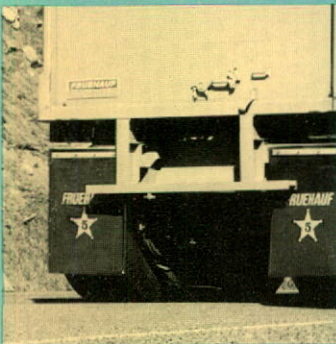
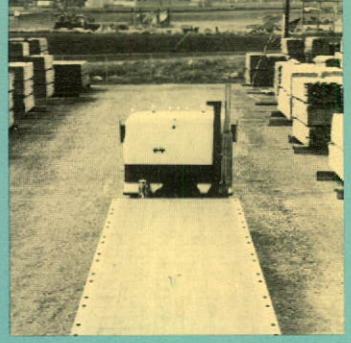
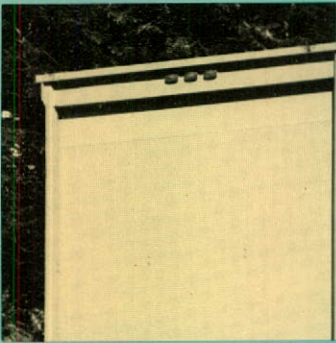
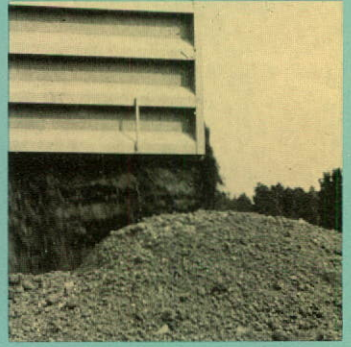
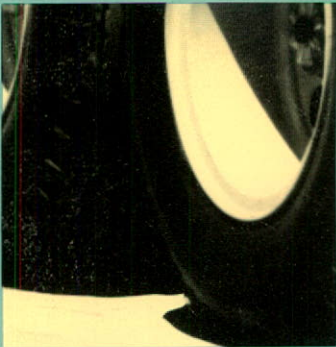
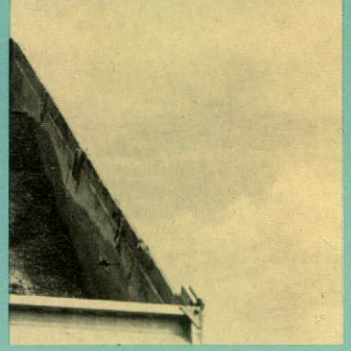
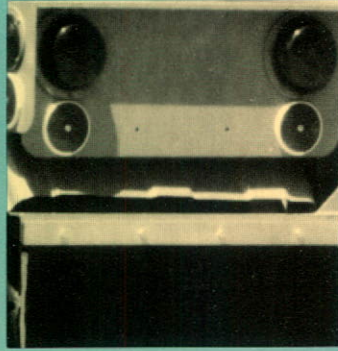
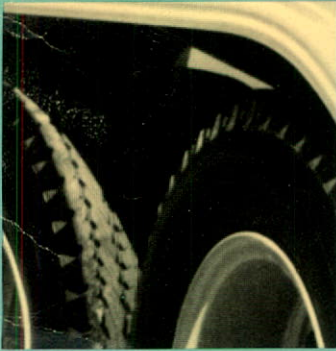


FRUEHAUF

Annual Report 1979



Annual Meeting of Shareholders

Contents

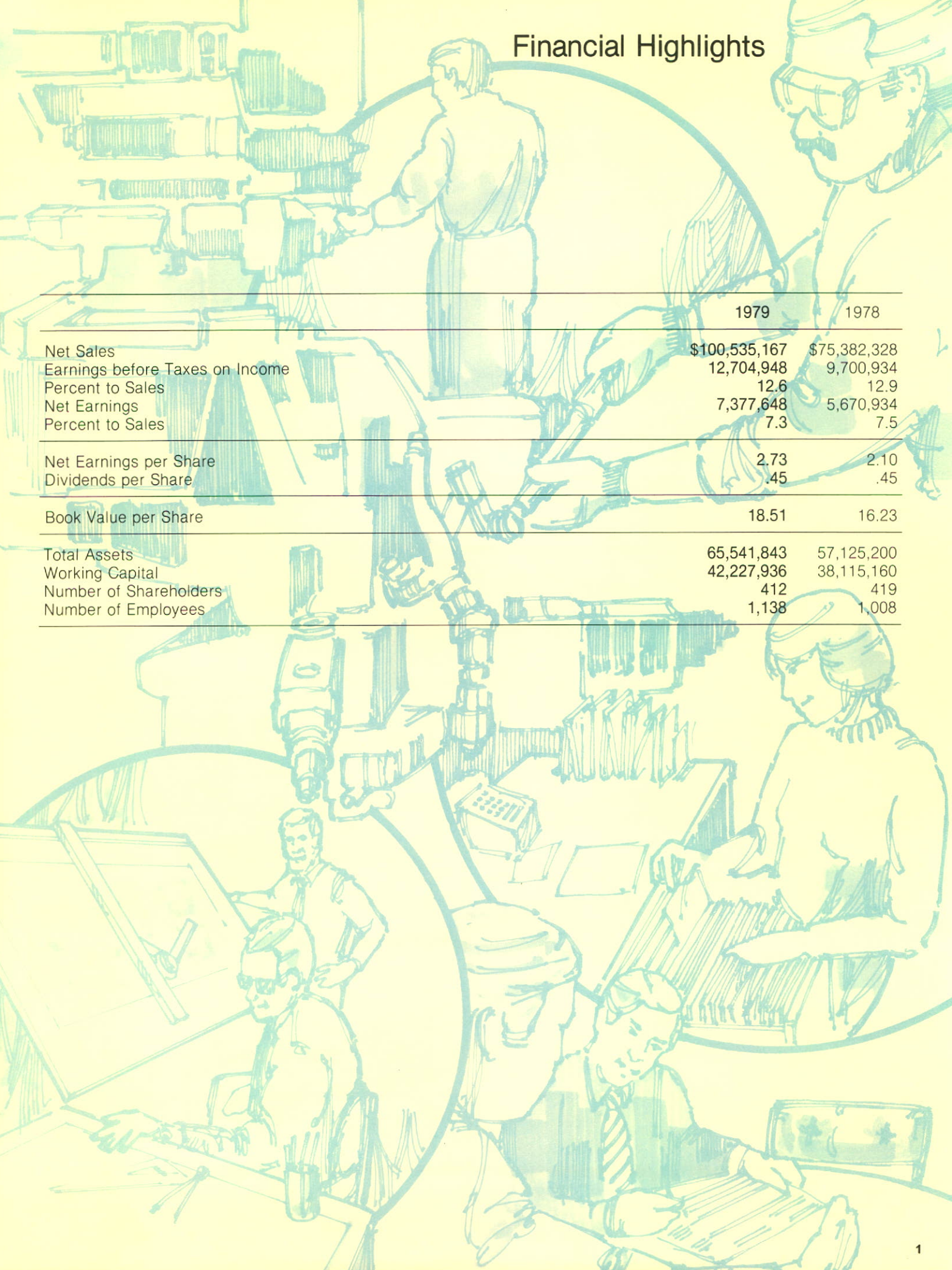
The Annual Meeting of Shareholders of Fruehauf Canada Inc. will be held on Friday, April 18, 1980, at 2.30 p.m. (Toronto time) in the Board Room of National Trust Company Limited, 3rd Floor, 21 King Street East, Toronto, Ontario.

