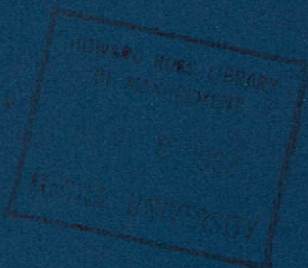
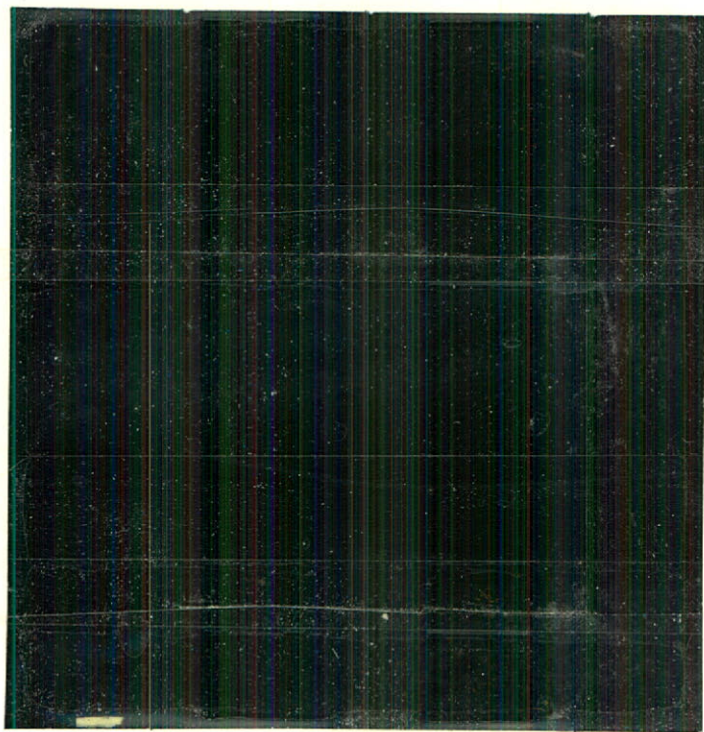


