John L. Weinberg
Partner, Goldman, Sachs & Co.; Director,
Cluett, Peabody & Co., Inc.; Cowles
Communications, Inc.; General
Development Corporation; The B. F.
Goodrich Company; Kraftco Corporation;
Knight Newspapers, Inc.



Sol E. Flick



Omar N. Bradley, Chairman



Harry B. Henshel



Rodney C. Gott



Benjamin H. Dorsey and James McCormack



R. Clyde Allen



John L. Weinberg

Annual Report of the Bulova Watch Company, Inc.

FOR THE YEAR ENDED MARCH 31, 1970

| | | |
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Annual Meeting

Tuesday, July 28, 1970
11:30 A.M. (EDST)
Bulova Park, 75-20 Astoria Boulevard
Jackson Heights, New York

The following are trademarks of
Bulova Watch Company, Inc.
ACCUTRON, ACCUQUARTZ, BULOVA,
CARAVELLE, 

About the Cover

Illustrations depicted on the covers of
your annual report include international
production facilities, in addition to the
sales and executive offices of the Bulova
Watch Company, Inc.

Highlights

Year Ended March 31

| | 1970 | 1969 |
|---|---------------|---------------|
| Net Sales | \$158,657,346 | \$148,928,724 |
| Income Before Income Taxes And Minority Interests | \$ 14,942,613 | \$ 12,982,212 |
| Net Income | \$ 6,782,321 | \$ 5,944,068 |
| Net Income Per Share* | \$ 1.92 | \$ 1.79 |
| Net Income Per Share Assuming Full Dilution | \$ 1.76 | \$ 1.58 |
| Cash Dividends Per Share | \$.58 | \$.54 |
| Current Assets | \$111,553,843 | \$103,128,054 |
| Current Liabilities | \$ 24,945,745 | \$ 40,907,489 |
| Working Capital | \$ 86,608,098 | \$ 62,220,565 |
| Stockholders' Equity Per Share** | \$ 17.90 | \$ 16.68 |

*Based on the average number of shares outstanding during each period adjusted retroactively for the 3-for-2 stock split of July, 1969.

**Based on number of shares outstanding at the end of each period, adjusted retroactively for 3-for-2 stock split.

Financial Review

Net Income

Net income for the year ended March 31, 1970, increased by 14% to \$6,782,321 from \$5,944,068 the prior year. This marked the eighth consecutive year in which net income rose by 14% or more. Pre-tax margins again improved as a result of increased domestic consumer product profits which for the year more than offset decreased profits in the defense and industrial products area. The improved profit margins also were achieved in spite of continued heavy expenditures in overseas markets which enabled volume there to again increase but without commensurate profit increases.

Net Income Per Share

Earnings per average share outstanding increased by 7% to \$1.92 compared with \$1.79 the previous year. The average number of shares outstanding was 3,537,440 in 1969-70 compared with 3,328,165 in 1968-69. Both amounts are adjusted for the 3 for 2 stock split which took place in July, 1969. The comparative increase in the number of shares primarily reflects further conversions of the Company's 4½% Convertible Debentures. At March 31, 1970 there were 3,621,716 shares outstanding.

Fully diluted earnings per share, which assumes conversion of all debentures as of date of issue and exercise of all granted options were \$1.76 in 1969-70 compared with \$1.58 in 1968-69.

In February, 1970, the Company issued \$21,179,300 of 6% Convertible Subordinated Debentures. Assuming such debentures had been issued and converted at the beginning of the fiscal year (i.e. April 1, 1969) and the proceeds had been applied to reduce short-term loans actually incurred during the year, pro forma fully diluted earnings per share would have been \$1.73.

Sales

Sales of the Company rose to another record high of \$158,657,346 or 6.5% above those of 1969-70.

The sales gains came wholly from the consumer products portion of our business as the defense and industrial business declined to 29% of total sales from 31% the prior year.

The decline in defense and industrial business began in the December quarter and continued in the March, 1970, quarter. Backlogs as of March 31, 1970, were \$14,400,000 compared to the backlog of \$32,600,000 the prior year. It is reasonable to expect continued declines in sales of government products during the current year.

Domestic consumer products business, led by the Accutron and Caravelle watch brands, was strong throughout the year. On a quarter by quarter basis, it is important to note that 60-65% of our consumer business shipments normally come in the September and December quarters.

International (non-domestic) watch sales continued to grow rising to \$20.3 million or 18% of total consumer products sales.

Financial Position

As a result of the highest earnings in the Company's history, as well as the completion in February, 1970, of long-term financing by means of a \$21,179,300 6% Convertible Subordinated Debenture, our financial position has been further improved. The proceeds of the debenture issue were used primarily to reduce high interest short-term borrowings, which at year end were \$7.8 million compared with \$21.8 million last year.

The additional long-term funds coupled with our substantial bank credit lines puts the Company in a favorable position to meet its anticipated requirements. Other long-term debt outstanding decreased during the year primarily due to heavy conversions of our 4½% debentures of which at year end there were \$2.7 million outstanding of an original \$8.1 million issue.

Capital expenditures for the fiscal year were \$2,689,344 compared with depreciation of \$1,451,651.

Dividends

Dividends paid to shareholders during the year totalled \$2,073,579, compared with \$1,777,900 the prior year. Cash dividends have been paid each year since 1937. Following the 3 for 2 stock split of July 22, 1969, the quarterly cash dividend was increased to 60¢ a share, marking the fourth consecutive year in which cash dividends were increased.

Quarterly Data

Sales and net income showed the following quarterly pattern during 1969-70:

| Quarter Ended | Sales | Net Income |
|----------------|----------------------|--------------------|
| June 30, 1969 | \$36,242,000 | \$1,245,000 |
| Sept. 30, 1969 | 45,051,000 | 2,446,000 |
| Dec. 31, 1969 | 42,369,000 | 2,376,000 |
| Mar. 31, 1970 | 34,995,000 | 715,000 |
| TOTAL | \$158,657,000 | \$6,782,000 |

Major sources and uses of funds were as follows:

Source of Funds

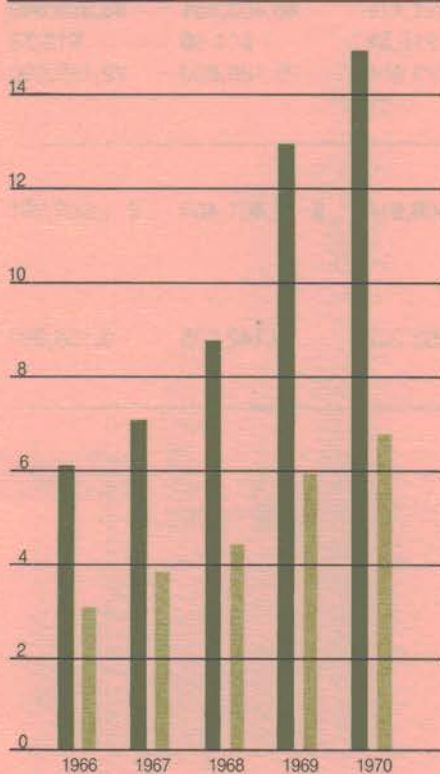
From operations:

| | Year Ended March 31 | |
|---|---------------------|--------------------|
| | 1970 | 1969 |
| Net income for year | \$ 6,782,321 | \$5,944,068 |
| Charges against income not requiring funds: | | |
| Depreciation | 1,451,651 | 1,309,466 |
| Deferred Federal taxes on income | (116,126) | (358,642) |
| | <u>\$ 8,117,846</u> | <u>\$6,894,892</u> |
| Deferred income | 863,476 | 932,867 |
| Proceeds from sales of Company's capital stock to officers and employees, net | 316,014 | 576,943 |
| Working capital of subsidiaries consolidated in 1969 | — | 195,043 |
| Minority interests in net assets of subsidiaries | (6,531) | 185,436 |
| Increase in long-term debt: | | |
| Proceeds from 6% Convertible Subordinated Debentures | 21,179,300 | — |
| Reduction in 5% Notes and other loans, net | (1,031,048) | (1,526,504) |
| | <u>\$29,439,057</u> | <u>\$7,258,677</u> |

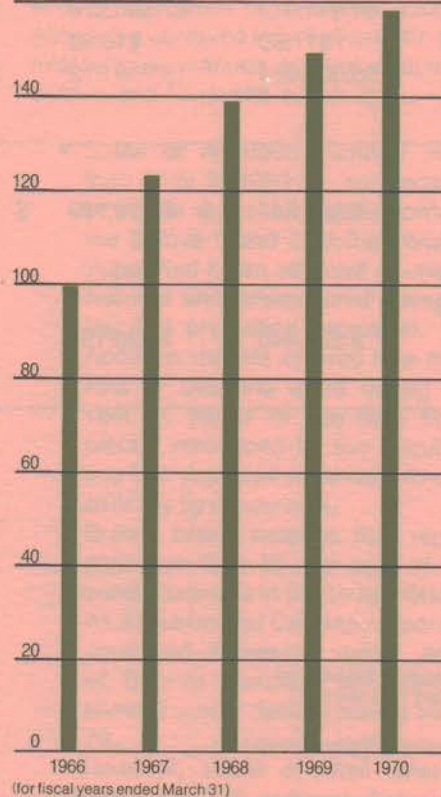
Use of Funds

| | Year Ended March 31 | |
|--|---------------------|--------------------|
| | 1970 | 1969 |
| Dividends to stockholders | \$ 2,073,579 | \$1,777,900 |
| Additions to plant property, net of sale and leaseback | 1,890,715 | 2,879,799 |
| Other assets | 587,114 | 606,377 |
| Deferred charges | 500,116 | 18,012 |
| Increase in working capital | 24,387,533 | 1,976,589 |
| | <u>\$29,439,057</u> | <u>\$7,258,677</u> |