Proxies will be solicited from Shareholders when the Notice of Annual Meeting and Proxy Statements are mailed on or about March 26, 1980.

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Head Office:

Fruehauf Canada Inc.
2450 Stanfield Road
Mississauga, Ontario
L4Y 1S3



Financial Highlights

	1979	1978
Net Sales	\$100,535,167	\$75,382,328
Earnings before Taxes on Income	12,704,948	9,700,934
Percent to Sales	12.6	12.9
Net Earnings	7,377,648	5,670,934
Percent to Sales	7.3	7.5
Net Earnings per Share	2.73	2.10
Dividends per Share	.45	.45
Book Value per Share	18.51	16.23
Total Assets	65,541,843	57,125,200
Working Capital	42,227,936	38,115,160
Number of Shareholders	412	419
Number of Employees	1,138	1,008

Report on Operations 1979

To Our Shareholders:

This first year into our second half century set new records in both sales and earnings. Appropriately, we have commenced construction of an additional manufacturing facility which will double our present capacity.

Total sales reached a new plateau exceeding \$100 million for the first time. Sales of \$100,535,167 represent an increase of 33% over the preceding year. Net earnings at \$7,377,648 were up 30% over net earnings in the 1978 year. Per share earnings of \$2.73 compare to the prior year's \$2.10 per share.

Cash Dividends

During the year, semi-annual dividend payments were 22-1/2 cents per share — 45 cents per share for the year. The first dividend on March 28th was paid to holders of record March 6th, the second was paid September 28th to holders of record September 5, 1979.

Following the announcement of 1979 results, a dividend was declared on February 26, 1980. In view of the major expansion in progress and the related demand on funds, the dividend was continued at the 22-1/2 cent semi-annual amount. This dividend is payable May 2, 1980 to holders of record on March 31, 1980.

Operation Highlights

Throughout the entire year the main manufacturing facility operated above its normal capacity level. Due to the consistent high order backlog throughout the year, both second and third shifts were employed to the greatest extent possible. Unfortunately we suffered a four week disruption at mid-year involving both the manufacturing plant and the Toronto service branch. A new three year labour agreement is now in place at each location.

The high level of productivity throughout 214 days of manufacturing operations had a beneficial effect on absorption of fixed costs. Additionally, continuing controls over expense items contributed to the increased earnings.



Costs and Expenses

Cost of products and services sold, as a percent of sales, increased by .7% over the previous year to 83.2%. The Company operates on an order system whereby the customer price is established when the production order is received. The long lead times resulting from the extensive backlog throughout the entire year combined with a higher than anticipated rate of inflation, increased the difficulty of product pricing.

Selling and administrative expenses benefitted from both the economies of scale and our cost control system. These expenses in the current year at 4.9% of sales compare to 5.7% in 1978. Thus on a combined basis, costs and expenses as a percentage of sales slightly bettered the previous year despite a period of increased inflationary experience.

