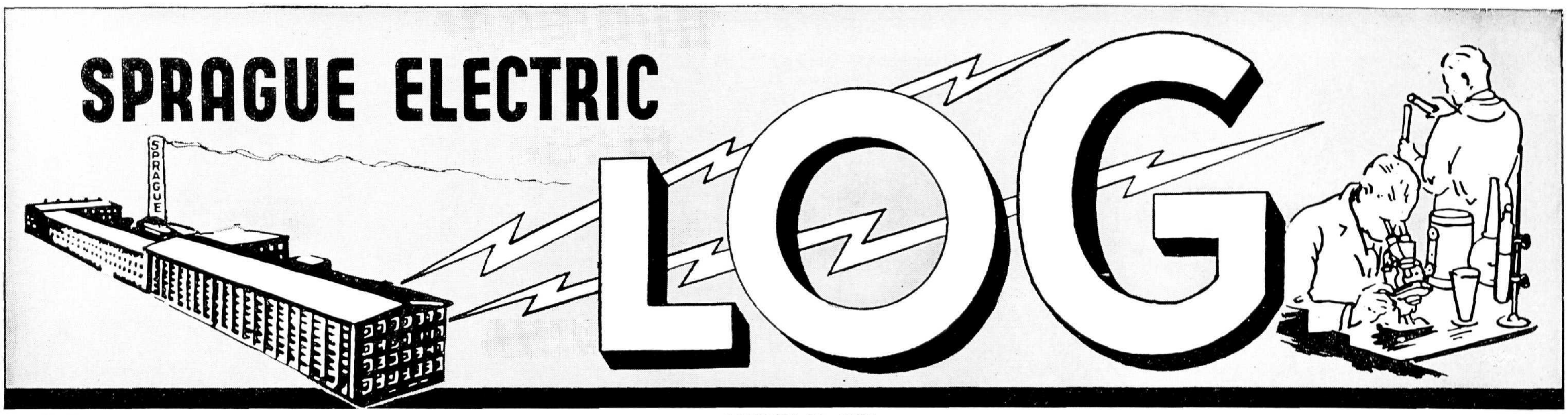
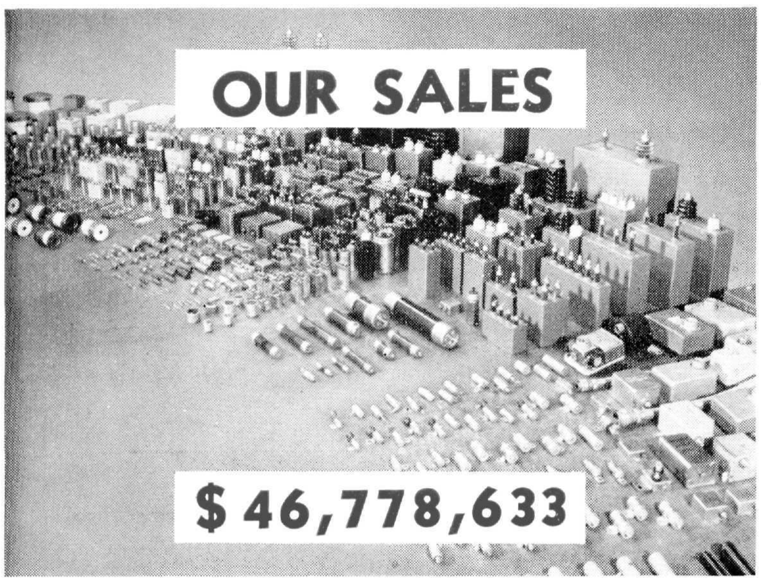
SPECIAL ISSUE - *How We Did in 1953*



Vol. XVI — MARCH 23, 1954 — No. 7

Annual Report Shows All-Time Records For Sales, Wages Last Year



Product Sales — **In 1953, we sold more products, dollar-wise, than ever before. Our bosses, the customers, paid us $46,778,633 during the year for Sprague components.**

The year 1953 — twenty-seventh in the history of your Company — has become the sixth in succession in which Sprague Electric set a new record in net sales.

Our customers showed unprecedented faith in our products and purchased them to a total of $46,778,633, an increase of more than two million dollars over total net sales for 1952.

These figures are contained in Sprague Electric's annual report for the year 1953, which was released by the Company at its annual meeting today.

Net profit, after deducting all taxes, was $2,888,281, against $3,136,853 in 1952. The profit figures for both years are subject to renegotiation.

