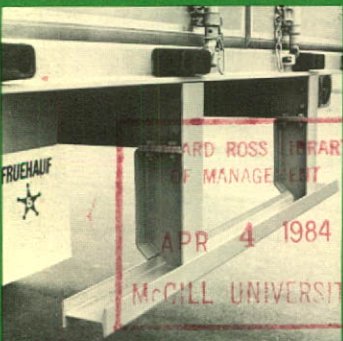
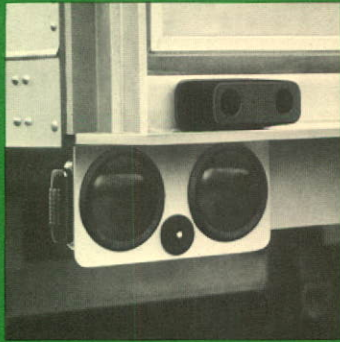


FRUEHAUF

Canada Inc.

Annual Report 1983



Financial Highlights

	1983	1982
Net Sales	\$76,704,083	\$48,383,241
Earnings before Taxes on Income	5,484,559	477,387
Percent to Sales	7.1	1.0
Net Earnings	3,470,559	608,387
Percent to Sales	4.5	1.3
Net Earnings per Share	1.28	.22
Dividends per Share	.05	.375
Book Value per Share	22.58	21.31
Total Assets	79,771,715	64,611,894
Working Capital	48,531,251	45,746,516
Number of Shareholders	279	408
Number of Employees	842	378

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Directors and Officers	Inside Back Cover

Annual Meeting of Shareholders

The Annual Meeting of Shareholders of Fruehauf Canada Inc. will be held on Friday, April 27, 1984, at 11:00 a.m. (Toronto time) at the Head Office of the Company, 2450 Stanfield Road, Mississauga, Ontario.

Proxies will be solicited from Shareholders when the Notice of Annual Meeting and Proxy Statements are mailed on or about March 30, 1984.

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

Report on Operations 1983

To Our Shareholders:

In a year that started from a period of unprecedented decline, a striking recovery commenced by mid year. For the 1983 year net earnings of \$3.5 million were achieved on sales of \$76 million.

Throughout the first quarter the industry continued to experience the business doldrums of the previous year. By midway through the second quarter significant orders for the van trailer model were received, ushering in a business turnaround. Orders for this trailer model remained strong throughout the balance of the year although there was less activity in other product lines. In the last half of 1983 we thus were able to operate one of the manufacturing facilities at a reasonably high rate of production.

Total sales in 1983 of \$76,704,083 were 58% above the 1982 year. The sales increase mirrors the recovery and we believe it is indicative of the outlook for coming periods. Net earnings of \$3,470,559 representing \$1.28 per share were a significant improvement over the \$608,387, 22 cents per share, earned in the prior year.

Dividends

In line with our cost controls undertaken as a result of the earlier business conditions, dividends were curtailed throughout most of 1983. With an emerging recovery a dividend was declared late in the year. A dividend of 5

cents per share was declared on December 14, 1983 payable on December 30, 1983 to shareholders of record on December 22, 1983. Fruehauf Corporation (U.S.) once again waived its right to this dividend. This action by the major shareholder has a beneficial effect on the equity position of all other shareholders.

Costs and Expenses

The maintenance of earlier restrictive cost measures was also a contributing factor in the achievement of the Company's economic recovery. Cost of sales as a percent of sales was 89.1% in 1983, a considerable improvement in comparison to the abnormally high 93.1% in 1982. Given a continuation of current sales volume the trend towards normalcy of the cost to sales relationship should be maintained.

Selling and administration expenses for the year increased less than 2% from the previous year even though sales were up 58%. Expenses as a percent to sales were 6.5% as compared to 10.1% in the 1982 year. The controlling of expenses at a level below many earlier years reflects the continuing scrutiny that has had such beneficial impact on our recovery process.

Depreciation expense increased approximately 12%, reflecting a higher amortization of tooling directly attributable to the higher overall production level. Depreciation of other assets was virtually constant as there was no significant increase in facilities and equipment during this part of the recovery process.



Financing Operations

Revenue from our total financing program was a further highlight of the business turnaround. The combined revenue from installment contracts and market investments at \$3.7 million is a record high. These portfolios, in addition to providing a significant earnings benefit have a long term stabilizing effect, particularly in periods of fluctuating sales.