Financing Operations

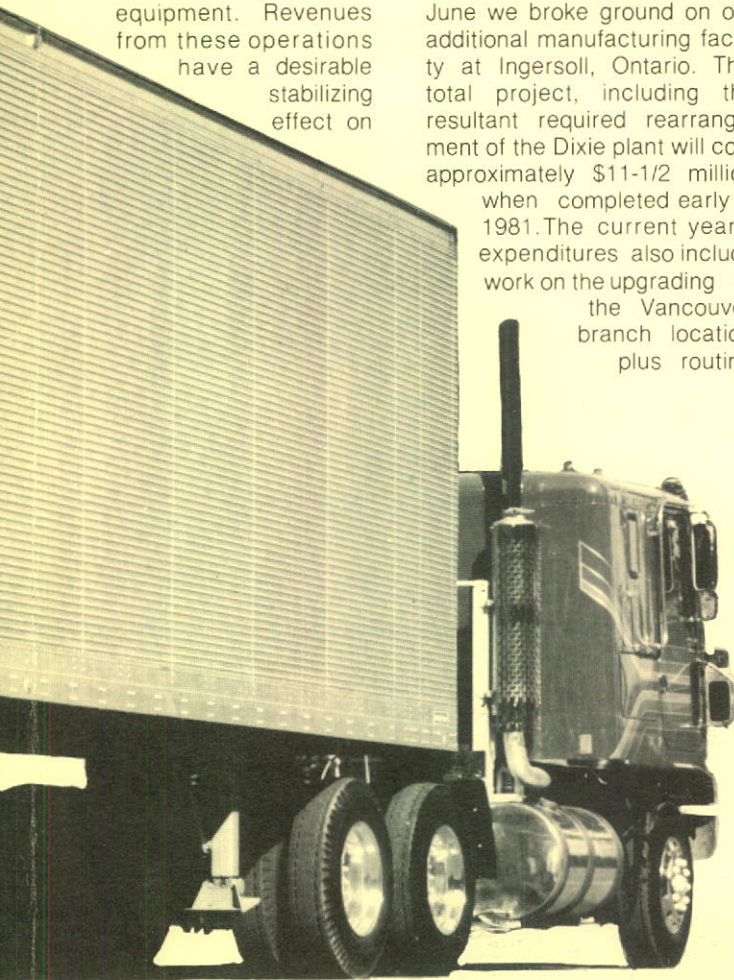
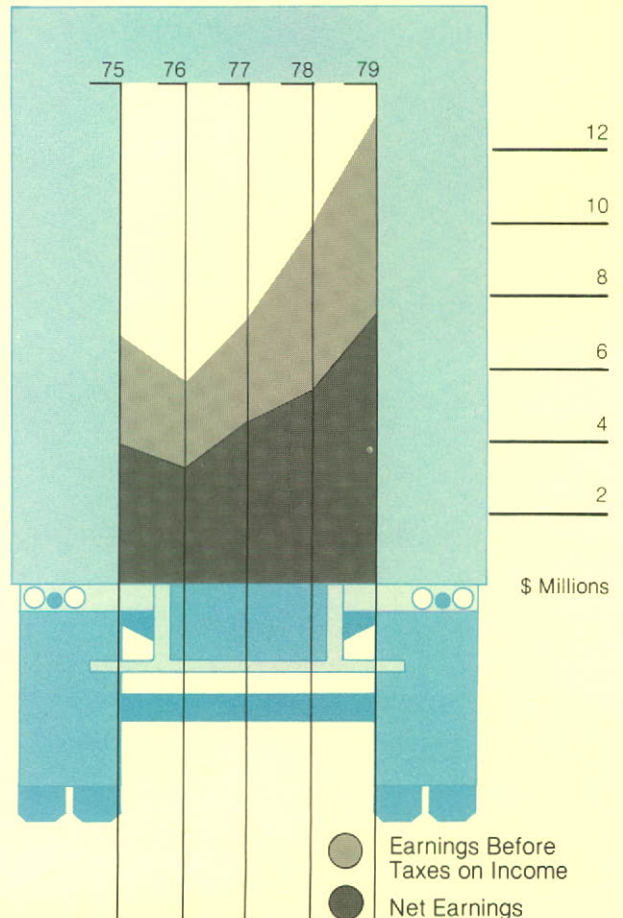
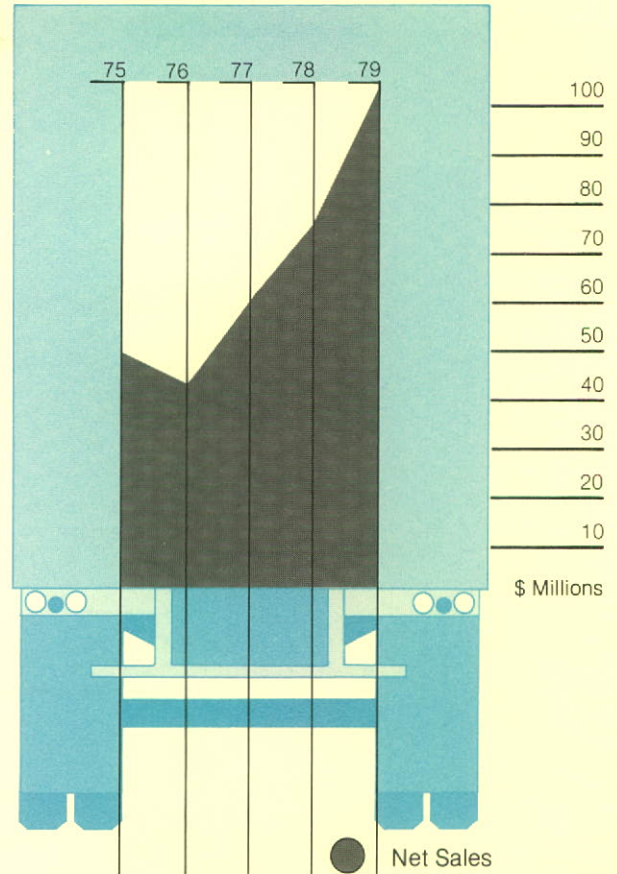
We continue to participate in financing and leasing of trailer equipment. Revenues from these operations have a desirable stabilizing effect on

earnings. Financing is a most competitive activity with all of the major banks and financing institutions aggressively competing on a rate basis in Canada. While the opportunity for significant growth is somewhat restricted, we believe we can maintain a reasonable portfolio which will continue to provide a sound return on our investment.

Finance revenue and other interest was 4% above the prior year, the increase related to revenue from short term investments, while interest from note contracts virtually equalled the amount for the 1978 year. The investment in installment contracts of \$14,265,578 reflects a reduction of 6.7%, while equipment leased to customers at \$813,898 is down 12.7% from the portfolio one year earlier.

Capital Expenditures and Depreciation

During the year expenditures of a capital nature were \$3,086,502 and compare to \$1,406,844 in the 1978 year. In June we broke ground on our additional manufacturing facility at Ingersoll, Ontario. This total project, including the resultant required rearrangement of the Dixie plant will cost approximately \$11-1/2 million when completed early in 1981. The current year's expenditures also include work on the upgrading of the Vancouver branch location plus routine



equipment replacement. With the manufacturing project, plus planned normal replacement of equipment and facilities, projected capital spending for 1980 is \$12 million. This compares with capital expenditures for the decade ended in 1978 of \$5.6 million, which on a constant dollar basis to eliminate the effect of inflation, approximates the amount of depreciation for that decade.

Depreciation of plant and equipment in 1979 totalled \$532,106 compared to \$477,760 in the preceding year, an increase of 11.3%. Assets are depreciated on a straight line basis over their estimated useful lives, usually ten years for machinery, seven years for automotive equipment and forty years for buildings. With the use of the additional manufacturing facility commencing in the second half of 1980, a significant increase in depreciation will occur.

Financial Strength

The Company continues to maintain its strong financial position. Working capital increased \$4,112,776 in the

current year, reaching \$42,227,936. At year end approximately \$4 million was invested in short term marketable securities. Receivables and inventories both increased, reflecting the higher sales volume in the current year and are being closely controlled to achieve desired turnover rates. The current ratio, the ratio of current assets to current liabilities, is a strong 3.9 to 1.

In the coming year further expenditures to complete the additional manufacturing facility will approximate \$8-1/2 million, with another \$1 million required to complete the entire project early in 1981. Financing for the entire program has been arranged utilizing short term borrowings. Projections would indicate the entire debt incurred will be retired within a two year period, given projected increased earnings from operations. From a tax standpoint, our program of claiming

maximum tax reductions will have a significant cash benefit, particularly in 1980. The investment credit and capital cost allowances available as a result of the expansion will minimize current tax payments.

Facilities, Products and Outlook

At year end the major manufacturing expansion program is well under way. The planned additional facility at Ingersoll is now fully enclosed. Completion of the interior is progressing on schedule. The current projection is that the entire tooling and equipment will be in place for commencement of production shortly after mid year 1980.

The new facility will be devoted to production of the

van type trailer unit. Other model trailers, primarily platforms, tanks and dumps, will continue to be produced at the present main manufacturing facility at Mississauga. The Mississauga plant will be re-arranged and equipment added to reduce manufacturing costs through improved efficiency. In addition we will continue to produce equipment for the oilfields and other Western Canada needs at our Calgary location. We also will retain the capability of manufacturing heavy duty construction type trailers for Eastern Canada at our Montreal location.