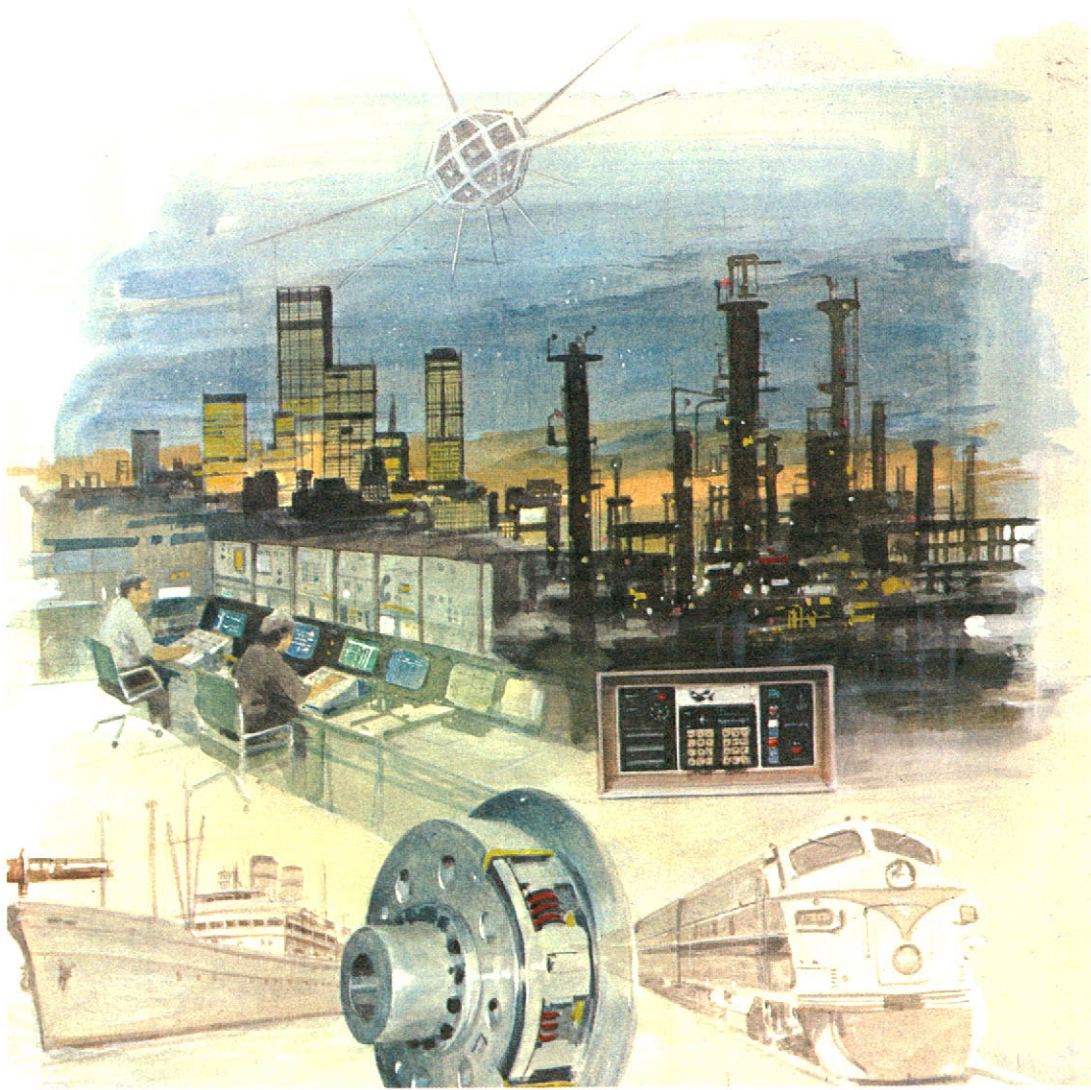
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HAYES-DANA INC. ANNUAL REPORT 1981

















Financial Results in Brief	1981	1980
We received from our customers	<b>\$223,243,000</b>	\$200,055,000
And our net income after tax was	<b>5,438,000</b>	3,654,000
We made on each dollar of sales	<b>2.4¢</b>	1.8¢
Which meant a net income per share of	<b>\$.89</b>	\$.60
From this we paid dividends per share of	<b>.48</b>	.48
Our number of shareholders was	<b>4,200</b>	3,250
And we had employment of	<b>2,250</b>	2,370

### The Company

Hayes-Dana is a manufacturer and distributor of a wide range of products and services for the automotive, mobile off-highway and industrial markets. The Company manufactures products for use in both original equipment and replacement applications. Distribution activities range from the sale of gaskets for automotive engines to the design of specialized computer controlled systems for various manufacturing applications. Founded in 1922, Hayes-Dana continues to grow and expand to meet the challenges of the 1980's.

### Manufactured Products

Universal joints	Hydraulic hose assemblies and fittings	Agricultural drive shafts and gear boxes
Drive shaft assemblies	Gaskets	Torsional vibration couplings
Light truck and van frames	Remanufactured clutches, water pumps and electrical components	Vibration isolators
Heavy truck axle housings		
Axle components		
Truck trailer axles		

### Distribution Activities

Distribution of engine parts, drivelines and power take-offs for cars, trucks and agricultural and industrial applications.

Distribution of a wide variety of products for industrial processes in the manufacturing, mining, logging and natural resource industries.

Driveline machine shop services.

Auxiliary truck equipment installations.

Truck body and chassis modifications.

New vehicle pre-delivery services for light trucks and vans.

Distribution of hydraulic fittings and hose assemblies.

### Company's Address

One St. Paul, P.O. Box 3029, St. Catharines, Ontario. L2R 7K9

### Common Shares

Transfer Agent: Canada Permanent Trust Company, Toronto, Ontario.

Co-Transfer Agent: Ohio Citizens Trust Company, Toledo, Ohio.