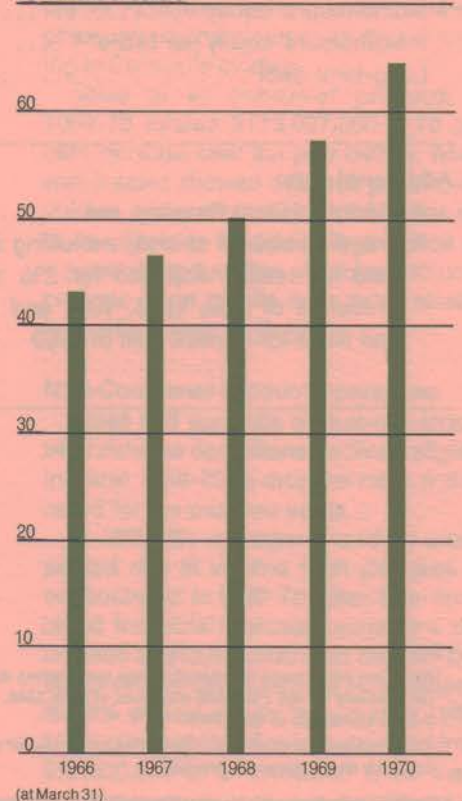
■ Earnings before taxes ■ Net Income
16 millions of dollars



Net Sales
160 millions of dollars



Stockholders' Equity
70 millions of dollars



Five Year Financial Review

Fiscal Years Ended March 31

BULOVA WATCH COMPANY, INC. and Subsidiaries



| | 1970 | 1969 | 1968 | 1967 | 1966 |
|--|---------------|---------------|---------------|---------------|--------------|
| Operating Results: | | | | | |
| Net sales | \$158,657,346 | \$148,928,724 | \$139,752,549 | \$123,877,017 | \$99,754,581 |
| Income before income taxes and minority interests | 14,942,613 | 12,982,212 | 8,926,771 | 7,199,983 | 6,168,670 |
| Net income | 6,782,321 | 5,944,068 | 4,536,771 | 3,899,983 | 3,243,670 |
| Net income per share* | \$1.92 | \$1.79 | \$1.42 | \$1.24 | \$1.03 |
| Net income per share assuming full dilution | \$1.76 | \$1.58 | \$1.25 | \$1.09 | \$.93 |
| Cash Dividends paid | 2,073,579 | 1,777,900 | 1,459,812 | 1,207,303 | 1,181,774 |
| Earnings retained after cash dividends | 4,708,742 | 4,166,168 | 3,076,959 | 2,692,680 | 2,061,896 |
| Cash Dividends paid per share | 58¢ | 54¢ | 46¢ | 38¢ | 38¢ |
| Stock Dividends and Stock Split in 1970 | 50% | 2% | 2% | 2% | 2% |
| Financial position (Year-end): | | | | | |
| Current assets | \$111,553,843 | \$103,128,054 | \$104,186,616 | \$ 99,258,884 | \$88,240,389 |
| Current liabilities | 24,945,745 | 40,907,489 | 43,942,640 | 41,853,752 | 32,152,282 |
| Working capital | 86,608,098 | 62,220,565 | 60,243,976 | 57,405,132 | 56,088,107 |
| Total assets | 128,926,609 | 119,024,110 | 118,097,347 | 112,482,741 | 98,970,153 |
| Stockholders' equity | 64,814,042 | 57,590,570 | 50,021,475 | 46,403,951 | 43,359,608 |
| Stockholders' equity per share** | \$17.90 | \$16.68 | \$15.51 | \$14.56 | \$13.72 |
| Long-term debt | 36,506,924 | 18,606,972 | 22,973,814 | 23,189,600 | 22,482,500 |
| Additional data: | | | | | |
| Additions to Plant Property, net | \$ 2,689,344 | \$ 2,879,799 | \$ 2,608,614 | \$ 2,401,459 | \$ 1,608,661 |
| Average number of shares, excluding stock held for resale, adjusted for 2% stock dividends of June 1966, 1967 and 1968 and the 3-for-2 stock split of 1969 | 3,537,440 | 3,328,165 | 3,202,357 | 3,142,095 | 3,136,392 |

*Based on the average number of shares outstanding during each period adjusted retroactively for the 2% stock dividends of June 1966, 1967 and 1968 and the 3-for-2 stock split of July, 1969.

**Based on number of shares outstanding at the end of each period, adjusted retroactively for stock dividends and stock split.

To Our Shareholders:

Bulova's sales and net income reached record levels of \$158,657,346 and \$6,782,321 respectively in the year ended March 31, 1970.

Sales were 6.5 per cent higher than the \$148,928,724 recorded in the previous fiscal year and marked the 11th consecutive year of growth in Bulova's modern history. Net income surpassed the \$5,944,068 of fiscal 1968-69 by 14 per cent. This increase in net income represents the 8th year since 1963 that Bulova earnings have advanced by at least the 10-15 per cent average growth rate set by management nearly a decade ago as a long-term corporate objective.

Primary earnings per share in 1969-70 reached \$1.92, a gain of 7 per cent over the previous year's \$1.79. Per share earnings are based on the average number of shares outstanding—3,537,440 in fiscal 1969-70 and 3,328,165 in 1968-69—the latter adjusted retroactively for a 3 for 2 stock split approved by shareholders on July 22, 1969.

On a fully diluted basis, which assumes the exercise of all options and conversion of all debentures, earnings per share were \$1.76 in 1969-70 compared to \$1.58 in the previous fiscal year. The 1969-70 figure is adjusted for the issuance in February, 1970, of \$21,179,300 in 6% Convertible Debentures.

Watch Sales Climb

In 1969-70, Bulova further solidified its worldwide position of leadership in watch technology and marketing. Continuing high levels of consumer acceptance were achieved in both domestic and international markets for our Accutron, Bulova and Caravelle watch lines.

- Sales of Accutron climbed more than 25% in 1969-70, and today it occupies a position second only to the Bulova brand in dollar volume. Supported by an effective all-media national and international advertising and promotion campaign, 135 Accutron models entered new markets all over the world during the year. A series of day-date timepieces introduced by the Accutron line last year was received enthusiastically by consumers.
- Bulova brand watches now represent less than 50 per cent of our watch business in the United States. As Accutron and Caravelle recorded continued increased sales; sales of Bulova watches to retailers showed a mild decline during 1969-70.
- However, audits of retail sales in calendar 1969 indicate that over-

the-counter purchases rose markedly over 1968. Bulova is still our sales leader in dollar volume by a wide margin, although Accutron should some day overtake it. As our basic middle-price line, the Bulova brand continues to have a loyal following among consumers and fulfills the key role in our watch marketing.

- Sales of Caravelle, our comparatively low-priced jeweled-lever watch, registered slightly more than a 20% gain in dollar volume during 1969. In unit sales, Caravelle had passed Bulova in 1968 to become the best selling jeweled-lever watch in the United States.

Each of the Company's three brands are—by substantial margins—unit sales leaders in their price and quality categories in domestic U.S. markets. In addition, they represent in dollar volume the leading three fine watch brands in the United States. The progression of our watch sales since the introduction of Accutron in 1960 and Caravelle in 1961 is in accordance with our overall marketing plan, which is designed to offer a full price range of high quality, fashion-oriented timepieces, along with a broad diversification in models. With this balance in products and price range, we are in a strong long-term position to withstand the inevitable economic cycles.

It is indicative of consumer buying patterns today that more and more of the established or repeat buyers are upgrading to Accutron, while greater numbers of teenagers and younger adults are turning to Caravelle models.

Sales of all consumer products in 1969-70 totaled \$113,097,000 a 10 per cent increase over the year before. While watch sales showed vigorous growth, the volume and market outlook for radios led to our decision to discontinue radios as a general product line. We intend to concentrate upon clocks as a more related line of business for Bulova.

Non-Consumer Product Operations

Sales and earnings of Bulova's industrial/defense operations declined slightly in fiscal 1969-70, a drop we have anticipated for the past two years.

In 1968-69, we experienced an unexpected rise in volume from this area of our business. In 1969-70, sales from combined industrial/defense operations decreased to \$45,560,000 from \$46,348,000 the previous fiscal year. It is significant for the period ahead that during 1969-1970, our backlog of orders dropped from \$32,600,000 to \$14,400,000 while there was only a small decline in our shipments

of finished products. We foresee, therefore, a substantial decrease in our defense shipments through 1970-71, directly related to the international policies of our Government. In addition to the total need diminishing, the business itself has become extremely price competitive. It is likely therefore that our defense business will now decline more rapidly than we previously anticipated.

With growing national deemphasis in this area, we look forward to devoting substantial resources to further developing our advanced timing technology, to meet the needs of broadening industrial applications.

Our non-consumer divisions manufacture quartz crystal and tuning-fork frequency control systems, Accutron-based industrial timers and automation and industrial products. Bulova has the expertise and capacity to mass produce miniature components for the electronics and aerospace industries. Our efforts will be concentrated on the goal of increasing industrial volume with greater profit margins and stability.

We have distinguished ourselves among watch companies by our contributions to a decade of spectacular achievements in space. Bulova Accutron master timers are today operating in the EASEP and ALSEP scientific "packages" placed on the Moon by U.S. Apollo astronauts. Moreover, Bulova is in the forefront today of advanced timekeeping projects in industrial, space and consumer areas. These include ongoing research and development of an atomic timekeeping system, as well as quartz crystal-based clocks, watches, and industrial controls.

International Scope

Fiscal 1969-70 saw the Company continue its momentum abroad in expanding markets and manufacturing capabilities. All three watch brands—Accutron, Bulova and Caravelle—registered increased overseas sales. Our total dollar volume abroad was up more than 25 per cent in fiscal 1969-70, compared with a rise of 19 per cent in 1968-69. While profits on our overseas business were not significantly improved, sales have now reached a level from which significant profit increases can be generated.

Our expansion program abroad included marketing in France. A high growth rate was recorded in other market areas, notably Italy, Germany and Canada.

A new plant, on the present site in Geneva, which will more than double the capacity of our subsidiary, Universal Geneva, has been completed and will be fully equipped by the fall of 1970.

Our licensing agreement with Ebauches S.A. of Switzerland generated royalties for Bulova in 1969-70, although Ebauches tuning-fork movements will not be on the market until late in 1970. Through our 1968 agreement, Ebauches was granted the right to manufacture and sell electronic tuning-fork movements and components based on our Accutron patents for which Bulova is paid a minimum annual royalty, against royalties to be received for each movement or set of components produced.