All branch locations have had significant improvement to



facilities and equipment over the last five years. We are dedicated to maintaining efficient operating locations and will continue to constantly upgrade equipment, consistent with economic replacement justification.

During 1979, the first year into the second half century of Fruehauf operation and growth with Canada, we continued the Company under the Canada Business Corporations Act, as required by Federal legislation. At this time we took the opportunity to change the Company name. Our new name, Fruehauf Canada Inc., provides an identification more in keeping with overall ability for growth in "total transportation" as compared to the prior restricted reference to trailers.

At the same time we have adopted a bilingual name and identification without translation need. This was one of the last steps in an overall francization program

for our Quebec operations.

In 1980 we will commence the new decade well prepared for the potential of the 80's. Production capability on a single shift basis will have doubled. At the same time the improvements in production processes will achieve efficiency which, commensurate with increased volumes, will ensure leadership in the transportation equipment industry and sound investment return in the form of continuing growth in operating profits.

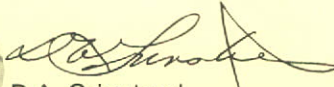
The coming year, 1980, should be a good year for Fruehauf Canada. We again commence a fiscal period with a strong backlog of production orders. Existing facilities are being operated at their current capacity level. While there is some general caution with respect to the overall North American economic outlook in 1980, we believe the need for transportation equipment will remain strong. Canada's potential over the long haul has never been better.

Our achievement and our potential is realized through people. We take this opportunity to express the appreciation of your directors to our employees and to our customers and shareholders. With a continuing loyalty and confidence in our activities and products we are confident of growth in the future.

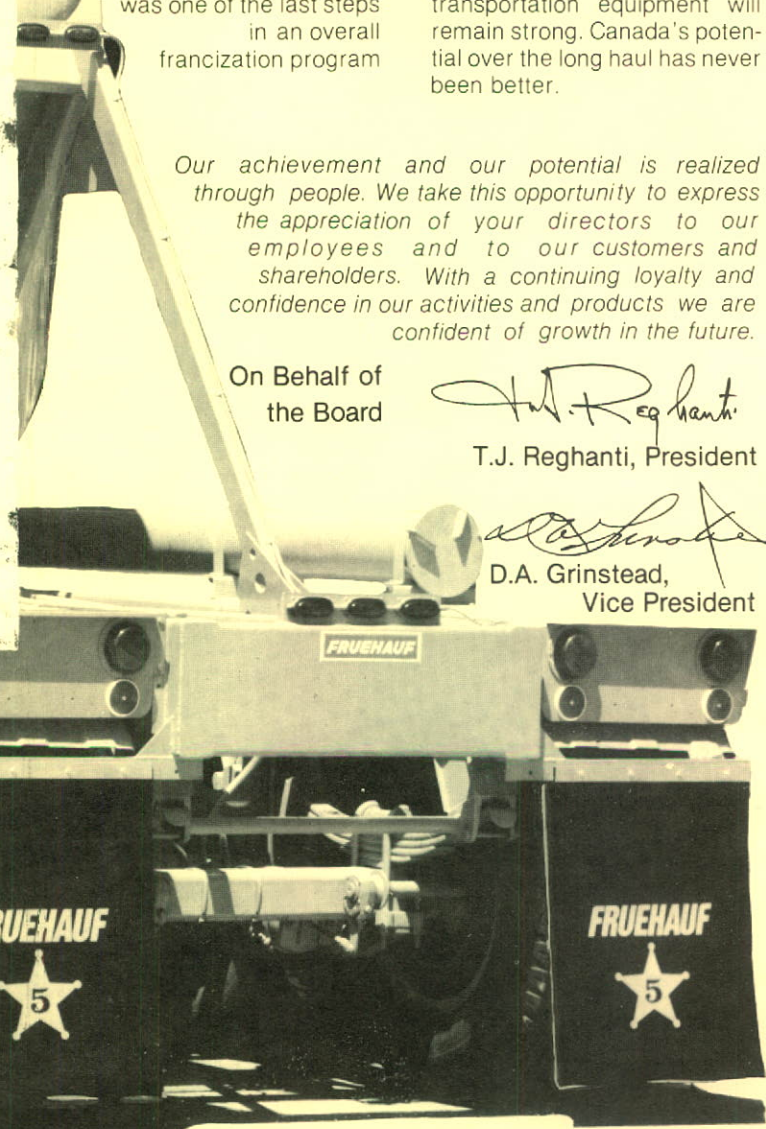
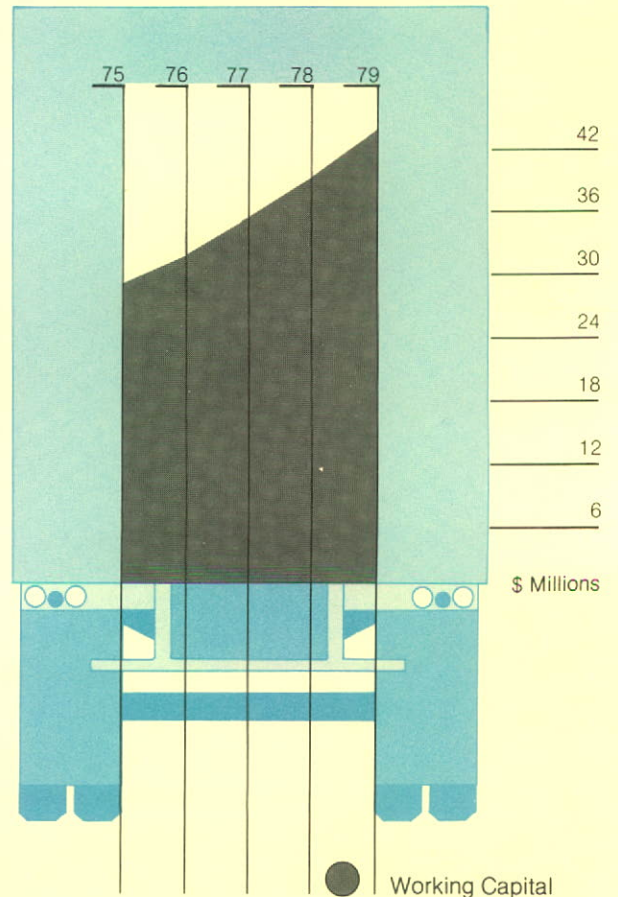
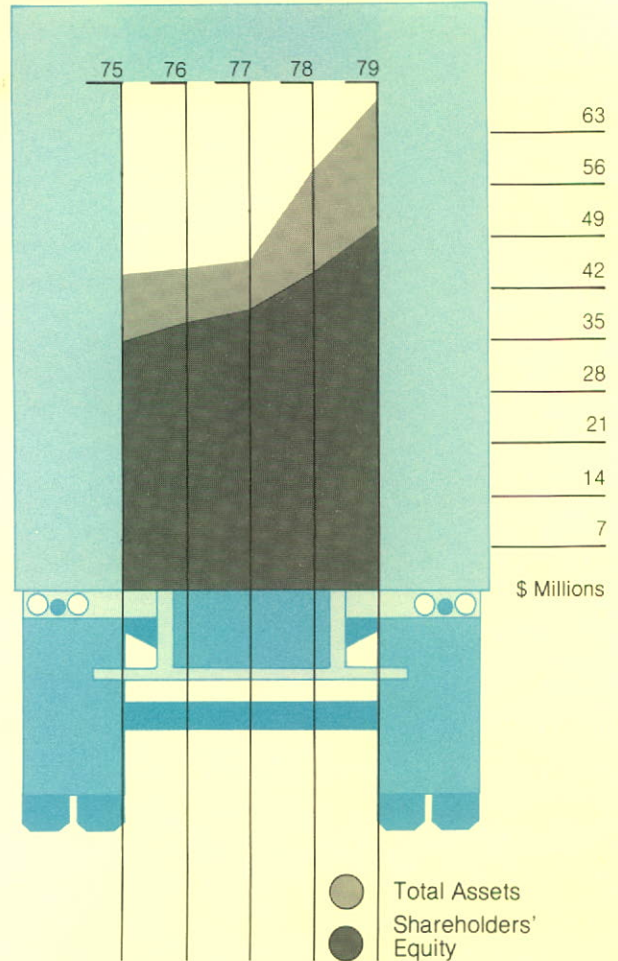
On Behalf of
the Board