Investment in installment contracts at year end of \$13,959,455 was almost unchanged from the previous year end. The slight decline in the current year primarily reflects a situation whereby a number of large orders were placed by customers having no need to finance such equipment purchases. We fully expect to be able to increase the extent of sales financed "in house" in subsequent periods.

During the year we did achieve a substantial increase to our portfolio of equipment leased to customers. The investment in this asset rose to \$1,668,266 from \$307,396 at the beginning of the year. This alternate financing vehicle which your Company offers has only limited customer interest as most opt for an eventual ownership basis rather than straight lease. We thus feel the potential for continuing large increases in this area is not as great as our conditional sales type financing through installment contracts.

Taxes on Income

For the current year taxes on income were 36% of pre tax income. The current provision for taxes while benefiting from the extent of inventory credit and a higher investment tax credit, also realized a greater manufacturing and processing reduction. The manufacturing productivity in the year, being significantly higher than the previous year, provided the basis for this latter benefit.

Capital Expenditures and Financial Strength

For the second successive year our expenditures on fixed assets were held to the one half million dollar range. However, we do foresee an increase in such investment in the next year or two as a result of the recent increase to highway trailer lengths which creates a need for modification to various service facilities. We are undertaking a study to review all branch locations as we are committed to providing efficient facilities to ensure our leadership in the industry.

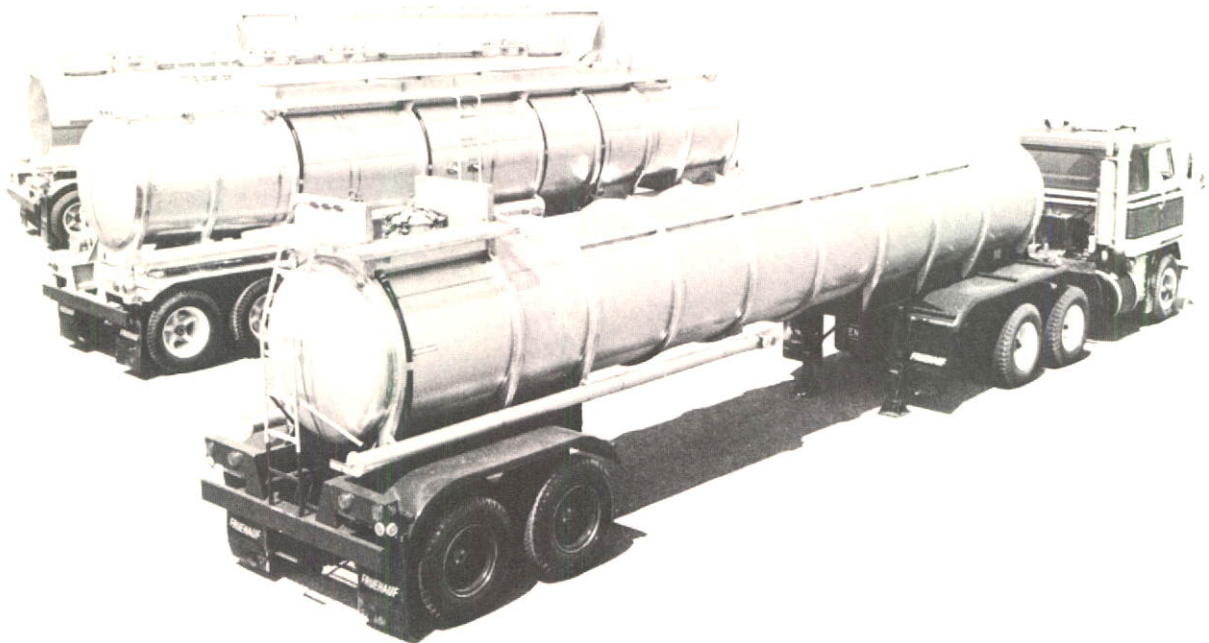
At the same time we also foresee some expenditures on production related equipment, primarily to take advantage of the technological improvements which are becoming available in this area.

Your Company is well structured to finance these investments, whether through equity or by outside borrowing if needed. At year end your Company had more than \$8 million invested in short term market securities. These funds can be immediately converted to other operating demands of the business. The strength of our balance sheet containing no long term debt, is portrayed by its strong 4.0 to 1 current ratio.