Listed: The Toronto Stock Exchange; Symbol—HAY.

### Series A Debentures

Registrar: Canada Trust Company, Toronto, Ontario.

### Annual Meeting

The Annual Meeting of Shareholders of Hayes-Dana Inc. will be held in the Civic Ballroom of The Sheraton Centre, Toronto, Ontario on Tuesday March 9, 1982 at 11:00 a.m.





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## To Our Shareholders

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Your Company's 1981 fiscal year has now been completed. While the year was much more difficult than we had originally foreseen, it is not without satisfaction that we look back at what has been accomplished. In a period when the North American vehicular industry faced its most difficult time, your Company made significant progress in all areas—and of this we are justifiably proud.

### 1981 Results

Sales for the twelve months ended December 31, 1981 were over \$223 million, almost 12% greater than the comparable figure of \$200 million achieved in the previous twelve month period. Moreover your Company's profitability increased at a much greater rate. Net income for the 1981 fiscal period reached \$5.44 million and therefore increased almost 49% from the \$3.65 million experienced in 1980. This disproportionate gain in profits as compared with the growth in sales speaks well for the efforts of all of our people to operate the Company more efficiently.

For some time now your Company has been making efforts to create a balance between the two sides of its business—the manufacture of original equipment parts and the distribution of parts and service to the vehicular and industrial markets. This diversification allowed Hayes-Dana to record the highest level of sales in the Company's history. As a result of the depressed state of the automotive and agricultural equipment markets, the Company's manufacturing plants never operated near capacity levels during the year. And yet the manufacturing group was able to record significant sales growth over 1980 due to two factors. One was their ability to penetrate

markets further even in depressed times and the other was the transfer of some light truck frame business from the Dana Corporation in the U.S. to our Chassis Products plant.

While the economic difficulties encountered by the entire country impacted our aftermarket activities, the diversification of their marketing efforts allowed them to also increase their sales.

Tight operating controls and improved productivity were major factors in the sharp increase in the Company's income. Significant improvements in all manufacturing facilities allowed for a strong increase in the operating income levels they were able to report. The increased productivity allows the plants to face the current market conditions on an efficient footing.

The profitability improvement is even more satisfying in light of the fact that increased depreciation and interest expenses had to be offset before earnings gains could be recorded. With North American interest rates reaching record heights in 1981, your Company saw its interest expenses exceed 1980 levels by \$555 thousand—over 6¢ a share after tax. This increase occurred even though the Company's average debt position actually declined over the twelve months.

The depressed market conditions and high interest rates were only two influences that affected your Company's results. The summer mail strike hampered our collection of accounts receivable and thereby increased our borrowing costs. The prolonged strike in the steel industry forced us to purchase supplies from premium cost sources. Our sales in British Columbia were, of course, reduced by the shutdown of the

B.C. forest industry during the summer. Unfortunately, one of your Company's facilities was also closed due to a strike for a period of approximately five weeks which resulted in lost sales and higher operating costs.

A comparison of the December 31 balance sheets for the year ends of 1980 and 1981 again shows the results of the Company's efforts to meet the difficult times. The concentration on accounts receivable and inventories kept them to a minimum and assisted in allowing our working capital position to increase sharply. Of course the sale of assets which allowed us to significantly reduce our bank loans was the major contributor to this working capital improvement. On an overall basis these changes resulted in a cash flow of approximately \$2.80 per share. While the repayment of the borrowings did not occur early enough in the year to significantly affect our interest costs, it has put the Company in a strong position to start off the 1982 year.

### The Year Ahead

We look ahead at 1982 as a year filled with great challenges. It would not be exaggerating to say that the North American vehicular industry is in the most critical period of its existence. The depressed demand for cars, trucks and heavy industrial equipment has now lasted for three years. Of course the problem has been compounded by the successful entry into the market by overseas competition and the impact of this penetration is now being felt throughout the country. We look forward to continuing to work with all our people in finding ways to increase productivity and innovation not only in the vehicle manu-



facturing and parts industry but all other endeavours as well.