T.J. Reghanti, President



D.A. Grinstead,
Vice President



Auditors' Report

The Shareholders,
Fruehauf Canada Inc.

We have examined the balance sheet of Fruehauf Canada Inc. (formerly Fruehauf Trailer Company of Canada Limited) as at December 31, 1979 and the statements of net earnings, earnings retained for use in the business and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other pro-

cedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Chartered Accountants

Toronto, Ontario,
February 5, 1980.

P.O. Box 12 - First Canadian
Place - 100 King Street West -
Toronto, Ontario M5X 1B3
Telephone (416) 364-4242 -
Telex 065-24310

Statement of Net Earnings

	1979	1978
Revenues		
Net sales	\$100,535,167	\$75,382,328
Finance and other interest	2,717,010	2,611,338
	103,252,177	77,993,666
Costs and Expenses		
Cost of products and service sold, other than items below	83,700,778	62,211,113
Selling and administrative expenses	4,960,783	4,282,337
Depreciation	751,718	789,994
Taxes other than taxes on income	1,133,950	1,009,288
	90,547,229	68,292,732
Earnings Before Taxes on Income	12,704,948	9,700,934
Taxes on income		
Current	4,861,100	4,000,700
Deferred	466,200	29,300
	5,327,300	4,030,000
Net Earnings for the Year	\$ 7,377,648	\$ 5,670,934
Earnings per share	\$2.73	\$2.10

Balance Sheets

As at December 31, 1979 and 1978

Assets	1979	1978
Current Assets		
Cash and short-term notes	\$ 4,064,915	\$ 8,206,385
Trade receivables		
Installment contracts (Note 1)	14,265,578	15,283,484
Accounts receivable	16,244,670	11,529,590
	30,510,248	26,813,074
Inventories (Note 2)	22,084,235	15,709,545
Prepaid expenses	137,368	73,992
Total Current Assets	56,796,766	50,802,996
Equipment Leased to Customers (Note 3)	813,898	932,665
Property, Plant and Equipment		
Land	737,476	737,112
Buildings and equipment	8,046,455	5,739,322
Machinery and other equipment	5,294,565	4,653,327
	14,078,496	11,129,761
Less accumulated depreciation	6,147,317	5,740,222
	7,931,179	5,389,539
On behalf of the Board		
W.T. McDougall, Director		
T.J. Reghanti, Director		
Total Assets	\$65,541,843	\$57,125,200

Fruehauf Canada Inc.

(Continued under the Canada Business Corporations Act)

Liabilities and Shareholders' Investment

	1979	1978
Current Liabilities		
Accounts payable and accrued liabilities	\$ 8,195,367	\$ 7,508,732
Taxes on income (including deferred of \$1,899,300 in 1979 and \$1,808,700 in 1978)	2,749,010	2,940,238
Due to affiliated companies	3,624,453	2,238,866
Total Current Liabilities	14,568,830	12,687,836
Other Liabilities		
Deferred taxes on income	893,900	518,300
Shareholders' Investment		
Capital stock		
Authorized		
Unlimited number of shares of one class		
Issued and outstanding 2,705,775 shares	5,149,063	5,149,063
Earnings retained for use in the business	44,930,050	38,770,001
	50,079,113	43,919,064
Commitments and Contingent Liabilities (Notes 4 and 5)		
Total Liabilities and Shareholders' Investment	\$65,541,843	\$57,125,200

Statement of Earnings Retained for Use in the Business

	1979	1978
Balance at beginning of year	\$38,770,001	\$34,316,666
Net earnings for the year	7,377,648	5,670,934
	46,147,649	39,987,600
Cash dividends	1,217,599	1,217,599
Balance at end of year	\$44,930,050	\$38,770,001

Statement of Changes in Financial Position

	1979	1978
Source of Working Capital		
Operations		
Net earnings for the year	\$ 7,377,648	\$ 5,670,934
Depreciation of equipment leased to customers	219,612	312,234
Depreciation of plant and equipment	532,106	477,760
Increase (decrease*) in deferred taxes on income	375,600	62,100*
Total from Operations	8,504,966	6,398,828
Retirement of equipment leased to customers	29,708	411,886
Disposal of plant and equipment, at net book value	12,756	13,147
	8,547,430	6,823,861
Application of Working Capital		
Cash dividends	1,217,599	1,217,599
Additions to equipment leased to customers	130,553	809,291
Additions to property, plant and equipment	3,086,502	1,406,844
	4,434,654	3,433,734
Net Increase in Working Capital for Year	4,112,776	3,390,127
Working Capital at Beginning of Year	38,115,160	34,725,033
Working Capital at End of Year	\$42,227,936	\$38,115,160

Summary of Accounting Principles**Inventories**

Inventory amounts are based upon physical determinations during the year and have been stated at the lower of cost or market prices. Cost prices are determined by the first-in, first-out method, and market prices represent the lower of replacement cost or estimated net realizable value.