During the year, Ebauches made arrangements to sell their licensed tuning-fork movements under Omega and Eterna trademarks. Thus Bulova derives a dual benefit—direct payment of royalties and increased exposure of tuning-fork watches through broadened channels of distribution.

New Venture

Your management has recently taken another major step toward further broadening the Company's multi-national production base and towards increasing the flexibility with which we can respond towards worldwide consumer market conditions. In May, 1970, in cooperation with Citizen Watch Company, of Tokyo, the second largest watch company in Japan, Bulova applied to the government of Japan for permission to form a jointly owned new company to manufacture and market tuning-fork watches in Japan. Japanese government approvals have already been secured, and Bulova will acquire 51 per cent of the shares of the new corporation, to be incorporated as Bulova Citizen Company, Limited. The other 49 per cent of the corporation's shares will be purchased by Citizen Watch Company, Limited.

In addition, the government of Japan has given its approval to the Bulova Citizen Company, Limited, to enter into separate technical assistance agreements with both Bulova and the Citizen Watch Company in regard to certain patent licenses.

Our new joint venture with Citizen Watch Company, Limited, in Japan represents an extension of the engineering and manufacturing cooperation first established with Citizen by an agreement signed in 1960. Under the terms of that agreement, which continues in effect, Citizen manufactures jeweled watch movements to Bulova specifications for use in some models of Caravelle brand watches marketed in the United States, and elsewhere. The agreement has proved successful and mutually satisfactory to both companies, leading to a close collaboration with Citizen that, in

our opinion, justifies our full confidence in the joint ownership and operation of the Bulova Citizen Company, Limited.

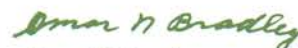
Outlook for the 70's

We have just completed the most successful decade in Bulova's 96-year old history. In the 1960's we advanced the technology of timekeeping and adapted it to industrial applications, as well as to a wide variety of consumer uses and price ranges. We were particularly effective in channeling our research and manufacturing resources to meet the growing trends toward individualism among consumers today.

The year 1970-71 will be transitional for Bulova, for the industry, and for the nation. We foresee the introduction of new products in timekeeping, and our entry into new markets. Our worldwide consumer business should expand while our defense business will contract. The key question in regard to 1970-71 is whether our consumer business will increase sufficiently to more than make up for declining sales and profits in the defense area. During the coming months, we will continue to prepare for further growth in consumer and industrial activities during 1971-72 and the decade ahead.

As the problem of corporate liquidity in the the United States becomes paramount, we are confident of our financial position, which is stronger than it has been at any time in the past ten years. Bulova enters the 1970's as the only complete watch manufacturer in the United States, and, we believe, a dominant force in the industry throughout the world.

As we review the past decade and look forward to 1980, we are aware that the steadfast and high performance of Bulova employees has made invaluable contributions to the growth of the Company. We are grateful also for the loyalty of our shareholders and the continued confidence of our customers and suppliers throughout the world.



Omar N. Bradley
Chairman of the Board

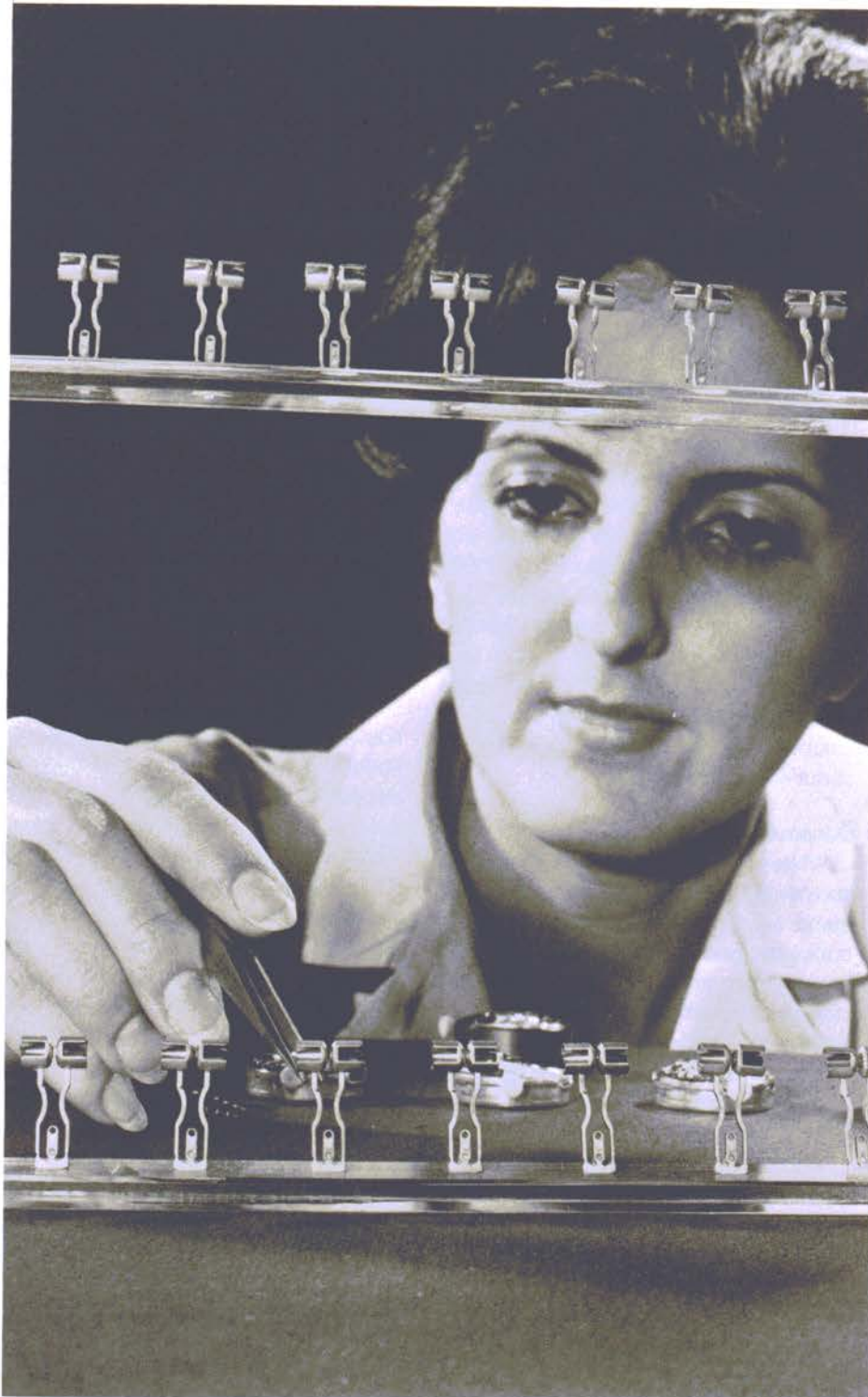


Harry B. Henshel
President

June 10, 1970

Operations In North America

ACCUTRON TUNING FORKS On Accutron assembly line at Company's Bulova Park, Flushing, N.Y. plant, tiny tuning forks are installed in transistorized electronic watch movements. More than 2 million Accutron watches have now been manufactured in the Company's U.S. and Swiss plants. The self-powered tuning-fork movements in the Accutron timers emplaced on the moon by the Apollo 11 and 12 astronauts are identical with the movements in Accutron watches sold by jewelers around the world.



The Challenge of the 1970's

The transition of one decade into the next is not a sudden happening. For a company with nearly a century of experience, foresight is virtually ingrained in all operations, and undergoes constant refinement.

Twenty-five years ago, there were four companies manufacturing jeweled-lever watches in the United States; today Bulova is the sole manufacturer of fine quality watches within the United States. In addition, the Company is the only domestic producer of tuning-fork wrist-watches and has also become the largest manufacturer of watches, under a single brand, in Switzerland.

The recent history of watchmaking in America includes tremendous upheavals in the market place. In the 1950's, mass marketing of "throwaway watches" with pin-lever mechanisms nearly destroyed consumer acceptance of the conventional quality watch. But quality and advanced technology came to the forefront again in the 1960's, as Bulova reestablished faith in fine watch performance in the low end of the mass market—through the launching of the Caravelle brand, initially and still priced as low as \$10.95 at retail—and introduced the concept of guaranteed on-the-wrist accuracy at the top of the market—with the launching of the Accutron tuning-fork watch, initially priced to start as low as \$175 retail. Consumer watch sales more than doubled for Bulova in the 1960's.

As consumer acceptance of the Accutron brand accelerated, achieving cost savings through volume manufacturing, new low-priced Accutron styles were introduced starting at \$110. In fact, the quality watch is one of the new major consumer products that has not risen in price between 1960 and 1970.

Market Factors

Populations are increasing; consumer buying power is growing, with increasing outlays going toward luxuries. A climate of protest exists, affecting all economic areas—protests largely directed against uniformity. Youth influences are strong on the other age groups. The consumer today is striving for individuality, for the things that make him different. So variety in fashion is at a premium.

This is the consumer scene of the 1970's, the basic backdrop against which Bulova and all other companies must function.

The challenge of the 1970's is to make contact with this vibrant new consumer, who is determined to secure his identity in society—as a person and as a purchaser—and who possesses the means to make those choices that satisfy his need for individuality, personal uplift, and accurate time.

Throughout the 1960's, Bulova expanded and refined its operations to become ever more consumer-sensitive in the 1970's. The number of watch styles offered by the Company reflected this objective. The Accutron, Bulova and Caravelle brands domestically, and the Bulova Accutron, Bulova and Caravelle brands abroad, offered less than 400 styles in 1960 but more than 1,200 in 1970.



NEW STYLING This new Bulova "Golden Clipper" day-date wristwatch is one of 200 new styles introduced in the domestic Accutron, Bulova and Caravelle lines during the past year.

Market Research

For Americans, the quality watch as a consumer purchase is passing through an important phase. Still considered a luxury item a decade ago, it is now moving rapidly into the select group of retail products generally classified as necessities—although there are an estimated 30 million adult Americans who don't own a watch.

As a result, the dimensions of Bulova's domestic watch market embrace a population currently estimated at more than 205 million. Moreover, by 1980, the total population is expected to exceed 230 million.