While the Company was chalking up a new high mark for product sales, it was also establishing record figures in the amount it paid out for wages.

The total for 1953 was $18,169,908, and is the largest single item of cost incurred by Sprague Electric for the year's operations.

This amount represents the total of wages received by all employes for their service to the Company during the year.

It exceeds even the very large cost of the raw materials we needed to keep the plants and production lines rolling.

This special issue of the LOG is designed to tell you exactly what we did in 1953—what we took in, and what we expended for the many items and services necessary to run our business smoothly and profitably. It is your Company's report to you and the thousands of other Sprague employes who are working to keep us at the top of our field. Details are geographically shown on Page 2.

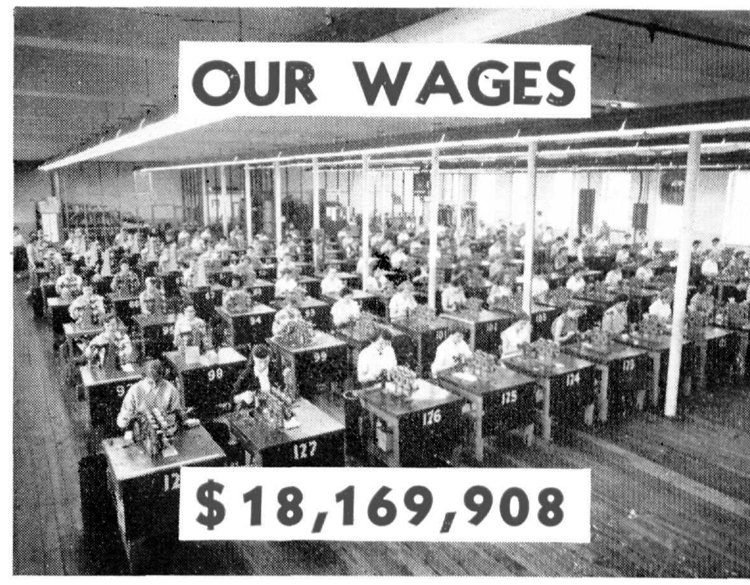
They Came to Stay! 'Old Timers' Increase

The ranks of Sprague Electric's "old-timers" continue to grow year by year.

The annual report points out that our Quarter Century Club—those with the Company for 25 years or more—welcomed three new members during 1953 and now has a membership of eight.

We now have 131 employes with 20 or more years of service, 292 with 15 or more years, 885 with 10 years, and a large group of 1,506 who have spent the last five or more years with Sprague Electric.

Our average weekly employment by the way, was 5,500 last year, compared with 5,085 in 1952.



Wages — **The biggest single item of expense for the Company in 1953 was for the wages it paid to us. The total was a big $18,169,908 during the year.**

Television-Radio, Military Business Led During 1953 As Prime Sprague Markets

The television and radio industry continued in 1953 to be the largest peacetime market for our products. Sales figures show that this important segment registered a modest gain during the year. Sales in this field should also be satisfactory in 1954.

The volume of our military business was modestly below what it had been in 1952; however, this portion of our business remained above the peak reached during World War II. The outlook, generally, is for some increase in military business during 1954.

Our 1953 sales for television reflected the very high rate of set production during most of the year, but declined in the fourth quarter when production was curtailed by our customers.

Although this condition continues into 1954, present indications are that set output will improve as the year progresses and that 1954 will be a satisfactory year in black-and-white television, in addition to being the first year of limited color set production.

Color will not be an important part of our 1954 business, but should be a substantial factor in future growth, since color sets require several times the number of Sprague components as do present black-and-white sets.

Radio set production increased substantially during 1953, and radio components again were an important factor in the Company's sales. This should continue to be a good market in 1954.

Our military markets continued for the year at about the same pace as in 1952. Installation of facilities for producing special military equipment was substantially completed during the period, and full production achieved in some of these facilities.

Miniature metal-clad tubular capacitors continued to be a large item in our military business. Precision wire-wound resistors also continued to be sold in large quantities.

Other important military products made by us included the new molded borocarbon resistors, and additions to our established line of ceramic-jacketed and vitreous enamel resistors of two designs which include axial terminals and axial wire leads.

Pulse transformers joined the Sprague product line late in the year, and work continued in the field of piezoelectrics.

1953 Was Big Year for Plant Expansion

Because it firmly believes that demand for Sprague products will grow for many years, the Company took several steps in 1953 to insure that additional plant facilities will be available to meet growing customer demands and an expanding product base.