Leases

Lease rental payments on equipment leased to customers are recognized as income over the period of the lease and the equipment is depreciated on a straight-line basis to a projected lease terminal value.

The Canadian Institute of Chartered Accountants' accounting recommendation on leases is being applied to current transactions. This recommendation has not been adopted retroactively as the amounts involved and the effect on earnings would be immaterial.

Property, Plant and Equipment

The Company records property, plant and equipment at cost. Depreciation is provided on a straight-line basis over the life expectancy of the asset. The estimated useful life of each major class of assets is as follows:

- Buildings and equipment — 25-40 years
- Machinery and other equipment — 5-10 years

Maintenance and repairs are charged against earnings as incurred.

Taxes on Income

The Company claims maximum reductions available for income tax purposes in any fiscal period and follows the tax allocation method of accounting for income taxes.

Pensions

The Company has noncontributory pension plans covering all employees. Current service costs of pension benefits are accrued and funded on a current basis. Past service costs are amortized and funded over periods not exceeding fifteen years.

Note 1 — Installment Contracts

Installment contracts at December 31 are stated after deduction

of deferred finance charges of \$2,848,742 for 1979 and \$3,043,391 for 1978 and include installments due after one year of approximately \$8,280,000 for 1979 and \$9,504,000 for 1978.

Note 2 — Inventories

	December 31, 1979	December 31, 1978
New trailers	\$ 4,269,099	\$ 2,071,210
Production parts, work in process and raw materials	10,897,600	8,610,211
Service parts and orders in process	4,322,584	3,532,565
Used trailers	2,594,952	1,495,559
	<u>\$22,084,235</u>	<u>\$15,709,545</u>

Note 3 — Equipment Leased to Customers

Equipment leased to customers at December 31 is stated at cost less accumulated depreciation of \$536,546 for 1979 and \$727,846 for 1978.

Note 4 — Commitments

- a. The Company is lessee under long-term leases for sales and service branches requiring rental payments of approximately \$112,000 per annum. The Company has the right to purchase one of these properties and if this right was exercised at December 31, 1979 the aggregate purchase price would amount to approximately \$123,000.
- b. The estimated cost of completing capital projects under construction at December 31, 1979 for which financing has been arranged is approximately \$9,420,000.

Note 5 — Pensions

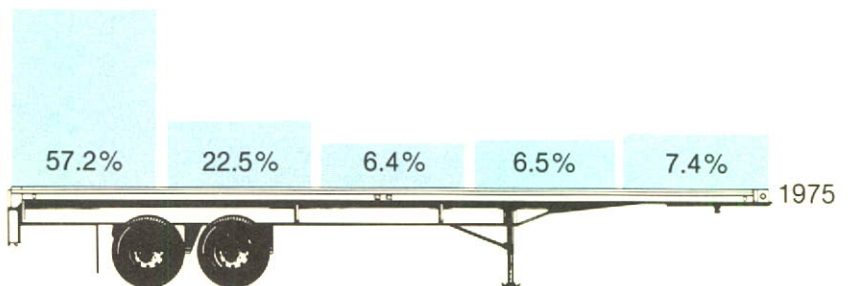
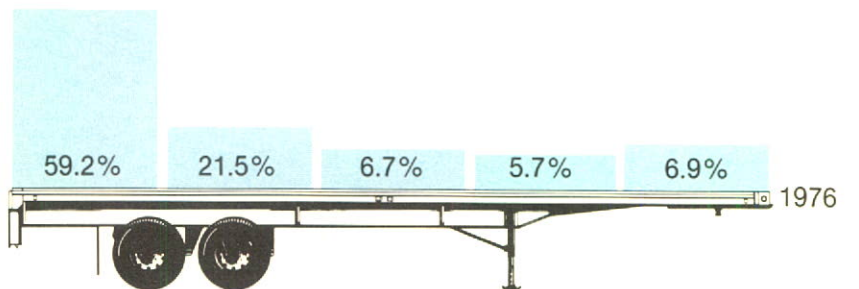
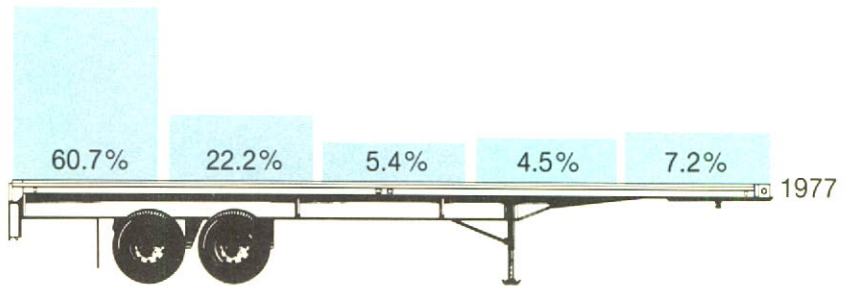
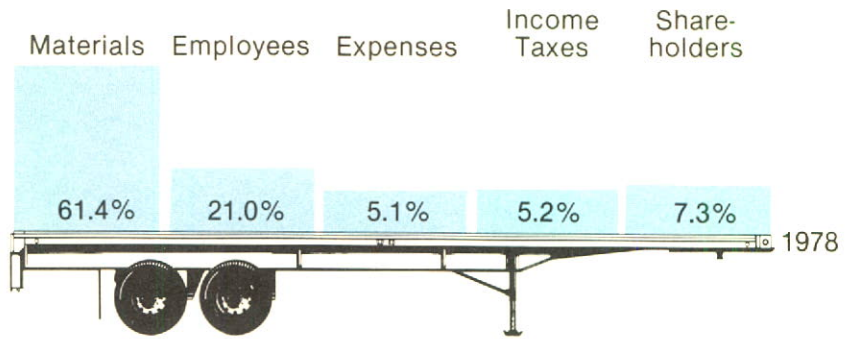
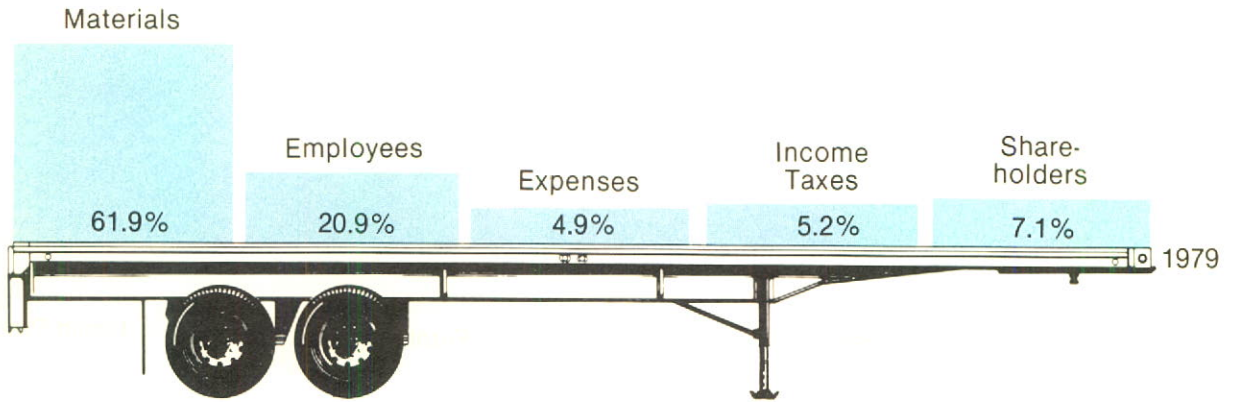
Based on actuarial valuations and estimates, unfunded service costs of pension plans at December 31 amount to approximately \$3,712,000 for 1979, \$886,000 for 1978. Unfunded vested benefits at December 31 amount to approximately \$2,548,000 for 1979, \$505,000 for 1978. Total pension expense was \$778,519 in 1979 and \$400,622 in 1978.