We are aware that even necessities in an open and competitive society, inevitably develop luxury characteristics to enhance their fundamental value. We are aware further that certain of these distinguishing characteristics and features appeal to particular groups and segments of the population. Our market researchers pointed this out more than a decade ago, and Bulova conscientiously programmed its operations for a mammoth long-term marketing effort—to the year 1980 and beyond. Our timing is right.

We are on the verge of witnessing the greatest volume of combined necessity/luxury spending that this nation or any other nation has ever recorded. By 1975, according to the Bureau of Census, U.S. families will be enjoying a living standard 50% higher than in the mid-Sixties. Last year alone, affluent Americans spent \$83 billion on leisure items. Watch purchases soared from 22.4 million units in 1960 to about 45 million in 1969.

Consumer Preferences

While watches are necessities for a substantial portion of the population, demand is generally channeled through consumer preferences related to styling and fashion, pricing, performance, special use requirements, identification characteristics, convenience purchasing, quality of servicing, brand recognition, and other factors.

Just as consumers are seeking larger measures of self-identity in watch purchases, Bulova's market researchers have sought to identify the particular needs of segmented consumer groups. That we have succeeded in this crucial phase of our operations is evidenced by the record number of more than 800 different watch models offered to the United States markets. We are constantly introducing new Bulova-designed fashion watches and watches for special uses and occasions. Bulova's technological advances are resulting in new lines and features that significantly enhance a watch's basic timekeeping function.

Furthermore, in recent years we have successfully promoted the concept of the "watch wardrobe". Equally important, Bulova offers to consumers a comprehensive range in prices, from \$10.95 to \$11,000, to meet all preferences and income levels.

In sum, through continued close contact with the quickening pulse of the buying public, Bulova has structured its total manufacturing, sales and distribution organization to offer an exciting variety of choices to the watch-buyers of America, thereby enabling each consumer to make the selections that not only fall within his means, but which also fulfill his particular personal tastes and practical requirements.

Marketing and Sales Counselling

At the heart of the Bulova marketing organization, which extends throughout 50 states, is the sales representative. Hand chosen and specially trained, he personifies Bulova's basic consumer concern to the more than 20,000 authorized Bulova jewelers and other retail outlets.

Bulova's nationwide sales force is the largest in the U.S. watch industry—and the largest in the world jewelry industry. Yet it is the quality and responsibilities of our personnel that truly distinguish our sales organization within the industry. A Bulova representative is primarily a marketing counsellor, and, secondarily, a salesman in the conventional sense.

Because the professional jewelers of America are so vital to Bulova's philosophy of consumer sensitivity, we have nurtured a longstanding close relationship with them. Through this liaison, the Company has in effect established additional antennae to monitor sales trends and consumer preferences. Jewelers, on the other hand, have direct access through Bulova to a highly profitable source of marketing information, materials and services. These include the results of corporate-sponsored market research studies, regional merchandising guidelines, and a variety of consumer-support advertising and promotion aids, in addition to technical and sales training programs.

On-the-Spot Decisions

In 1969, the number of Bulova's watch and clock sales representatives reached 130, compared to 30 in 1945. What this means is that our field men are each assigned fewer dealers, with the objective of providing greater in-depth retailing services. More and more decisions and key services are now rendered on-the-spot, in the dealer's premises, rather than through corporate or regional headquarters. The pace of the 1970's demands rapid consumer-oriented action and answers, which Bulova is prepared to provide.

To further arm sales representatives with the knowledge and materials to aid jeweler performance, Bulova last year realigned its marketing responsibilities so



ATLANTIC EXCHANGE Michael D. Roman (center), vice president and national sales manager, welcomes Cliff Halliwell (right) and Elihu Bernstein to the Company's New York sales offices. Mr. Halliwell, the Bulova sales representative for the Manchester area in Great Britain, and Mr. Bernstein, the Bulova sales representative for the Tampa, Florida, area were exchanging territories for a three-week period to initiate the sales organization's new "Atlantic Exchange Program," launched in 1970.



that each representative now handles virtually all of the Company's key consumer lines, including Accutron, Bulova and Caravelle clocks in addition to jewelry cleaning products for home use.

The success of Bulova's sales counselling approach and the streamlining programs for the next decade are already evident in the returns of 1969-70. In the last quarter of calendar 1969 when many consumer product companies were reporting lower sales, consumer sales of Bulova brands were up more than 12 per cent, as compared to a year before. During the fiscal year, we significantly solidified relationships with independent jewelers and large chains, and also increased department store sales by 27%. Sales results of the Presentation and Incentive Sales Division showed a rise of 33%, while our expanded chemical product lines improved by 26%.

The momentum achieved last year and during previous years is continuing with sales thrusts into new marketing areas. Moreover, additional programs for the future are being planned to further heighten our contact and increase our services to growing numbers of the nation's reputable jewelry outlets, in order to assure ultimate satisfaction to consumers.

Advertising and Promotion

Bulova views its consumer and trade advertising and promotion efforts—acknowledged to be the most comprehensive and far-reaching in the industry—as a means of educating the consumer and the jeweler and providing an important impetus to consumer sales.

The consistency and creativity of the Company's advertising established a strong brand-awareness among consumers in the 1960's. What we achieved, in effect, was a broad-scale media momentum—to stimulate immediate sales and also to build continuing interest among consumers and dealers on a nationwide basis.

Bulova made watch advertising history in 1969 when it ran a series of ads in national publications which declared Accutron to be: "The Most Accurate Watch in the World". High impact was achieved by way of a 4-color, full page campaign in magazines with a total circulation of more than 18,000,000.

The Bulova brand also received the full page/color treatment in publications with a combined weekly circulation of about 12,000,000. In addition, a concentrated campaign in *Life* and *Reader's Digest* vividly described the advantages of the Caravelle transistorized watch.

Accutron gained further nationwide exposure through commercials shown on the popular network TV program *60 Minutes*. Moreover, nearly 15 million homes in America tuned in on the *Jack Paar Special*, sponsored exclusively by the Company, which carried messages about Accutron and Bulova. Caravelle watches, received TV coverage on such programs as *What's My Line*, *Truth or Consequences*, *Art Linkletter Show*, *Let's Make a Deal*, and others.

HAND-IN-HAND In the Bulova Timer Laboratory at Bulova Park, Flushing, N.Y., assembly technician Gertrud Stutzenstein prepares to attach hour hand to dial of Accutron Marine Navigator Mark II, a marine navigation clock, designed for amateur yachtsmen as well as professional use. The Timer Laboratory specializes in Accutron-based timing devices and systems for space, medical, industrial, and other scientific applications.

NEW JEWELER PROGRAM Even novice jewelers can enter the highly competitive \$100-million-a-year industrial service awards market through a completely new program launched this year by the Presentation and Incentive Sales Division. More than 10,000 U.S. firms now honor outstanding employee achievement or service with individualized consumer-product gifts. Accutron and Bulova watches are proving increasingly popular as uniquely personal prestige gifts in firms with internal awards programs to stimulate and honor employee performance.

In addition, the Caravelle brand—like the Accutron brand earlier—received special recognition from the Smithsonian Institution in Washington, D.C. The 10 millionth Caravelle watch, a battery-powered transistorized model, was accepted for display in the Institution's Hall of Horology.

A program aimed at establishing more direct contact with foreign language groups in America was begun in 1969 via radio and television. A review of preliminary results indicates a rise in brand loyalty for the lines of Bulova watches advertised in this manner.

Bulova had the distinction last year of being the only watch company represented in the U.S. Department of Commerce travelling exhibition: "Know-How U.S.A." A dramatic Accutron display was shown to consumers all over the nation, alongside of products from 25 blue chip industrial corporations. The exhibit toured major shopping centers throughout the year.

Promotional highlights which supplemented our advertising campaigns to trade groups included: the year-round Display-of-the-Month program for jewelry outlets; publication of Bulova's 24-page catalog at Christmas (sales of the catalog to jewelry stores topped three million copies in 1969); and a new high-response direct mail program.

With Bulova's increasing focus on consumers and jewelry retailers, the decade of the 1970's will see a broadened spectrum of advertising and promotion activities designed to achieve the widest potential contact with consumers.

Distribution and Servicing

Within the industry, it is recognized that Bulova is highly selective in adding new outlets, choosing only reputable and sound dealers for its various products. It is also acknowledged that Bulova retailers receive the strongest support possible to enhance consumer relations. Thus, the Company strives to achieve high quality distribution with superior service follow-up for consumers.

Among the Company's major contributions toward stimulating the flow of retail business have been: interchangeability of watch parts, accessibility of serviceable components, and flexible credit for jewelers to encourage extended installment buying terms for the consumer.

Today the average U.S. consumer is increasingly insistent that his watch needs be attended to with promptness and professionalism.

Sensitive to these rising consumer demands, Bulova's Technical Sales and Services Division today operates the industry's largest and most complete service training program for retailers and watchmaking personnel.

Watchmaker Training

In 1969, our Field Training Services conducted courses which attracted 3,400 jeweler-watchmakers in 100 cities and towns throughout the United States, compared to 2,500 that enrolled in 60 localities the year before. Since 1965 when the training programs began, more than 15,000 professionals have participated, representing more than a third of all the nation's jeweler-watchmakers.

It should also be mentioned that the Joseph Bulova School of Watchmaking in Woodside, Long Island, N.Y. has graduated over 1,000 of the most proficient watchmakers in the world.

In addition to product knowledge, comprehensive watch servicing today requires the expert use of such advanced equipment as: electronic watch-rate recorders, ultrasonic cleaners, watch and battery testers, and other specialized devices. Bulova's Watchmaster Products Department is the largest single distributor of watchmaker electronic equipment in the United States.

To assist consumers in obtaining adequate service, the Company opened four regional Bulova Service Centers in 1969-70—in Los Angeles, Chicago, Dallas and Atlanta—in addition to the one in New York, to help jewelers meet the service and repair needs of their customers. Moreover, 27 jewelers were certified as Accutron Centers. An Accutron Center Jeweler carries a complete selection of every style in the line and in addition is fully equipped to meet all watch service



IN SMITHSONIAN Bernard Dwortzan (left), Caravelle advertising and sales promotion manager, presents 10-millionth Caravelle watch to Robert M. Vogel, Curator of the Smithsonian Institution's Division of Mechanical and Civil Engineering, for display in the Institution's Hall of Horology in Washington, D.C. The watch is a transistorized electronic model retailing for \$39.95. The exhibits in the Hall already include an Accutron movement and Accutron clocks used on NASA's manned Gemini spacecraft.