Specifically with respect to Hayes-Dana, current market conditions are expected to continue for some time. While the first 6 months may well be lower than last year's, it is felt that by the late spring and summer economic activity should have improved to the point where our manufacturing plants will start to pick up momentum. Throughout the year it will be imperative that we continue to build on the efficiencies that have been developed over the past several months. The management of Hayes-Dana is committed to working with all our people to see further gains being made in all aspects of our production processes.

We are particularly optimistic about our plans for the distribution side of the Company's business. January, 1982 saw the creation of the Industrial Power Division, a group of qualified engineering representatives who will be distributing a wide range of products to the industrial process-

ing markets. The current month also saw the renaming of the Heavy Duty Products Division to that of Mobile Power Division. This name more accurately reflects the group's activities as they serve both the heavy truck and mobile off-highway markets with our traditional mechanical drive products plus several new hydraulics systems. Through this broadened product line and emphasis on markets not previously approached, significant expansion of this Division is forecasted for 1982.

#### **This Year's Theme**

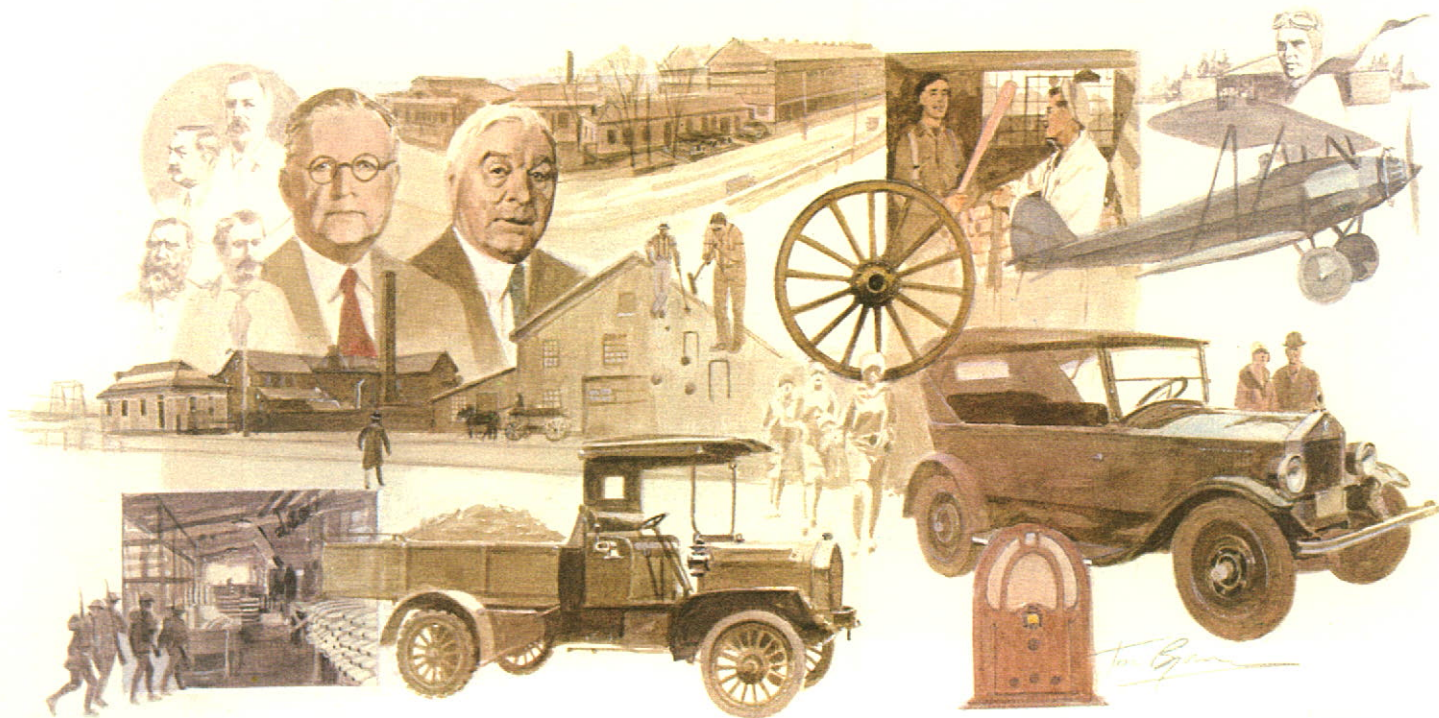
In July of this year, your Company will celebrate the sixtieth anniversary of its official founding—an achievement that not many Canadian companies can claim. To mark this accomplishment and to thank the thousands of people who have contributed to the development of the Company, this year's report takes a look back at what has been achieved to date. Through a combination of words and illustrations, the founding of the original Hayes Wheel Com-