Outlook

Throughout the second half of 1983 a consistently strong level of order input fueled the recovery we achieved. This trend shows every indication of being maintained. We expect production to continue at current rates through mid year.

Your Company offers a full line of commercial trailer models, a capability of providing for the trailer equipment requirements of all segments of Canadian industry. We are well structured to take full advantage of business upsurges in the various sections of industry as they occur.



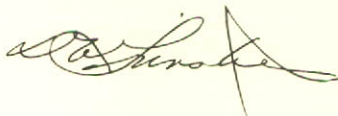
We believe that the demand for transportation equipment will remain buoyant throughout 1984. Also we are encouraged for the long haul by emerging signs with Government legislators of a need to be more responsive to business. At least there are strong overtures to minimize the extent of changes in tax legislation in order to permit industry a period of relative unanimity. Additionally, inflation has been significantly reduced and while it has not been without hardship in many sectors, if it can be reasonably controlled it will provide a strong basis for overall economic stability.

Your directors take this opportunity to express their appreciation to our customers for the confidence they have shown in our products and to thank our employees and shareholders for their understanding and strength during the trying times we have experienced.

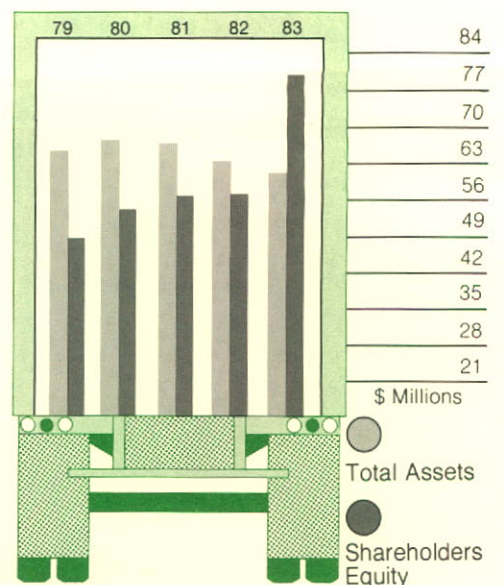
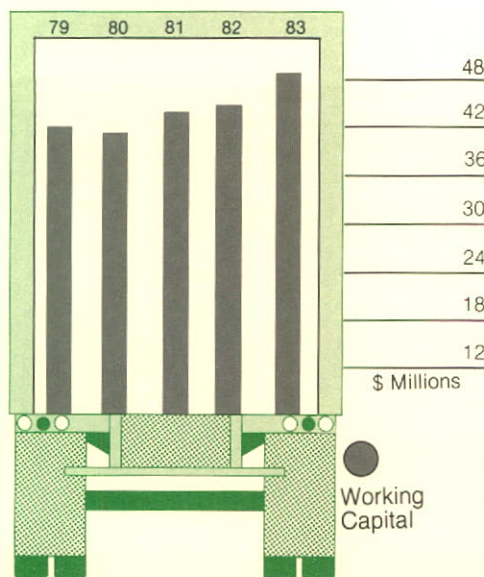
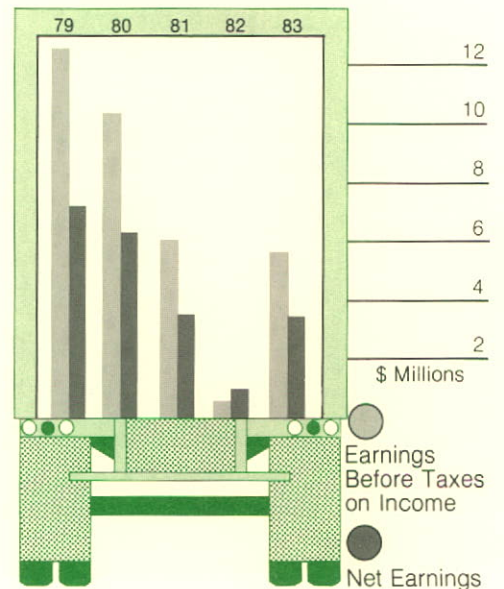
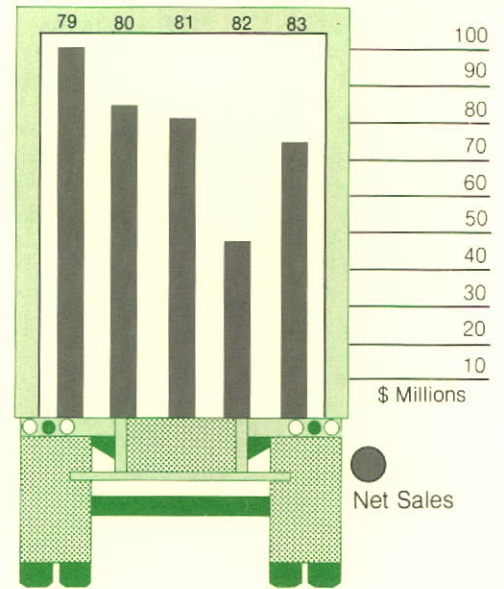
On Behalf of the Board