JEWELER SERVICE EQUIPMENT Technicians Samuel Stertzer (right) and Margarete Breitenbach assemble ultrasonic cleaners at American Time Products, a department of the Electronics Division. These machines and other electronic equipment, such as Vibrograf® watch-rate recorders, are marketed by the Company's WatchMaster Products Division largest domestic distributor of electronic equipment for jewelers and watchmakers.

You'll only buy one diamond watch in your life. Shouldn't the diamonds be real?



The most important woman in your life deserves to own not just a watch, but a diamond watch.

Not just a diamond-chip watch, but a real diamond watch.

(To be real, a diamond must have at least 17 facets, cut to unleash its deep fire and sparkle.)

At Bulova, *every* single diamond we put on our watches has at least 17 facets.

We search Antwerp, Tel Aviv, Amsterdam to find quality gems and expert stone cutters.

And of course we take the same care in making our watches as we do

in picking our diamonds.

It takes us nine months to make a Bulova.

Which may not seem like a lot of time compared to the millions of years it takes for the formation of a diamond. But it's enough time to make a gem of a watch.

Diadem "XX": 30 diamonds (total 1 carat). 14k solid gold. \$650. Other diamond watches from \$50. At fine jewelry and department stores. Bulova Watch Co., Inc.

Bulova Diamond Watches. These days the right time isn't enough.

With our new instant-set calendar watches, it doesn't take a year and a day to change the month.

All you have to do is push the crown in, release it, and it's tomorrow. Again, and it's the day after.

This ingenious little device should, by all rights, be incentive enough for watches that sell for as little as these do. But we didn't stop there.

All nine of them are automatic, antimagnetic, and water- and shock-resistant, with 17-jewel Swiss movements. We even gave

a few of them some color on their faces without going overboard. And one (should you happen to go overboard) performs perfectly even at depths of 666 feet.

Yet they sell from \$49.95 to \$59.95.

Ask your Bulova dealer about our new Caravelle® instant-set, date and day automatic watches.

And he'll be happy to save you a year and a day and an arm and a leg.

\$49.95

\$55.00

\$59.95

\$59.95

Caravelle® by Bulova
Automatic Date and Day Watches.

Bulova Clocks

CRAFTED FOR A LIFETIME OF PROUD POSSESSION

Cordless, Electronic Desk and Table Clocks

A Tempo — handsomely styled digital cordless clock. Operates on standard flashlight battery. 4 1/4" high, 6" wide, 4 3/4" deep. **\$27.00**

B Awake 6032—automatic day-date 30-hour travel alarm. Red leatherette finish, polished gold case and trim. Luminous hands and dots **\$11.95**

C Alert 2251—8-day alarm clock in brass finish complements satin silver dial. 4 1/2" high, 3 1/8" wide. **\$29.95**

D Alert 2261—handsome, modern 8-day alarm with calendar. Bold, black Roman numerals highlight beautifully designed dial. 2 5/8" high, 2 3/4" wide. **\$24.95**

E Minuet—calendar alarm clock, 7 jewel, spring wound. Luminous hands and dots, combination raised numeral and stick dial. 1 5/8" dia. **\$16.95**

F Accutron Imperial—Singularly modern table clock. Polished and satin brass case with glass crystal and sides. 5-7/16" high, 3 3/4" wide, 2" deep. **\$175.00**



A



B



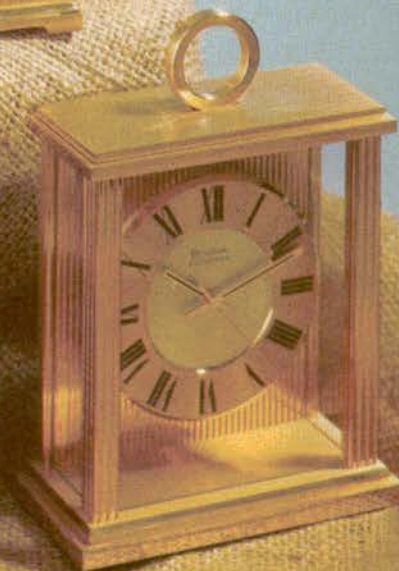
C



D



E



F



Cordless, Electronic Wall Clocks of Unusual Beauty

Patriot—authentic Early American styling in solid wood with fruitwood finish. Traditional decorative dial and hands. 18" high, 11 1/2" wide **\$34.95**

Bulova Operations Abroad

IN MEXICO CITY The Bulova Satellite Clock, the world's first and only public satellite-time clock, reports time to a tenth of a second to Mexico City's more than 7 million residents from atop the Torre Latinoamericana. The Torre is the tallest building in the fast-growing metropolis, the oldest city in the Western Hemisphere. The clock maintains an accuracy of 86 one-millionths of a second a day, controlled by radio time signals transmitted by four satellites in separate polar orbits.

The Challenge of New Markets

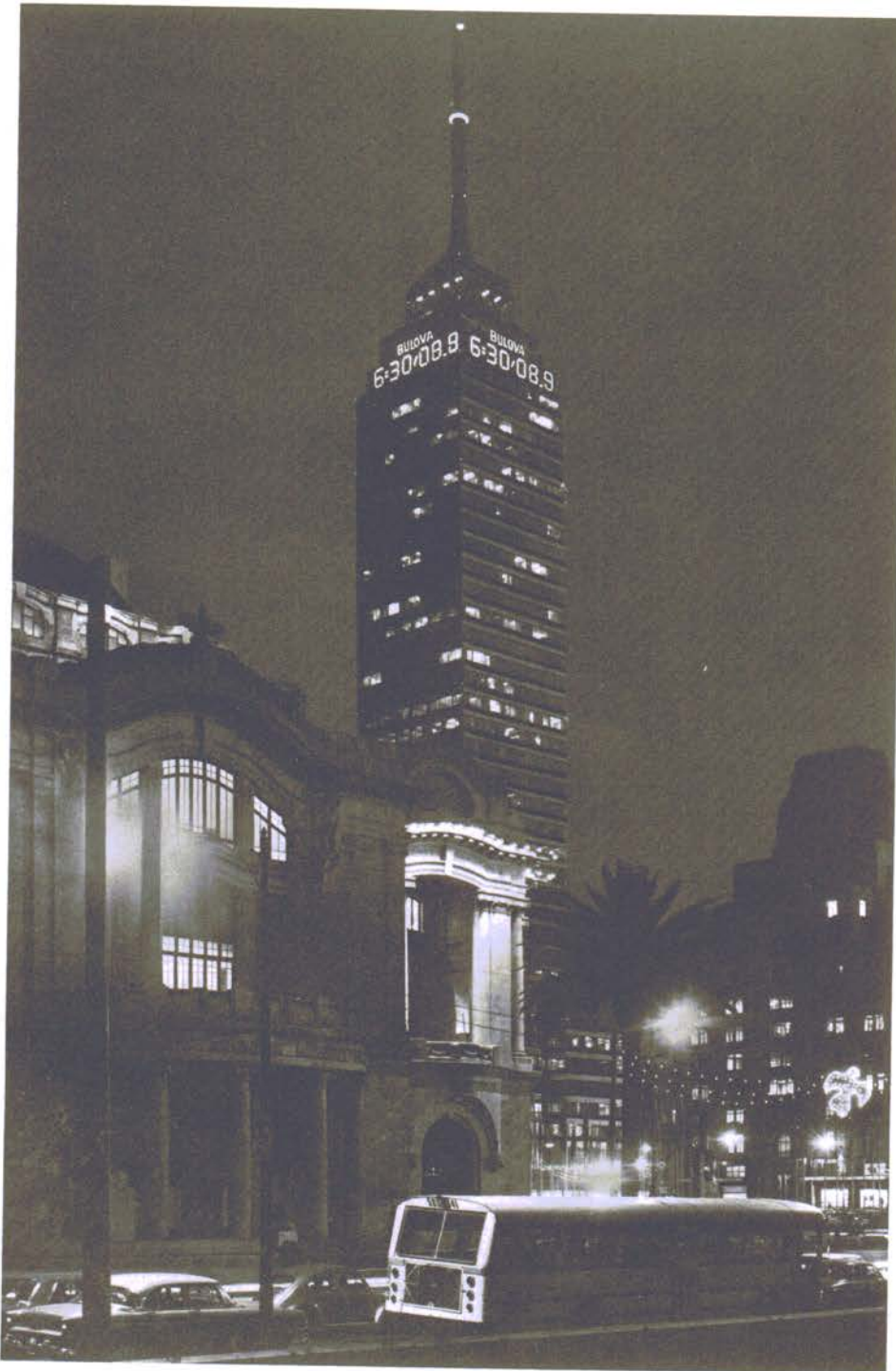
A major advance occurred in Bulova's operations abroad during 1969-70. Following a decade devoted mainly to building a substantial marketing and distribution organization outside of the United States, the continued aggressive marketing program of Bulova International Ltd. last year enabled the Company to enter a number of new markets in Europe and Africa.

Bulova's marketing surge overseas stems from the basic corporate conviction that consumers all over the world are seeking timekeeping and other products that provide individual styling satisfaction, sustained performance backed by professional servicing, along with extensive variety. The challenge of the 1970's is not restricted to the United States; it is the challenge of modern consumer trends in all leading nations. Because Bulova planned for the changes taking place today, we are prepared to penetrate new territories abroad with increasing success.

Marketing

Bulova's aggressive stance overseas in 1969-70 produced a series of far-flung coordinated efforts, relating to various technological, manufacturing, design engineering and marketing achievements. As a result, the number of retail outlets overseas for Bulova products increased by about 25%.

Bulova products today are sold throughout the world, with Bulova owned marketing organizations and facilities in Brazil, France, Germany, Great Britain, Hong Kong, Italy, Mexico, Republic of South Africa, and Switzerland. In addition, the Company has manufacturing facilities in three nations outside Switzerland and North America.