pany of Canada Limited, its ups and downs and then the rapid expansion of the later years are all reviewed. The story then concludes with a look ahead—where the Company is going from here. We at Hayes-Dana feel justifiably proud of our past and look forward to the next sixty years with great expectations.

As you will see from the story on the Company's history, Hayes-Dana has faced many difficult times in the past. Each time the result was a stronger operation ready to meet the greater challenges that lay ahead. It is with this same sense of determination and dedication that we at Hayes-Dana look forward to meeting the current situation.

G. D. DORESCO, Chairman

S. J. MORCOTT, President





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## The Development Years

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As Hayes-Dana Inc., we've been involved in Canada's transportation industry for 60 years. But the company's foundation is even more deeply rooted. It goes back to 1865 when a wheel works was established in the former town of Merriton—and now this operation is the site of our forge shop in St. Catharines, Ontario.

At that time, two years before Confederation, the present company's forerunners manufactured wagon wheels, cutter and bobsled runners and buggy tops—all vital parts in helping keep the nation moving. Over ensuing years, Hayes-Dana's links with transportation have been forged even stronger.

Progressive change has long been a characteristic of our company. But it is one geared to the needs and demands of a developing and increasingly technical transportation industry. We have always been in the vanguard of such progress and will continue to be so.

To prove our point let's look at some of the more significant developments in the company's progress to date.

One of the company's underlying strengths is its manufacturing capabilities for original equipment parts. In 1916, by extending the then current facilities, a forge operation was incorporated into the St. Catharines plant to make forgings for the carriage, wagon and then-emerging automobile trades. Concurrently, C. B. Hayes, a local businessman, bought the Chaplin Wheel Company of Chatham, Ontario. It was a move of great portent for our company.

A visionary, Mr. Hayes recognized the importance of the automobile and the impact it would have on the Canadian way of life. Pursuing this conviction, in 1922 he brought a group of Ontario companies together under the name of The Hayes Wheel Company of Canada Limited. Its pur-

pose was to serve the transportation industry with parts manufacturing expertise.

That same year, Hayes bought the St. Catharines forge shop for the production of wheel hubs. By this time, automobiles and trucks had started to edge out buggies as a means of moving people and goods. By 1924, there were great strides forward in the output of wooden-spoked, steel-rimmed wheels for cars and trucks. In fact, 90,000 wheels a month were being sold not only in North America, but in Europe and South America. The company had achieved international status.

Things were rolling nicely but in 1927, due to a financial crisis, the company was reorganized. This move involved part acquisition of the company by Charles A. Dana and his Spicer Manufacturing Company (today's Dana Corporation). One outcome was that Hayes was licensed to manufacture Spicer joints—still an integral part of our business.

A new growth period began; one that precipitated manufacturing diversification. This included an agreement with the forerunner of Borg-Warner to manufacture automobile clutches for the domestic market. Until the development of the automatic transmission, this manufacturing operation formed an important part of the company's production.

The spirit of diversification took strong hold at Hayes-Dana. In this same period (the early 1930's), the company went into car and airplane manufacturing.