Statistical Summary

	1979	1978	1977	1976
Income Data				
Sales	\$100,535,167	\$75,382,328	\$58,657,252	\$40,872,708
Finance and Other Interest	2,717,010	2,611,338	2,435,626	2,588,410
Cost of Products and Service Sold	83,700,778	62,211,113	48,823,328	32,959,679
Per cent to Sales	83.2	82.5	83.2	80.6
Selling and Administrative Expenses	\$ 4,960,783	\$ 4,282,337	\$ 3,716,877	\$ 3,114,987
Per cent to Sales	4.9	5.7	6.3	7.6
Depreciation				
Equipment Leased to Customers	\$ 219,612	\$ 312,234	\$ 461,312	\$ 691,128
Plant and Equipment	532,106	477,760	450,868	454,399
Earnings before Taxes on Income	12,704,948	9,700,934	7,185,551*	5,488,035
Per cent to Sales	12.6	12.9	12.3	13.4
Net Earnings	\$ 7,377,648	\$ 5,670,934	\$ 4,419,551*	\$ 2,993,035
Per cent to Sales	7.3	7.5	7.5	7.3
Per Share Outstanding	\$ 2.73	\$ 2.10	\$ 1.63*	\$ 1.11
*Includes Extraordinary gain 1977				
Capital Investment in Year				
Equipment Leased to Customers	\$ 130,553	\$ 809,291	\$ 93,541	\$ 91,446
Property, Plant and Equipment	3,086,502	1,406,844	487,349	327,018
Financial Position Year-End				
Total Assets	\$ 65,541,843	\$57,125,200	\$46,574,491	\$44,496,305
Working Capital	42,227,936	38,115,160	34,725,033	31,108,456
Current Ratio	3.9 to 1	4.0 to 1	6.3 to 1	5.1 to 1
Installment Contracts Receivable	\$ 14,265,578	\$15,283,484	\$14,583,474	\$14,472,937
Equipment Leased to Customers — Net	813,898	932,665	847,494	1,292,459
Property, Plant and Equipment — Net	7,931,179	5,389,539	4,473,602	4,501,418
Shareholders' Equity	50,079,113	43,919,064	39,465,729	36,196,133
Book Value per Share	18.51	16.23	14.59	13.38
Employment				
Number of Employees at Year-end	1138	1008	779	792
Shareholders				
Number of Shareholders	412	419	428	425
Dividend per Share	\$.45	\$.45	\$.42 ^{1/2}	\$.40
** Includes .20 interim 1972				

1975	1974	1973	1972	1971	1970
\$47,161,334	\$60,073,980	\$51,031,753	\$40,609,738	\$31,789,041	\$25,643,625
2,320,268	2,049,814	1,464,868	1,684,879	1,732,102	1,700,034
36,833,238	46,237,615	39,338,356	30,896,381	23,963,131	19,319,712
78.1	76.9	77.0	76.1	75.3	75.3
\$ 3,186,703	\$ 3,327,728	\$ 2,882,982	\$ 2,328,839	\$ 2,217,022	\$ 1,954,724
6.8	5.5	5.6	5.7	7.1	7.6
\$ 999,485	\$ 1,164,293	\$ 1,323,637	\$ 1,115,512	\$ 1,134,202	\$ 1,126,380
434,194	481,757	382,910	346,739	374,414	349,711
6,866,271	9,539,837	7,687,493	6,946,136	5,145,776	3,682,607
14.6	15.9	15.1	17.1	16.2	14.4
\$ 3,674,271	\$ 5,388,837	\$ 4,260,493	\$ 3,597,136	\$ 2,501,776	\$ 1,709,607
7.8	9.0	8.3	8.9	7.9	6.7
\$ 1.36	\$ 1.99	\$ 1.57	\$ 1.33	\$.92	\$.63
\$ 226,910	\$ 404,096	\$ 2,490,012	\$ 1,532,537	\$ 1,537,623	\$ 1,779,590
310,015	424,063	1,121,288	718,624	241,156	194,956
\$43,168,288	\$49,429,223	\$41,022,816	\$35,063,723	\$30,784,211	\$30,582,683
28,294,922	25,054,640	19,713,525	18,625,830	17,339,313	14,971,346
4.5 to 1	2.5 to 1	2.7 to 1	3.1 to 1	3.7 to 1	2.8 to 1
\$17,656,167	\$17,545,115	\$14,404,473	\$13,001,551	\$13,025,951	\$14,423,000
2,239,625	3,417,789	4,694,717	3,696,762	3,410,368	3,588,896
4,629,361	4,766,718	4,829,978	4,097,745	3,728,400	3,869,507
34,285,408	30,707,047	26,400,520	23,222,337	21,068,281	18,626,449
12.67	11.35	9.75	8.58	7.79	6.88
635	966	1145	1001	841	653
\$ 406	\$ 417	\$ 394	\$ 331	\$ 296	\$ 327
.40	.40	.40	.53**	.25	.25

Revenue Distribution*



Materials
Raw materials, component parts, accessories and trade-in units for resale

Employees
Wages, salaries and benefits

Expenses
Operating and general expenses including depreciation and interest expense

Income Taxes
Federal and provincial taxes on income

Shareholders
Net earnings after taxes available for dividends and reinvestment for future growth

*Revenues include sales plus finance and other interest earned in each of the periods.