Manufacturing

Four of Bulova's twenty plants around the globe are in Switzerland, where the Company has operated watch assembly and manufacturing facilities for more than 55 years. Aggregate Bulova brand production there passed 60 million movements in 1969. Last year Bulova's Swiss production was exported to more than 110 markets around the world, including the United States. To signify the importance of our operations in Switzerland, the Company's board of directors convened in Bienne last October, for the first time.

Elsewhere in the world, Bulova's watch assembly operations in St. Croix, Virgin Islands, are in full production, as is a new plant for the manufacture of watch cases in Taiwan which was completed in September 1969.

Sales

Sales levels in several key European nations in 1969-70 reflected our heightened marketing activities. In Germany, sales nearly doubled. Our volume in Italy improved by more than 25%, which places us in a position to dominate this market within the next few years. Significant increases were also recorded in Spain, France, and Switzerland.

Market coverage for Bulova products in Europe was broadened when distributorships were established in Austria and Portugal. Leading jewelers in both nations welcomed the variety of Bulova timepieces that became available to them. Bulova products are now on sale in all countries of Western Europe.

In Africa, distributors were appointed for Zambia and the East African Federation of Kenya, Uganda and Tanzania.

Special Programs

A significant aspect of the Company's new international marketing momentum is its comprehensiveness. A wide range of support activities accompanied the thrust into new markets. These included sales and technical training programs, participation in influential trade exhibitions, stepped-up advertising and display programs, and introductions of new products, along with an underlying keen sense of consumer needs.

In 1969-70 Bulova was represented at important international trade events held in Switzerland, Germany, France, Italy, Belgium, The Netherlands, Greece, Japan, South Africa and Spain, as well as the International Jewelry Trade Fair in New York.

A number of tours by association groups of retailers from different countries was conducted to foster greater understanding of Bulova manufacturing techniques, and to increase exposure to the Company's expanding product lines. Among the international visitors were 26 jewelry retailers from Japan, who toured Bulova Park and other facilities in the United States. A group of Belgian retailers visited Bienne, Switzerland, and a Bulova marketing team from Canada toured Bulova facilities in Bienne, Neuchatel and Geneva.

Technical Education

An integral part of the total marketing effort by Bulova International last year was a series of sales and technical education seminars, held for retailers in many of the capitals and other major cities of Europe and South America. In Buenos Aires, a modern technical service center was inaugurated by our regional distributor. Bulova specialists provided the necessary training for technicians of the new service center.

Bulova has been cooperating with watchmaking schools around the world so that both the teachers and the apprentice watchmakers under instruction receive all necessary technical information on Accutron tuning-fork watch movements. In fact, the standard curriculum

offered by watchmaking schools now includes the servicing and repair of Accutron watches. As a result, our customers around the world are assured a high standard of service. Service, the Company has always believed, is the key to sales growth and continued consumer satisfaction.

The Company also intensified its advertising and promotion campaigns, with particular emphasis on Bulova Accutron. Bulova's unique satellite-time clock in Mexico City received an award from the National Advertising Association of Mexico. In addition, special display kits were designed in Lausanne, Switzerland, to facilitate local production and use by retailers anywhere in the world.

New Design Center

An international highlight in 1969 was the establishment of the Bulova Design Center in Geneva, Switzerland, devoted exclusively to the styling of Bulova's watches. The new Center is an extension of the Company's overall philosophy, which views the 1970's as a consumer-oriented decade. Thus, highly skilled design engineers will be continually exposed to emerging styles and trends all over the world, to enable them to anticipate consumer watch preferences.

In operation less than a year, the Bulova Design Center received extraordinary recognition when it was awarded the 1969 City of Geneva Prize for a ladies diamond brooch, plus the coveted 1969 Diamonds-International Award for a ladies diamond wristwatch.

1 IN SPAIN In Barcelona, Harold L. Rapp, president of Bulova International, presents plaque describing Accutron timers on the Moon to executives of Sabater S.A., Bulova International's distributor in Spain. The plaque shows views of the scientific package left on the Moon's Sea of Tranquility by Apollo 11 astronauts Neil Armstrong and Buzz Aldrin, the first men to land on the Moon.

2 WATCHMAKER TRAINING Hans Glasstetter (left), of Bulova International, Ltd., conducts an Accutron service clinic for watchmakers and jewelers in Buenos Aires. Here the indexing mechanism of the tuning-fork movement is being examined under high magnification. Mr. Glasstetter, who is headquartered in Bienne, Switzerland, supervises Accutron training programs in many countries.

3 IN CANADA Jean Comissiong tests newly assembled watch at Company's Toronto, Canada, plant, using bank of electronic timing machines. The machines test the accuracy of each Accutron, Bulova and Caravelle watch in three positions to minimize the need for jewelry store regulation of the timepieces.

4 ACCUQUARTZ CLOCK This quartz-based Accuquartz consumer clock, manufactured by the Company in Switzerland, was introduced in 1969 as the first quartz-based consumer time product offered by the Company. The Accuquartz clock movement uses a tuning fork calibrated by a high-frequency quartz crystal to maintain an accuracy to within 3 seconds a month.

5 IN ITALY Rino C. Negri, managing director of the Bulova subsidiary in Italy, presents Dr. Christian Barnard, the heart-transplant surgeon, and his wife Barbara, Bulova Accutron and Bulova wrist watches, respectively. Mr. Negri observed that the Accutron watch "is the only watch with a new heart—a tiny tuning fork instead of the conventional balance wheel."

6 DESIGN CENTER Jean-Jacques Bouverat sketches design possibilities for a new watch style at the Bulova Design Center in Geneva, Switzerland, opened in 1969. The Center has responsibility for developing new styling and design concepts in response to consumer fashion trends throughout the world.

7 IN JAPAN This four-sided, four-story-high sign, in Tokyo, overlooking the busy Ginza serves to promote the Company name to international visitors as well as to the residents of the largest Japanese city. In Japan, Bulova and Bulova Accutron watches are distributed by Isshin Watch Company.



Milestone

SIXTY MILLIONTH Eric Vaucher (left), technical director in Switzerland, presents 60 millionth Bulova jeweled movement produced by the Company in Switzerland to Jules Sandoz, the Company's general manager in Switzerland. Today Bulova is the largest manufacturer of jeweled-lever watches of a single brand, in Switzerland.





Corporate Dialogue

The Bulova Watch Company, now a 96-year-old enterprise, has grown steadily and healthily—and today Bulova is the *oldest* independent watch company in the United States, the *only* domestic producer of jeweled-lever watches in the United States, and the *largest* domestic marketer of quality (jeweled-lever) watches. The Company has paid a cash dividend on its common stock each year since 1937, making the most recent such payment on March 26, 1970, the 134th consecutive cash dividend. Starting in 1959, after the present management was assembled, a long-term master plan was developed to assign objectives, priorities and human and financial resources on a Company-wide basis. This plan has involved refinements and modifications in response to competitive conditions in the world watch industry. It has continued to have these major objectives: the maintenance of the Bulova brand as the key to the domestic watch marketing effort; the addition and continued expansion of the Accutron brand at the top, or so-called luxury, end of the watch market; the addition and continued expansion of the Caravelle brand in the low-priced segment of the watch market; the broadening of Bulova's multi-national production base to facilitate serving new consumer markets around the world; and the extension of Bulova's international marketing operations, through new subsidiaries and distributors, to all significant consumer markets in the Free World. With this background, Management is pleased to provide the following additional information in dialogue form for the benefit of shareholders, security analysts and other interested members of the financial community. This dialogue incorporates questions typical of inquiries received during the past fiscal year:



H. B. Henshel and S. E. Flick.



Question No. 1: *What are Bulova's greatest strengths today?*

Answer: In answering that question, we must consider the competitive context in which the Bulova organization—here in the United States and abroad—operates as part of the world watch industry. To be specific, we are stronger than we have ever been before. For example, we now have the largest, most diverse and most integrated quality watch manufacturing operations of any watch company in the world. In the United States, we offer some 800 styles of watches, or about ten times as many styles as any other brand manufacturer. This is significant also because the U.S. watch market is by far the largest and most competitive consumer market for quality watches in the world. And we offer this merchandise only through quality retailers, primarily professional jewelers, because a long-lived quality product is only long-lived if it is backed by a reputable retailer and by qualified service know-how. We are strong also because technologically we have led the world watch industry in developing the finest in quality watches—the Accutron tuning-fork watch, which is superior in performance to all types of conventional balance-wheel watches. We are strong because, thanks to our sales promotion, marketing and consumer sales know-how, our three brands (Accutron, Bulova and Caravelle) are each the nationwide bestsellers in their respective retail-price categories. However, we are aware that watches compete necessarily with other

consumer products for the consumer's attention, respect and disposable income. Therefore, in the context of the larger consumer marketplace Bulova faces the wider challenge of maintaining the traditional appeal of the quality wristwatch as a uniquely personal and useful product. We believe that the Company has led the industry by its effective response to this continuing challenge.

Question No. 2: *How is the Accutron watch different from conventional hand-wound, automatic, or battery-powered watches?*

Answer: We are asked this question with increasing frequency, as more and more consumers of all income groups become aware of the Accutron brand, and we expect to be answering this question for many years, as wearers of even the most expensive conventional watches come to realize that there is something better. Consequently, we enjoy answering this question again and again, though it was ten years ago that the Accutron brand was first introduced. The answer is this: because a tuning fork is more accurate than a balance-wheel, the Accutron watch is more accurate than all types of conventional spring or battery-powered balance-wheel watches (hand-wound, automatic, electric or electronic). The Accutron watch was first to use an electronic circuit, replace the balance-wheel, and offer the consumer guaranteed on-the-wrist accuracy, maintaining an accuracy to *within one minute a month*—equal to an average in-use accuracy of plus-or-minus two seconds a day. The Accutron tuning fork vibrates 360 times a second, as compared to 2.5 to 5 oscillations per second for a balance-wheel.