In retrospect, these ventures were understandable. World War I had proven the value and practicality of both modes of transportation. For the company, it saw the phasing out of buggy wheels and the beginning of wheels for cars and trucks. Many

of these Hayes wheels were exported to Britain and the Commonwealth countries. Hayes made wheels for cars that are now highly-prized collector items: Durant, Essex, Grey-Dort and Willys. Later, metal wire-spoked wheels were made for Chrysler and disc-type wheels for Chevrolet. Besides wheels the Chatham plant actually made six cars to be used as taxis. Unfortunately, none of these cars have survived the ensuing years.

But aircraft production was, of course, a totally different undertaking. The company got involved for two reasons, both involving people. In 1929, the company had acquired the McVean Hub & Spoke Works in Dresden, Ontario, that had been founded in 1874. Wheel orders were short in 1930, so some of the workers tried their hand at airplane building. This was at the instigation of then-general manager of Hayes Wheel, William Kistler. He was a staunch believer in the future of air travel and felt that because Hayes was a major parts supplier to the transportation industry, it should be involved in the fast-growing aircraft production.

Two aircraft were designed and built in the Dresden works. One, the "Valkyr", competed in the 1931 Toronto/Sarnia Air Derby, then a feature of the Canadian National Exhibition. Pilot Fred Brisco came in third in the race and won \$750, much welcomed in defraying the costs of the operation.

But the Great Depression years took their inevitable toll. The Chatham facilities were sold and the company's head office was moved to St. Catharines. Despite this, the search went on for new products; new ways of riding-out the lean years. A wide range of products was made including rubber balloons, croquet sets, baseball bats, refrigerators and



radios. While these did not conform to the company's original structure, survival was paramount. (Company records show that only one or two ventures proved worthwhile. One was the manufacture of drill bits and grinding balls, the production of which continued throughout the 1930's and into World War II.)

Times were difficult, but the company had established itself as a leader in manufacturing innovation, flexibility and aggressiveness. This paid off in 1935 with contracts from the Studebaker Company to make front-axle forgings. Later, the company's involvement with Studebaker was expanded to include steering arms and knuckles, tie-rods and front-axle assemblies. In fact the manufacture of rear-axles for Studebaker would be involved in the justification for expanding the Drive Train plant in Thorold in 1950.

In 1939, Hayes-Dana employed 350 persons. By 1941 this had expanded to 1,500, because of World War II. The company's experience and manufacturing capabilities brought many contracts for truck drive shafts, airplane parts and guns. The end of the war saw the acquisition of a plant in Thorold which, much expanded, today houses the Drive Train Division.