Construction has been going on since early last year of a new dry electrolytic capacitor plant near West Jefferson, North Carolina, where large supplies of electric power and water will be readily available.

This plant is ready to go into operation now and training of employes will begin soon.

The Company last year also began equipping a smaller capacitor manufacturing plant at Ponce, Puerto Rico, to be operated by a wholly-owned subsidiary, the Sprague Caribe Company. This plant will make paper capacitors.

In addition to these two major branch plant additions, the Company also has under construction a small plant at Culver City, California, for the manufacture of specially-designed components used extensively by West Coast aircraft manufacturers.

Research, Development Keep Pace With Rapid Expansion of Electronic Science

To achieve and hold its leading position in the components field, Sprague Electric has long devoted much time and extensive facilities to its research and development program.

The scope of this highly-important program is being continually broadened to keep pace with the growth of electronic science. Such was its course in 1953.

The manufacture of capacitors and other basic electronic components is not so much a business of putting things together as it is a business of developing new materials.

These include dielectrics, impregnants and coatings, and many other materials which will improve the performance characteristics and range of application of these components.

This in turn has a bearing on the size, cost and capabilities of end equipment built up from Sprague components by our customers.

The research and development program of our Company aims at maintaining our leading position by the development of special materials, their use in new types of components, and the development of testing methods and equipment for accurately determining the properties of both.

It increasingly involves fundamental research on the physical and chemical phenomena which underlie the science of component engineering.

Work during 1953 continued in a number of new fields, including synthetic films, coatings, piezoelectric and magnetic materials and semi-conductors.

Pilot plant work was also begun on the problems associated with the manufacture of transistors and a number were made on an experimental basis.

Work also continued under some government development contracts.

The physical facilities of our Research and Development Division were expanded during 1953, and a number of outstandingly qualified personnel were added to the staff.

In July, Dr. Wilbur A. Lazier was elected Vice President and Technical Director of the Company, with responsibility for all activities of the Division.

Dr. Preston Robinson continues as a member of the Board of Directors and serves the Company full time as its senior consultant.

Other officers elected by the Company during the year include Neal W. Welch, Vice President in Charge of Sales; and Paul J. Chittenden and Hollis R. Wagstaff, who were named Assistant Treasurers

Employes Thanked For Cooperation During 1953

The thanks of the Company has been extended officially to all members of the organization for their part in making 1953 a satisfactory year of operation for us.

Messrs. Robert C. Sprague, Founder and Chairman of the Board, and Julian K. Sprague, President, tendered these thanks in the Company's annual report:

"As in past years, the very satisfactory results for the year reflect the capable handling by our employes of the many problems of a growing business, including in 1953 the difficult one of adjusting the varied activities of the Company to changing levels of operation.

"We wish to express to all members of the organization our appreciation and that of the Board of Directors. The statements of the year would have been impossible without such effective cooperation on the part of all."

Here's Our Record For 1953 — What We Earned and How We Spent It

WAGES

I. *In the Beginning . . . .*

As we saw on the front page, Sprague Electric did well in product sales last year. Our total income from sales to our bosses, the customers, plus income from all other sources, was $46,929,212.

This was satisfactory, and it stacked up as the largest total in the history of the Company.

Now, that's the sales picture.

Just like any individual, though, your Company couldn't keep all the money it received. As a Company, we have to pay out constantly for labor, materials, services, and a host of other necessary items.

We have to pay our bills for these many operating expenses so that we can keep going and progress, and keep our manufacturing lines in operation.

As we have already seen on Page One, the biggest bill of all for Sprague Electric was to us, the employes — a total of $18,169,908 for our compensation.