Question No. 3: *What are the advantages of the recently announced quartz watch?*

Answer: Even greater accuracy, but at a very substantial increase in price. The Bulova Accuquartz wristwatch, the first quartz watch sold at retail in the United States, for example, comes in two styles, one retailing for \$975, the other for \$1,325. Its movement is designed to

John Chiappe, vice president and controller, L. F. Codraro, secretary, S. E. Flick and H. B. Henshel.

Edmond Blanc (left), managing director of Paris division of the Bulova subsidiary in France, H. B. Henshel (center) and J. F. Campisi, executive vice president of Bulova International Ltd.

maintain an accuracy to within *one minute a year*. The quartz crystal in the movement vibrates 8,192 times a second. However, we do not consider quartz watches to be mass market items, because price makes them essentially "custom" products for sale only by prestige jewelry outlets to a very limited number of people.

Question No. 4: *Why have tuning-fork watches for women not been introduced?*

Answer: Management has carefully weighed the advantages of introducing a smaller-size tuning-fork watch aimed primarily at the top end of the ladies watch market. The technological, production, design, servicing and marketing programs involved have been under development. Naturally, a tuning-fork timepiece of the size traditionally associated with ladies watches, would undoubtedly be heralded by the jeweler and consumer alike. Management expects to report to stockholders in the near future on the progress made in the further miniaturization of tuning-fork movements.

Question No. 5: *What is the outlook for Bulova's government sales?*

Answer: We welcome the de-escalation of the war in Southeast Asia, and expect that as a result of lower defense spending by the federal government the Company's lower-profit defense business will continue to drop. As an American company, Bulova has traditionally met government needs, and expects to continue to do so—but we expect to place more emphasis on components, devices and systems designed for communications, avionics, and other instrumentation applications. Like other American watch companies that produce safety-and-arm devices and ordnance fuzes, Bulova can expect the sharpest reductions in contracts for the production of specialized ordnance equipment utilized by the military. But these expected reductions in government sales should not have long-range adverse effects on the Company, because Management is planning to shift resources and personnel presently assigned to these government projects to expanding programs that develop, manufacture and market products for peacetime industrial applications and consumer uses.

Question No. 6: *What is the significance of growing Japanese and Russian competition in world watch markets?*

Answer: Worldwide consumption of watches has been growing faster than the rate of watch exports from Switzerland, traditionally the source of watch movements and watches marketed in world markets—except for pin-lever models. Your Management, therefore, decided, starting ten years ago, that Bulova should develop a multi-national production base, in addition to its U.S. and Swiss facilities, to permit the greatest flexibility in response to world market conditions and also the most economic and efficient supplying of those markets. The Japanese watch industry decided about that time that the jeweled movement watch had a significant future and so did the state watch industry of the USSR. Both nations have become major exporters of watches. In 1969, according to *Business Week*, the Russians exported 9 million watches out of a total production of 17 million, while the Japanese reportedly exported more than 9 million watches last year. In effect, the Swiss, Japanese and Russian watch industries each operate from a one-nation production base, while Bulova operates from an expanding multi-national production base. This multi-national base, combined with our aggressive brand marketing and the established reputation of our brands with tens of millions of watch-wearing consumers, offers Bulova many advantages.



IN GERMANY Rudolph C. Richter (center), managing director of the Bulova subsidiary in Germany, with members of the Bulova staff that conducts technical training courses on Accutron and Bulova watches for watchmakers and jewelers.

Isidore Roberts, assistant treasurer, Louis Moore, senior credit manager, and George C. Sheinberg, treasurer.



Consolidated Statement of Income and Earned Surplus

Year Ended March 31, 1970 with Comparative Figures for 1969

BULOVA WATCH COMPANY, INC. and Subsidiaries



| | 1970 | 1969 |
|--|---------------|---------------|
| Net sales | \$158,657,346 | \$148,928,724 |
| Cost of goods sold | 102,623,840 | 98,837,316 |
| Gross profit from sales | 56,033,506 | 50,091,408 |
| Selling, general and administrative expenses | 33,568,774 | 29,971,372 |
| Profit from operations (after deducting depreciation: 1970—\$1,451,651; 1969—\$1,309,466) | 22,464,732 | 20,120,036 |
| Income charges (credits): | | |
| Taxes, other than U.S. and foreign income taxes | 4,783,857 | 4,660,649 |
| Interest paid | 3,388,341 | 2,892,928 |
| Contributions to employees' retirement plans (note 6) | 310,120 | 238,776 |
| Interest and other income | (960,199) | (654,529) |
| | 7,522,119 | 7,137,824 |
| Income before income taxes and minority interests in net income of subsidiaries .. | 14,942,613 | 12,982,212 |
| Federal and foreign income taxes (note 2): | | |
| Currently payable | 8,276,126 | 7,368,642 |
| Deferred | (116,126) | (358,642) |
| | 8,160,000 | 7,010,000 |
| Income before minority interests in net income of subsidiaries | 6,782,613 | 5,972,212 |
| Minority interests in net income of subsidiaries | 292 | 28,144 |
| Net income for the year | 6,782,321 | 5,944,068 |
| Earned surplus at beginning of the year | 39,444,878 | 36,746,887 |
| | 46,227,199 | 42,690,955 |
| Deduct dividends paid: | | |
| Cash—58¢ per share (54¢ in 1969) | 2,073,579 | 1,777,900 |
| Stock—2% | — | 1,468,177 |
| | 2,073,579 | 3,246,077 |
| Earned surplus at end of the year (retained for use in the business)—(notes 3 and 4) | \$ 44,153,620 | \$ 39,444,878 |
| Net income per average common share | \$1.92 | \$1.79 |
| Net income per share assuming full dilution (note 4) | \$1.76 | \$1.58 |

(See Notes to Financial Statements)

Consolidated Balance Sheet

March 31, 1970 with Comparative Figures at March 31, 1969

| ASSETS | 1970 | 1969 |
|---|----------------------|----------------------|
| Current assets: | | |
| Cash | \$ 5,711,058 | \$ 6,381,067 |
| Customers' accounts and notes receivable (less allowance for doubtful accounts and notes: 1970—\$1,170,194; 1969—\$1,150,739) | 46,029,111 | 41,427,683 |
| Other receivables | 1,374,378 | 1,315,603 |
| Inventories, at cost or less: | | |
| Watch materials, including finished parts | 46,247,032 | 39,335,173 |
| Industrial and defense materials (net of progress collections: 1970—none; 1969—\$1,163,025) | 5,945,585 | 7,374,521 |
| Precious metals | 4,444,666 | 4,276,880 |
| Other | 879,016 | 2,037,905 |
| | 57,516,299 | 53,024,479 |
| Prepaid expenses | 922,997 | 979,222 |
| Total current assets | 111,553,843 | 103,128,054 |
| Other assets | 2,212,677 | 1,625,563 |
| Plant property, at cost (note 2): | | |
| Land, buildings and improvements | 10,448,477 | 11,268,246 |
| Machinery and equipment | 13,441,457 | 11,882,355 |
| Furniture, fixtures and leasehold improvements | 2,066,348 | 1,684,449 |
| Construction in progress | 630,700 | — |
| | 26,586,982 | 24,835,050 |
| Less accumulated depreciation | 12,071,278 | 10,758,410 |
| | 14,515,704 | 14,076,640 |
| Deferred charges | 644,385 | 193,853 |
| | \$128,926,609 | \$119,024,110 |

(See Notes to Financial Statements)



| LIABILITIES | 1970 | 1969 |
|--|---------------|---------------|
| Current liabilities: | | |
| Unsecured notes payable to banks and others (including current instalment on long-term debt: 1970—\$1,526,389; 1969—\$1,516,435) | \$ 9,329,795 | \$ 23,333,075 |
| Accounts payable | 8,126,437 | 8,840,095 |
| Accrued expenses | 6,514,381 | 5,517,617 |
| Accrued Federal and foreign income taxes | 975,132 | 3,216,702 |
| Total current liabilities | 24,945,745 | 40,907,489 |
| Long-term debt (note 3): | | |
| 5% Promissory Notes due May 31, 1979 | 11,840,000 | 13,120,000 |
| 4½ % Convertible Subordinated Debentures due August 1, 1984 | 2,677,900 | 4,926,200 |
| 6% Convertible Subordinated Debentures due February 1, 1990 | 21,179,300 | — |
| Mortgages and other loans payable | 809,724 | 560,772 |
| Total long-term debt | 36,506,924 | 18,606,972 |
| Deferred Federal taxes on income (note 2) | 684,650 | 800,776 |
| Deferred income | 1,796,343 | 932,867 |
| Minority interests in net assets of subsidiaries | 178,905 | 185,436 |
| Stockholders' equity (notes 3 and 4): | | |
| Common stock, \$5 par value: | | |
| Authorized: 1970—7,500,000 shares; 1969—5,000,000 shares | | |
| Issued: 1970—3,629,801 shares; 1969—2,311,944 shares | 18,149,005 | 11,559,720 |
| Capital surplus | 2,581,532 | 6,715,758 |
| Earned surplus (retained for use in the business) | 44,153,620 | 39,444,878 |
| Total common stock and surplus | 64,884,157 | 57,720,356 |
| Deduct common stock, at cost, held for resale to officers and employees: | | |
| 1970—8,085 shares; 1969—10,239 shares | 70,115 | 129,786 |
| Total stockholders' equity | 64,814,042 | 57,590,570 |
| Total liabilities and stockholders' equity | \$128,926,609 | \$119,024,110 |

Note 1. Principles of Consolidation:

The accompanying consolidated financial statements include the accounts of Bulova Watch Company, Inc. and all significant subsidiaries.

Foreign currency items included in the consolidated balance sheet consist of current assets \$29,109,000, other assets \$4,986,000, and liabilities \$13,088,000. Sales of the foreign subsidiaries of the Company amounted to \$20,314,000 for 1970. All foreign currency items have been converted at year-end exchange rates 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 consolidated financial statements to provide for the excess of tax over book depreciation of certain plant property and for certain other differences between tax and book accounting. For book purposes plant property is depreciated on a straight-line method over the estimated useful lives of the assets. Accelerated depreciation methods are used for tax purposes. 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, 1969 and prior have been examined by the Treasury Department and all taxes for such years have been paid or accrued.

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 1971 to 1979, inclusive, and a final instalment of \$1,600,000 on May 31, 1979.