T. J. Reghanti,
President



D. A. Grinstead,
Vice President



Auditors' Report

The Shareholders
Fruehauf Canada Inc.

Touche Ross & Co.
Chartered Accountants

AUDITORS' REPORT

The Shareholders,
Fruehauf Canada Inc.

We have examined the balance sheet of Fruehauf Canada Inc. as at December 31, 1983 and the statements of net earnings, retained earnings 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 procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1983 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.

Toronto, Ontario,
February 9, 1984.



Chartered Accountants

Statement of Net Earnings

Years Ended December 31

	1983	1982
Revenues		
Net sales	\$76,704,083	\$48,383,241
Finance and other interest	3,748,636	3,496,920
	80,452,719	51,880,161
Costs and Expenses		
Cost of sales	68,370,393	45,061,975
Selling and administration	4,971,667	4,886,075
Depreciation	1,626,100	1,454,724
	74,968,160	51,402,774
Earnings Before Taxes on Income	5,484,559	477,387
Taxes on income		
Current	1,916,000	317,300
Deferred	98,000	(448,300)
	2,014,000	(131,000)
Net Earnings for the Year	\$ 3,470,559	\$ 608,387
Earnings per share	\$1.28	\$0.22

Balance Sheet

As at December 31

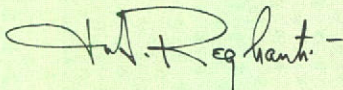
Assets

	1983	1982
Current Assets		
Cash and short-term notes	\$ 8,935,356	\$12,682,593
Trade receivables		
Current accounts	18,406,798	5,452,149
Installment contracts (Note 1)	13,959,455	14,119,262
Inventories (Note 2)	23,233,319	17,512,329
Prepaid expenses	37,892	49,201
Total Current Assets	64,572,820	49,815,534
Equipment Leased to Customers (Note 3)	1,668,266	307,396
Fixed Assets		
Land	740,809	740,809
Buildings and equipment	11,851,745	11,789,476
Machinery and other equipment	10,934,459	10,953,872
	23,527,013	23,484,157
Less accumulated depreciation	9,996,384	8,995,193
	13,530,629	14,488,964
Total Assets	\$79,771,715	\$64,611,894

On behalf of the Board



Director



Director

Fruehauf Canada Inc.

Incorporated under the Canada Business
Corporations Act

Liabilities and Shareholders' Equity

	1983	1982
Current Liabilities		
Accounts payable		
Trade	\$ 9,877,256	\$ 2,634,361
Affiliates (Note 4)	2,975,595	161,457
Taxes on income		
Current	1,546,218	—
Deferred	1,642,500	1,273,200
Total Current Liabilities	16,041,569	4,069,018
Deferred Taxes on Income	2,614,700	2,886,000
Shareholders' Equity		
Capital stock		
Authorized		
Unlimited number of shares		
of one class		
Issued and outstanding		
2,705,775 shares	5,149,063	5,149,063
Retained earnings	55,966,383	52,507,813
	61,115,446	57,656,876
Total Liabilities and Shareholders' Equity	\$79,771,715	\$64,611,894

Statement of Retained Earnings

Years Ended December 31

	1983	1982
Balance at beginning of year	\$52,507,813	\$51,989,342
Net earnings for the year	3,470,559	608,387
	55,978,372	52,597,729
Cash dividends (Note 4)	11,989	89,916
Balance at end of year	\$55,966,383	\$52,507,813