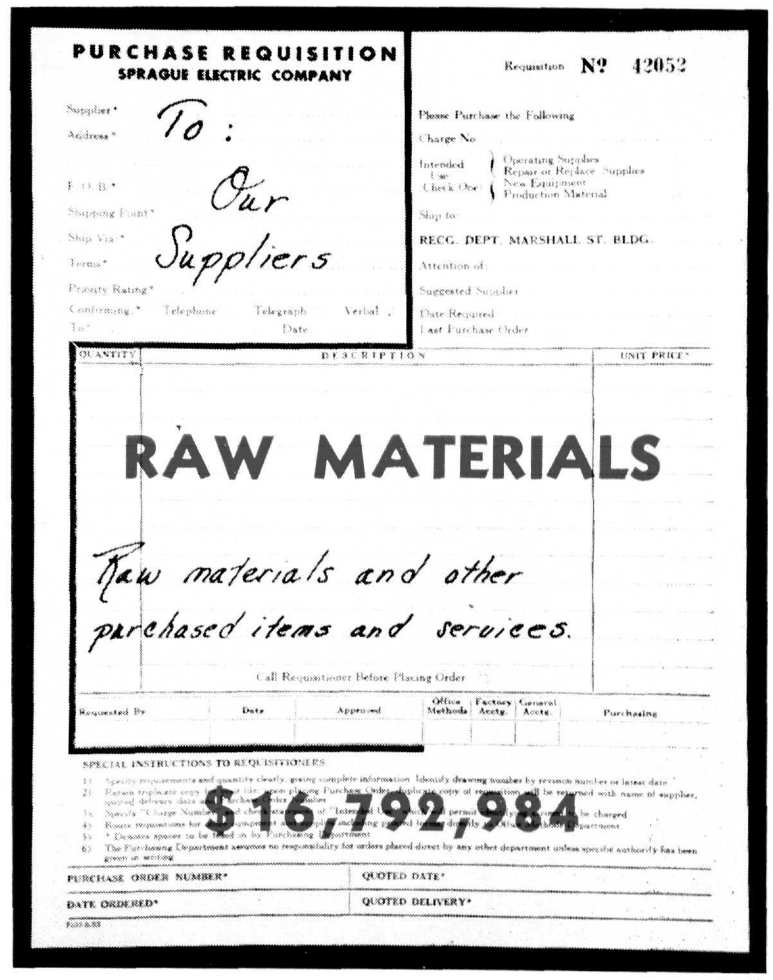
But the expenses didn't stop there. Look now to the column at the right for the story of where the rest of the money went.

$18,169,908

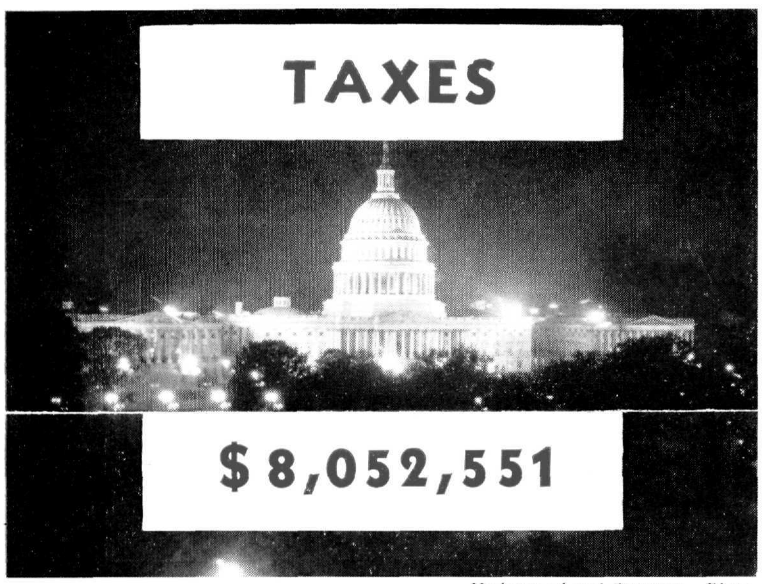
Wages

II. *Raw Materials*

Keeping our plants in operation requires a vast amount of raw materials, power, fuel and services. The total bill for these major items of expense in 1953 was $16,792,984. This was our largest single outlay, next to compensation.