Note 4. Stockholders' Equity:

In addition to the common stock, 500,000 shares of preferred stock are authorized for issuance.

The following represents the transactions affecting stockholders' equity during the year ended March 31, 1970:

| | Stockholders' equity | | | | | | |
|---|--|--------------------|---------------------|-------------------|--------------------|-------------------|--------------------------------|
| | Common stock, \$5 par value, shares issued | Treasury shares | Total | Common stock | Capital surplus | Earned surplus | Treasury shares, at cost |
| Balance March 31, 1969 | 2,311,944 | 10,239 | \$57,590,570 | 11,559,720 | 6,715,758 | 39,444,878 | (129,786) |
| Add: | | | | | | | |
| Shares issued upon conversion of \$2,248,300 of convertible debentures, net of related deferred debt expense .. | 134,373 | — | 2,198,716 | 671,865 | 1,526,851 | — | — |
| Shares issued upon exercise of stock options or distributed for employee service awards | 13,817 | (5,503) | 316,014 | 69,085 | 187,258 | — | 59,671 |
| Shares issued in connection with 3-for-2 stock split in July, 1969 (at par value of shares issued) | 1,169,667 | 3,349 | — | 5,848,335 | (5,848,335) | — | — |
| Net income | — | — | 6,782,321 | — | — | 6,782,321 | — |
| | <u>1,317,857</u> | <u>(2,154)</u> | <u>9,297,051</u> | <u>6,589,285</u> | <u>(4,134,226)</u> | <u>6,782,321</u> | <u>59,671</u> |
| Deduct cash dividends | — | — | (2,073,579) | — | — | (2,073,579) | — |
| Balance March 31, 1970 | <u>3,629,801</u> | <u>8,085</u> | <u>\$64,814,042</u> | <u>18,149,005</u> | <u>2,581,532</u> | <u>44,153,620</u> | <u>(70,115)</u> |

No options were granted during 1970 under the Company's option plans. Options for 13,817 shares were exercised under the 1964 qualified stock option plan leaving 77,902 shares under option at March 31, 1970 at \$11.27 and \$18.10 per share (after adjustment for 3-for-2 stock split in July, 1969). Under this plan 6,741 shares may be granted subsequent to March 31, 1970. Under a prior plan, 4,062 shares were exercised during the year. At March 31, 1970, there remained 8,629 shares under option at a price of \$13.28 per share (after adjustment for 3-for-2 stock split in July, 1969). No additional options may be granted under this plan. An additional 100,000 shares may be granted under the Company's 1968 stock option plan.

Assuming that all conversions of debentures which took place during the year had occurred at the beginning of the year, net income per average common share would have been \$1.88. Fully diluted net income per share shown in the consolidated statement of income and earned surplus also reflects this assumption and further assumes the issuance of stock reserved for options and conversions of debentures (as of date of issue, February 17, 1970, for the 6% debentures), and the elimination of debenture interest charges, net of taxes.

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, 1969. Management is of the opinion that no excess profits were realized for the year ended March 31, 1970.

Note 6. Retirement Plans:

The Company maintains a non-contributory pension plan for all of its employees

(b) 4½% convertible subordinated debentures due August 1, 1984:

The indenture relating to the 4½% 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 6.44 shares for each \$100 principal amount of debentures, subject to anti-dilution provisions.

(c) 6% convertible subordinated debentures due February 1, 1990:

The indenture relating to the 6% debentures provides for a sinking fund for the redemption at par on February 1 in each year, beginning February 1, 1981, of not less than \$2,100,000 or more than \$4,200,000 principal amount of debentures. Additional debentures may be redeemed at any time at stipulated premium prices. Debentures converted into common stock or otherwise cancelled or redeemed (including any debentures redeemed through the sinking fund in excess of the minimum requirements) may be credited against such sinking fund requirements.

The debentures are convertible into common stock at the rate of 2.62 shares for each \$100 principal amount of debentures, subject to anti-dilution provisions.

(d) Terms of the Company's agreements relating to long term debt place restrictions on certain corporate actions, including minimum working capital requirements and restrictions on the creation of additional indebtedness and payment of dividends other than stock dividends. At March 31, 1970, earned surplus not restricted as to payment of dividends, under the most restrictive of these agreements, amounted to approximately \$9,708,000.

in the United States. The Company's required contribution to the fund is determined after giving consideration to assumed earnings on the fund assets. Based upon the assumed earnings rate (unchanged during the year), earnings of the fund were sufficient to provide for the actuarially computed benefits and, accordingly, no provision for contributions by the Company was required for 1970.

Separate retirement plans are maintained by the Company's Swiss branch and by several foreign subsidiaries. The contributions to employees' retirement plans as reflected in the accompanying statement of income and earned surplus for 1969 and 1970 relate to the foreign subsidiaries of the Company.

Report of Independent Certified Public Accountants

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, 1970 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. The financial statements of certain Swiss components of the Company, which are included in the consolidated financial statements, were examined by other independent public accountants whose reports have been furnished to us. The assets and net sales so examined constitute 9% and 2%, respectively, of the related consolidated figures.

In our opinion, based upon our examination and the aforementioned reports of other independent public accountants, the accompanying consolidated financial statements present fairly the financial position of Bulova Watch Company, Inc. and subsidiaries at March 31, 1970 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.

345 Park Avenue
New York, N.Y.
June 10, 1970

Bulova Watch Company, Inc.

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
John Chiappe, Vice President and Controller
Gerard A. Donovan, Vice President
Rene Perret, Vice President
Michael D. Roman, Vice President
Arthur Schwartz, Vice President
Robert Schwebel, Vice President
Haskell C. Titchell, Vice President
Lawrence F. Codraro, Secretary
George C. Sheinberg, Treasurer
John B. Cline, Assistant Controller
Dale O. Hiestand, Assistant Controller
Isidore Roberts, Assistant Treasurer

Transfer Agent

Morgan Guaranty Trust Company of New York
30 West Broadway, New York, New York 10015

Registrar

Manufacturers Hanover Trust Company
40 Wall Street, New York, New York 10015

Products

Consumer Products—Domestic Watches

Accutron—patented electronic tuning-fork watch; introduced in 1960. Retail price: \$110 and up.

Bulova—America's leading jeweled-lever watch brand since 1933. Retail price: \$35.00 and up.

Caravelle—low-priced, jeweled-lever watch, which was introduced in 1961. Retail price: \$10.95-to-\$59.95.

Clocks and Cleaning Solutions
Repair parts, cleaning solutions;
watch service equipment.

Consumer Products—International

Major Marketing Subsidiaries:

Bulova Watch Co., Ltd.—Canada
Bulova International Ltd.—Bermuda,
Hong Kong, Switzerland
Bulova Watch S.p.A.—Italy
Bulova U.K. Ltd.—United Kingdom
Bulova GmbH—Germany
Bulova de Mexico, S.A. de C.V.—Mexico
Universal Geneve—Switzerland

Industrial-Defense Divisions:

Systems and Instruments—
fuzes, automation and industrial products.
Electronics Division—
quartz crystal and tuning-fork frequency
control systems and components.
Providence Division—
industrial and fuze applications.
Timer Division—
Accutron-based industrial timers.

Subsidiaries

Atlantic Time Products Corporation
Bulova (Africa) (Proprietary) Limited
Bulova de Mexico, S. A. de C. V.
Bulova Electronics International, S. A.
Bulova GmbH
Bulova International Limited
Bulova Toyo Corporation
Bulova U.K. Limited
Bulova Watch Company Limited
Bulova Watch S.p.A.
Manufacture Des Montres Universal Perret
Frères S. A.
Montres Bulova S. A.
Perret Brothers U.K. Limited
Recta Manufacture d'Horlogerie S. A.
Relógios Universal E Bulova Ltda.
Société de Vente des Montres Universal S. A.
Universal Geneve de Mexico, S. A. de C. V.
Universal Geneve of Canada Limited

Bulova Plant Facilities

Domestic Plant Locations

Bulova Park, Flushing, N.Y.

Providence, R.I. (*Plant #1*)

Providence, R.I. (*Plant #2*)

Rolla, N. Dakota

Sag Harbor, N.Y.

Valley Stream, L.I., N.Y.

Warwick, R.I.

Westbury, L.I., N.Y.

Woodside, N.Y. (*Plant #1*)

Woodside, N.Y. (*Plant #2*)

Functions

Research, Manufacturing,
Administration & Distribution

Manufacturing

Manufacturing

Manufacturing

Manufacturing

Manufacturing, Engineering & Development

Manufacturing

Warehousing, Shipping, Service, Receiving

Manufacturing, Development

Production & Assembly

Products

Watches, Research and Development; Timers

Watch cases; Industrial and Government
products

Watch cases; Industrial and Government
products

Jewel Bearings

Watch cases

Automation Equipment and Controls for
Industry and Government

Watch cases; Industrial and Government
products

Clocks

Watch service equipment; Electronic products

Crystals, Filters, Oscillators and Servo-amplifiers
for Industry and Government

Foreign Manufacturing Facilities

Bienne, Switzerland (*Plant #1*)

Manufacturing

Watches and components

Bienne, Switzerland (*Plant #2*)

Manufacturing

Watches, Compasses; Escapements

Christiansted, St. Croix, Virgin Islands

Manufacturing

Watch movements

Geneva-Carouge, Switzerland

Manufacturing

Watches

Neuchatel, Switzerland

Assembly, Research & Manufacturing

Watches and Watch movements

Pforzheim, W. Germany

Assembly & Manufacturing

Watches

Tao Yuan, Taiwan

Manufacturing

Watch Cases

Toronto, Ontario, Canada

Assembly, Sales & Service

Watches, Clocks; Timing machines

Villers-le-Lac, France

Manufacturing

Machinery and Equipment



Bulova Watch Company, Inc.

630 Fifth Avenue
New York, N.Y. 10020



St. Croix, Virgin Islands



Tao Yuan, Taiwan



Villers-le-Lac, France



Sag Harbor, New York



Pforzheim, W. Germany



Westbury, New York



Toronto, Canada



Providence, Rhode Island



Rolla, North Dakota



Valley Stream, New York