Statement of Changes in Financial Position

Years Ended December 31

	1983	1982
Funds Derived From		
Operations		
Net earnings	\$ 3,470,559	\$ 608,387
Depreciation of equipment leased to customers	135,045	125,323
Depreciation of fixed assets	1,491,055	1,329,401
Deferred taxes on income	98,000	(448,300)
Total from Operations	5,194,659	1,614,811
Changes in:		
Accounts payable	10,057,033	(1,965,122)
Current taxes on income	1,546,218	(62,210)
Prepaid expenses	11,309	(9,765)
	16,809,219	(422,286)
Funds Applied To		
Changes in:		
Trade receivables	12,794,842	(5,777,313)
Inventories	5,720,990	(7,229,318)
Equipment leased to customers — net	1,495,915	(15,590)
Fixed assets — net	532,720	473,427
Dividends	11,989	89,916
	20,556,456	(12,458,878)
Funds		
Decrease (increase) during year	3,747,237	(12,036,592)
Cash and short-term notes:		
Beginning of year	12,682,593	646,001
End of year	\$ 8,935,356	\$12,682,593

Notes to Financial Statements

December 31

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.

Equipment Leased to Customers

Leased equipment is stated at cost, less accumulated depreciation which is provided for on a straight line basis to a projected lease terminal value. Rental payments are recognized as income over the term of the lease.

Fixed Assets

The Corporation records fixed assets at their historical cost. Depreciation is provided on a straight-line basis over the life expectancy of the asset. Buildings and machinery and equipment are depreciated over 25 to 40 years and 5 to 10 years respectively.

Taxes on Income

The Corporation 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 Corporation has noncontributory pension plans covering substantially 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

At December 31 installment contracts are stated after deduction of deferred finance charges of \$3,675,765 for 1983 and \$3,830,493 for 1982 and include installments due after one year of approximately \$6,636,885 for 1983 and \$7,327,218 for 1982.

Note 2 - Inventories

	1983	1982
New trailers	\$ 3,771,986	\$ 7,455,985
Production parts, work in process and raw materials	14,196,475	4,842,265
Service parts and orders in process	3,535,765	3,587,153
Used trailers	1,729,093	1,626,926
	<u>\$23,233,319</u>	<u>\$17,512,329</u>

Note 3 - Equipment Leased to Customers

Accumulated depreciation at December 31 is \$244,308 for 1983 and \$487,062 for 1982.

Note 4 - Transactions with Affiliates

Shares of the Corporation are 91% owned by Fruehauf Corporation (U.S.). The major shareholder waived its rights to dividends declared in 1983 and 1982.

Under a long standing agreement Fruehauf Corporation (U.S.) provides technical assistance on products and methods for which a fee is paid. In addition the Corporation purchases production components from the major shareholder and its affiliates in the normal course of business. Costs and expenses include costs arising from these transactions, primarily purchases of production components, aggregating approximately 10.9% of total costs and expenses for 1983 and 3.5% for 1982.

Note 5 - Pensions

Based on actuarial valuations and estimates, unfunded service costs of pension plans at December 31 amount to approximately \$27,400 for 1983, \$43,000 for 1982. Unfunded vested benefits at December 31 were NIL for 1983, and approximately \$17,900 for 1982. Total pension expense was \$50,565 in 1983 and \$130,400 in 1982.