Staff



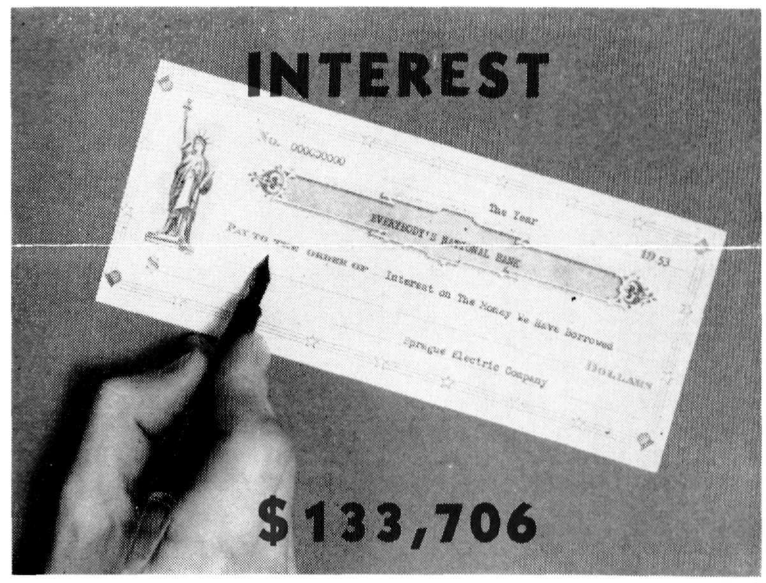
Underwood and Stratton - *Photo*

III. *Taxes*

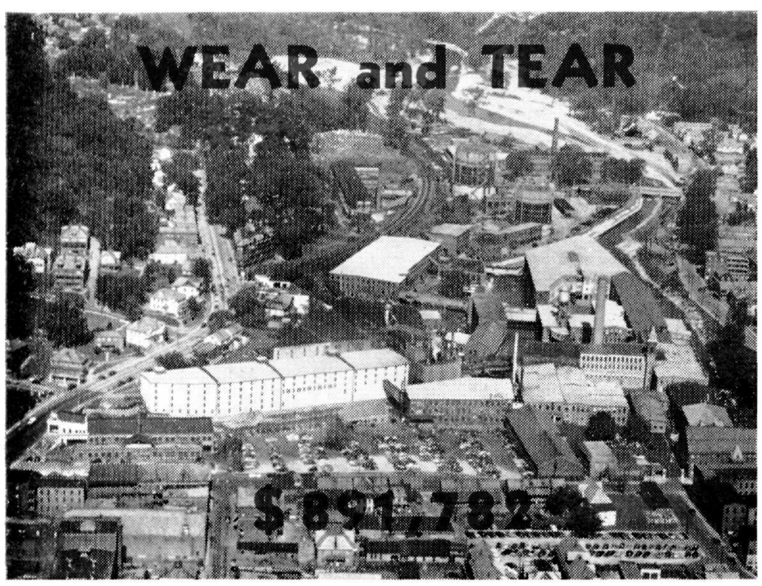
To the Federal government, and to the state and city governments, we paid tax bills totalling $8,052,551 in 1953.

IV. *Interest*

The interest we paid out in 1953 on the money we have borrowed to increase our facilities amounted to $133,706.



Staff

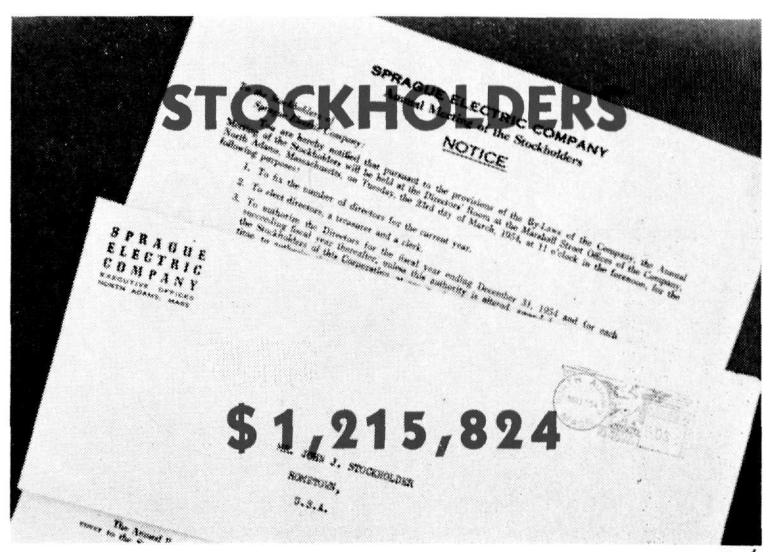


V. *Wear and Tear*

Depreciation, or wear and tear of our plant facilities and equipment, plus amortization of intangible assets, cost us $891,782 last year.

VI. *Stockholders*

Our stockholders had faith in us. They set us up in business and keep us going by investment of their money in us. Dividends to them for use of their money in 1953 amounted to $1,215,824.



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"Every Sprague Employe a Reporter"

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Reinvested

REINVESTED

VII. *This Left Sprague Electric Co. . .*

After all these costs necessary to the operation of our business had been taken out, we were left with $1,672,457. This amount has been reinvested by the Company for such vital purposes as plant expansion, inventories and working capital to create more job opportunities.

That's the story for 1953. As you have seen, operating a household as big as ours is quite a job and requires large amounts of money, time and effort. It was the cooperation of all of us that helped make 1953 a good year and pave the way for a secure and promising future.

$1,672,457