Fruehauf — Coast to Coast

▲ Head Office

2450 Stanfield Road
Mississauga, Ontario

■ Sales and Service

Quebec
Montreal
Toronto
London
Winnipeg
Calgary
Edmonton
Vancouver

● Distributors and Dealers

Pasadena
Dartmouth
Saint John
Fredericton
Ottawa
North Bay
Kitchener
Sarnia
Windsor
Prince Albert
Saskatoon
Whitehorse

Products

Vans

Dry Freight

- Smooth Panels
- Beaded Panels
- FRP Panels

Insulated-Refrigerated

City Delivery

Furniture

Livestock

Grain Haul

Platforms

Stake and Rack

Dumps

Container Chassis

Dollies

Truck Bodies

Tanks — Steel, Aluminum and

Stainless Steel

Liquid Products:

Petroleum

Hot Material

Chemical

Food Products

Dry Flowable Bulk Products:

Cement

Food Products

Aggregates

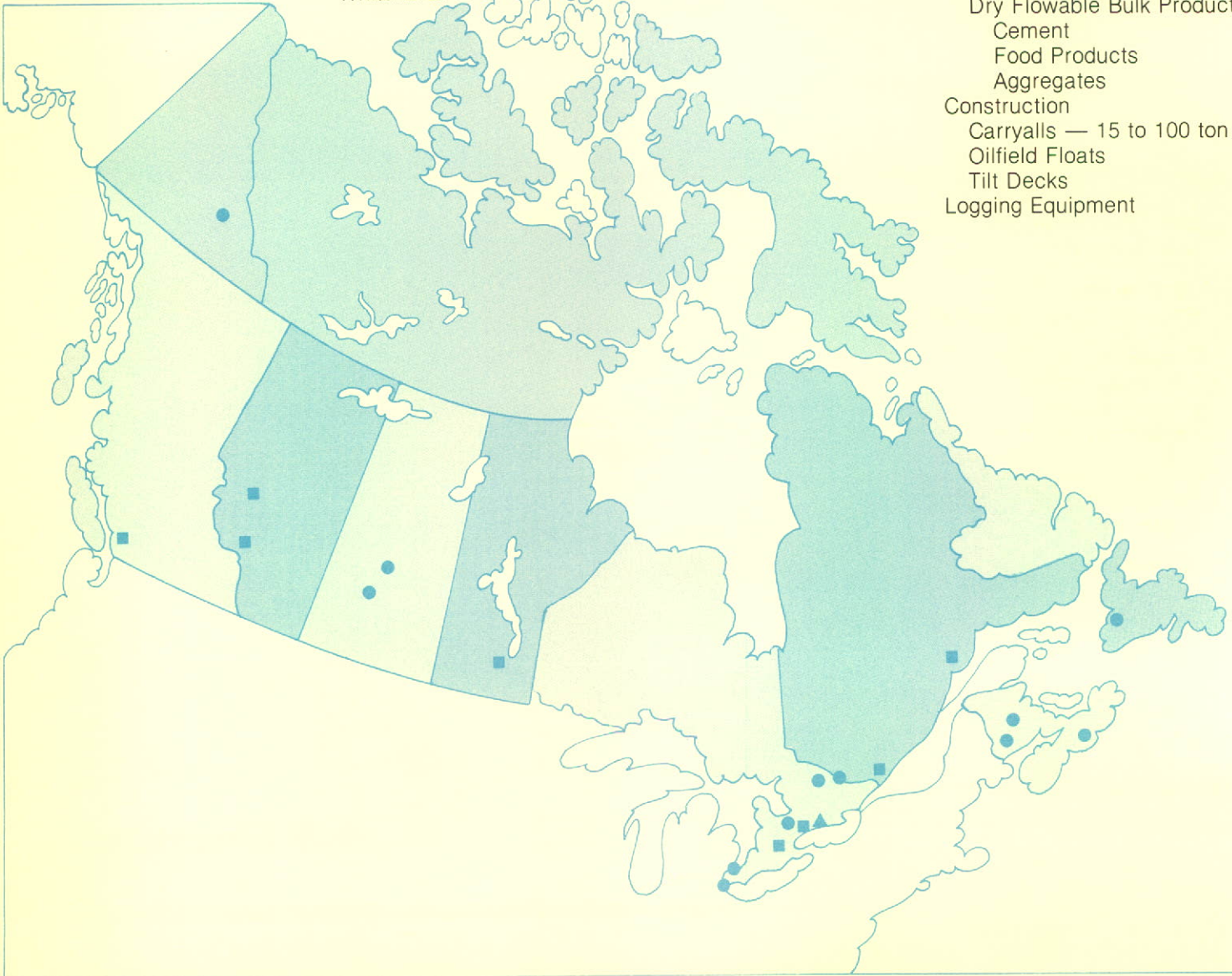
Construction

Carryalls — 15 to 100 ton

Oilfield Floats

Tilt Decks

Logging Equipment



Directors and Officers



FRUEHAUF

Directors

T.J. Reghanti
President of the Company and
Vice President and General Manager,
Fruehauf Division, Fruehauf Corporation,
Detroit, Michigan

D.A. Grinstead
Vice President of the Company,
Toronto, Ontario

W.T. McDougall
Vice President-Finance of the Company,
Toronto, Ontario

T.N. Combs
Secretary of the Company and Vice President,
General Counsel and Secretary, Fruehauf
Corporation, Detroit, Michigan

F.P. Coyer, Jr.
Vice President-Finance,
Fruehauf Corporation,
Detroit, Michigan

A. Paulin
President, H. Paulin & Co. Limited,
Toronto, Ontario

M. Reid
Vice President, Planning and Development,
Simpsons-Sears Limited
Toronto, Ontario

R.J. Telford
Retired — former Vice President
of the Company

Officers

T.J. Reghanti, President
D.A. Grinstead, Vice President
W.T. McDougall, Vice President-Finance
T.N. Combs, Secretary
B.A. West, Controller
A. Purdon, Assistant Secretary

Transfer Agents and Registrar

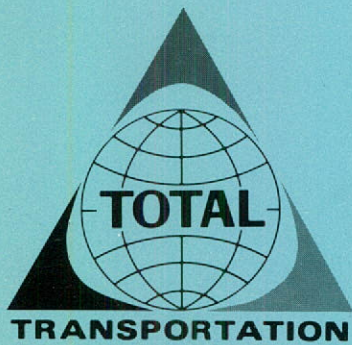
National Trust Company Limited
Toronto and Montreal

Solicitors

Borden & Elliot
Toronto, Ontario

Auditors

Touche Ross & Co.
Toronto, Ontario



FRUEHAUF