Note 6 - Segmented Information

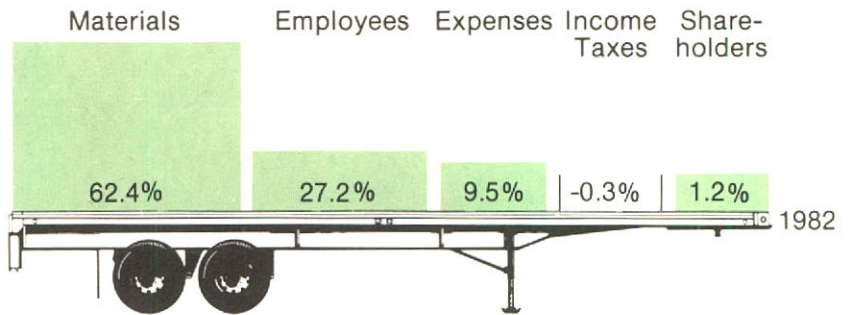
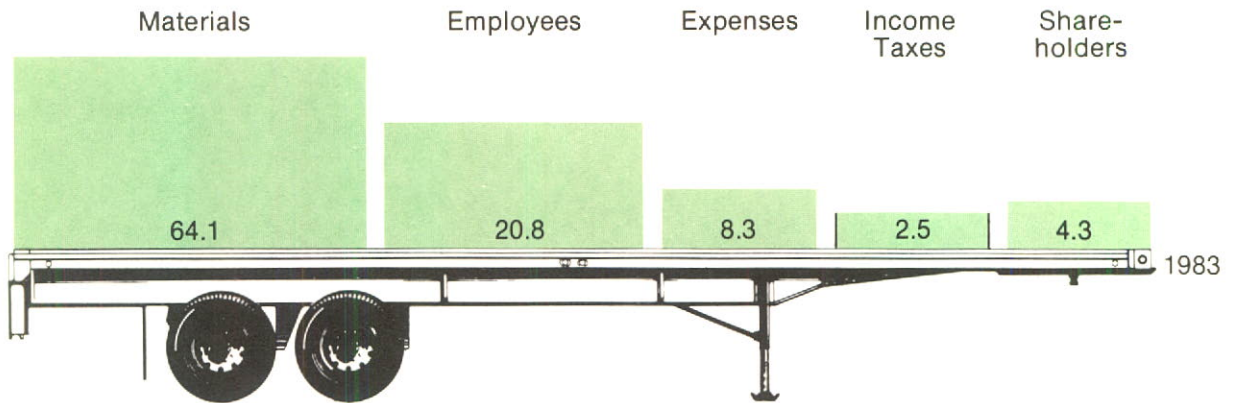
The Corporation is a supplier in the domestic commercial trailer industry and is involved in the manufacture, sales and service of commercial truck trailers including replacement parts thereto. Sales are made directly to transport operators from branch facilities or distributors throughout Canada and finance revenue relates solely to the sale of the Corporation's products.

Statistical Summary

	1983	1982	1981	1980
Income Data				
Sales	\$ 76,704,083	\$ 48,383,241	\$ 80,688,550	\$ 85,803,397
Finance and Other Interest	3,748,636	3,496,920	3,418,782	2,596,796
Cost of Sales	68,370,393	45,061,975	70,104,569	71,038,237
Per cent to Sales	89.1	93.1	86.9	82.8
Selling and Administration	\$ 4,971,667	\$ 4,886,075	\$ 6,414,357	\$ 5,865,401
Per cent to Sales	6.4	10.1	7.9	6.8
Depreciation				
Equipment Leased to Customers	\$ 135,045	\$ 125,323	\$ 153,604	\$ 285,958
Fixed Assets	1,491,055	1,329,401	1,427,615	921,428
Earnings before Taxes on Income	5,484,559	477,387	6,007,187	10,289,169
Per cent to Sales	7.1	1.0	7.4	12.0
Net Earnings	\$ 3,470,559	\$ 608,387	\$ 3,633,187	\$ 6,267,169
Per cent to Sales	4.5	1.3	4.5	7.3
Per Share Outstanding	1.28	.22	1.34	\$ 2.32
Capital Investment in Year				
Equipment Leased to Customers	\$ 1,495,915	\$ —	\$ —	\$ 353,760
Fixed Assets	532,720	473,427	2,284,132	7,482,816
Financial Position Year-End				
Total Assets	\$ 79,771,715	\$ 64,611,894	\$ 66,569,055	\$ 67,020,237
Working Capital	48,531,251	45,746,516	44,317,358	41,875,407
Current Ratio	4.0 to 1	12.2 to 1	7.8 to 1	5.3 to 1
Installment Contracts Receivable	\$ 13,959,455	\$ 14,119,262	\$ 14,778,565	\$ 15,958,358
Equipment Leased to Customers—Net	1,668,266	307,396	448,309	802,855
Fixed Assets—Net	13,530,629	14,488,964	15,344,938	14,488,421
Shareholders' Equity	61,115,446	57,656,876	57,138,405	55,128,683
Book Value per Share	22.58	21.31	21.12	20.37
Employment				
Number of Employees at Year-end	842	378	688	670
Shareholders				
Number of Shareholders	.279	408	442	404
Dividends per Share	\$.05	\$.375	\$.60	\$.45

1979	1978	1977	1976	1975	1974
\$ 100,535,167	\$ 75,382,328	\$ 58,657,252	\$ 40,872,708	47,161,334	\$ 60,073,980
2,717,010	2,611,338	2,435,626	2,588,410	2,320,268	2,049,814
84,442,352	62,860,803	49,387,915	33,413,631	37,271,914	46,651,292
84.0	83.3	84.2	81.8	79.0	77.7
\$ 5,353,159	\$ 4,641,935	\$ 4,018,933	\$ 3,371,762	\$ 3,414,829	\$ 3,585,503
5.3	6.2	6.9	8.2	7.2	6.0
\$ 219,612	\$ 312,234	\$ 461,312	\$ 691,128	\$ 999,485	\$ 1,164,293
532,106	477,760	450,868	454,399	434,194	481,757
12,704,948	9,700,934	7,185,551*	5,488,035	6,866,271	9,539,837
12.6	12.9	12.3	13.4	14.6	15.9
\$ 7,377,648	\$ 5,670,934	\$ 4,419,551	\$ 2,993,035	\$ 3,674,271	\$ 5,388,837
7.3	7.5	7.5	7.3	7.8	9.0
\$ 2.73	\$ 2.10	\$ 1.63	\$ 1.11	\$ 1.36	\$ 1.99
\$ 130,553	\$ 809,291	\$ 93,541	\$ 91,446	\$ 226,910	\$ 404,096
3,086,502	1,406,844	487,349	327,018	310,015	424,063
\$ 65,541,843	\$ 57,125,200	\$ 46,574,491	\$ 44,496,305	\$ 43,168,288	\$ 49,429,223
42,227,936	38,115,160	34,725,033	31,108,456	28,294,922	25,054,640
3.9 to 1	4.0 to 1	6.3 to 1	5.1 to 1	4.5 to 1	2.5 to 1
\$ 14,265,578	\$ 15,283,484	\$ 14,583,474	\$ 14,472,937	\$ 17,656,167	\$ 17,545,115
813,898	932,665	847,494	1,292,459	2,239,625	3,417,789
7,931,179	5,389,539	4,473,602	4,501,418	4,629,361	4,766,718
50,079,113	43,919,064	39,465,729	36,196,133	34,285,408	30,707,047
18.51	16.23	14.59	13.38	12.67	11.35
1138	1008	779	792	635	966
\$ 412	\$ 419	\$ 428	\$ 425	\$ 406	\$ 417
.45	.45	.425	.40	.40	.40

Revenue Distribution*



Materials

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

Employees

Wages, salaries and benefits

Expenses

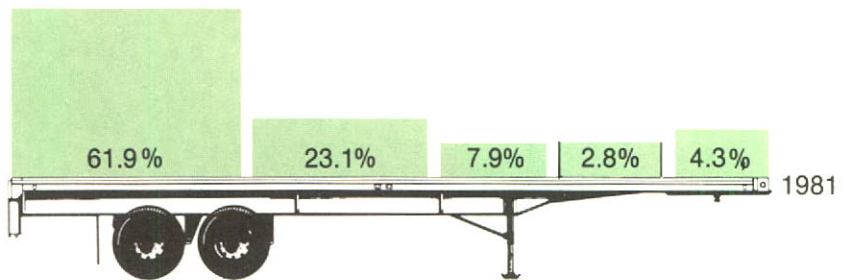
Operating and general expenses including depreciation and interest expense

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.



Directors and Officers

Directors

T. J. Reghanti
President of the Corporation and
President and Chief Operating Officer,
Fruehauf Corporation, Detroit, Michigan

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

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

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

F. P. Coyer, Jr.
Vice-Chairman - Finance and Administration,
Fruehauf Corporation, Detroit, Michigan

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

M. Reid*
Corporate Director

R. J. Telford
Retired - former Vice President of the Corporation
Toronto, Ontario

*Member, Audit Committee

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

Share Listing

Toronto Stock Exchange

Transfer Agents and Registrar

National Trust Company Limited
Toronto and Montreal

Solicitors

Borden & Elliot
Toronto, Ontario

Auditors

Touche Ross & Co.
Toronto, Ontario

Fruehauf — Coast to Coast

▲ Head Office

2450 Stanfield Road
Mississauga, Ontario

■ Sales and Service

Quebec
Montreal
Toronto
London
Winnipeg
Calgary
Edmonton
Vancouver

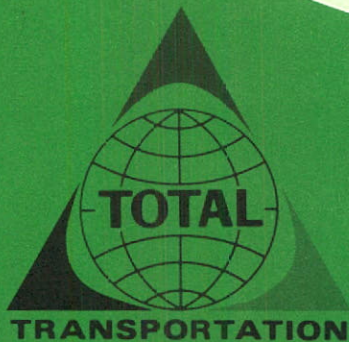
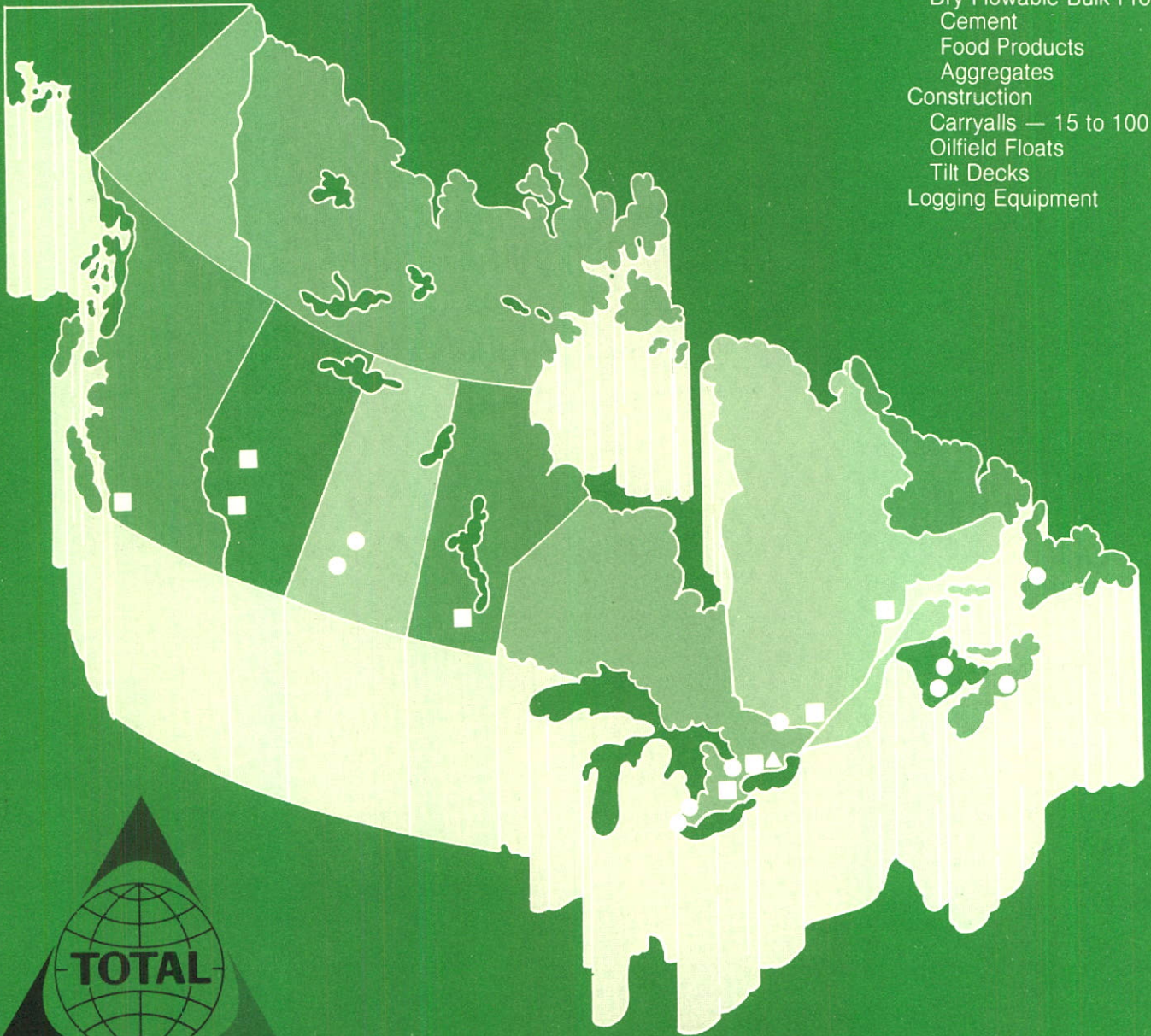
● Distributors & Dealers

Pasadena
Dartmouth
Saint John
Moncton
Ottawa
Kitchener
Sarnia
Windsor
Prince Albert
Saskatoon

Products

Vans
Dry Freight
— Smooth Panels
— Beaded Panels
— FRP Panels
— Drop Frame
Insulated-Refrigerated
City Delivery
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



FRUEHAUF