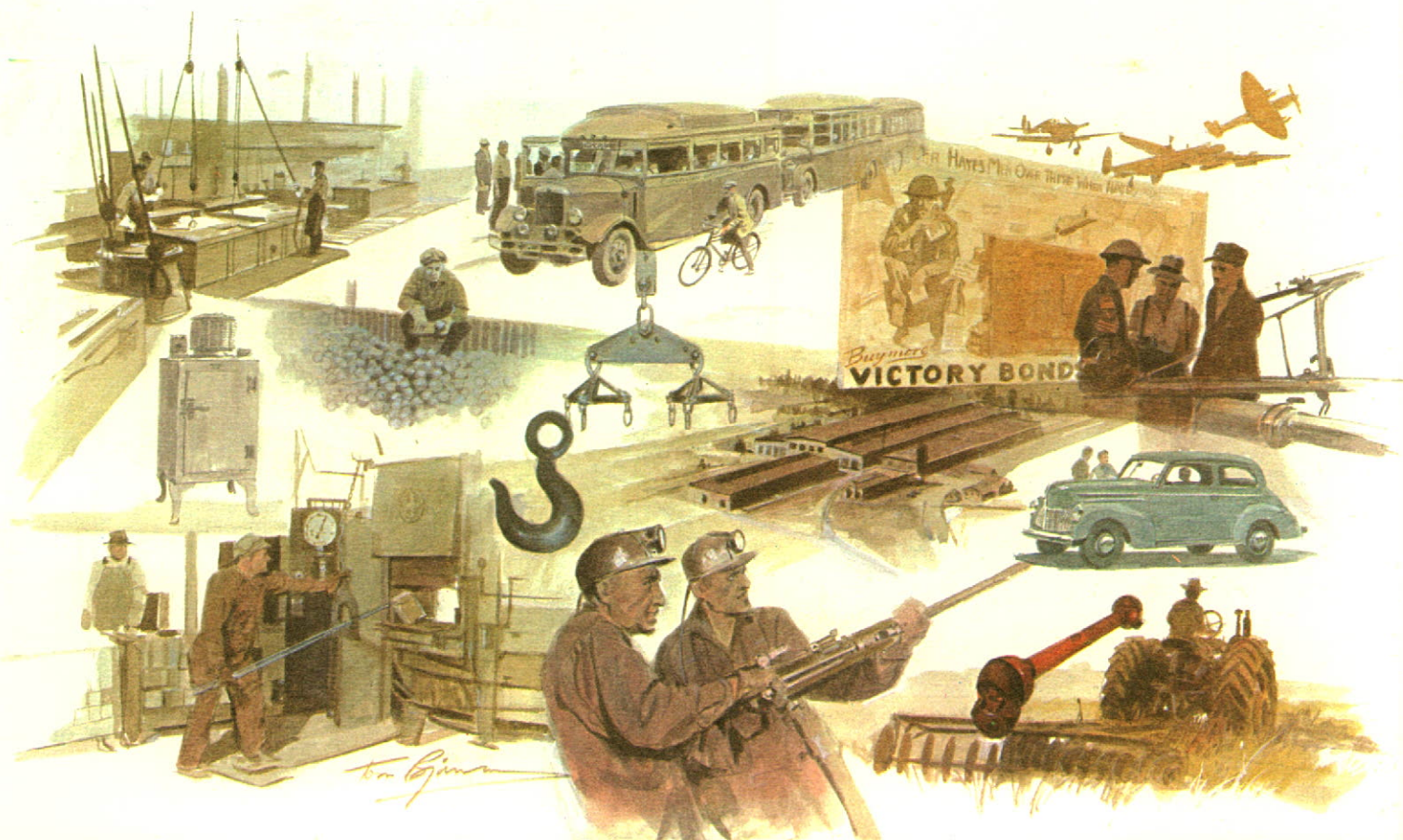
If the war brought new growth and expansion to Canadian manufacturers, it also signalled a new world of post-war opportunities. Hayes-Dana was quick to grasp these and, cumulatively, they opened the door to unprecedented growth in the company's progress.

Shifting patterns in the marketplace were visible. Unquestionably, there was a secure place as a manufacturer and distributor of original

equipment for the transportation industry. But what about the after-market for parts and service? Again, the company looked ahead—anticipating future trends. That they paid off handsomely is a matter of record.

While Hayes-Dana's base was the parts-manufacturing segment of the Canadian transportation industry, fast-moving economic and marketing conditions encouraged the company to diversify.

The first step in this direction was taken in 1949 when a partnership was entered into with Borg-Warner. This took the form of the B-W-H Service Parts organization which distributed brand-name, original equipment auto parts across Canada. Over the years, warehouses were established in Vancouver, Edmonton, Winnipeg, Toronto and Montreal. It was a successful venture





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## The Growth Years

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on many counts. New outlets were assured not only for Spicer universal joints (made by Hayes-Dana and the Dana Corporation), but for many other Borg-Warner and Dana-manufactured products as well.

1957 saw the company broadening its manufacturing activities into agricultural drive shafts and, later, gear-boxes. Importantly, this was the company's first venture into industrial sales, an area to be expanded in later years.

There was some sluggishness in the distribution market in the 1950's—although our growth was steady. Looking for greater opportunities, Hayes-Dana bought Replacement Unit of Canada in 1961. This company's Renu label stood for a high-quality, rebuilt clutch that was respected throughout the industry.

Next year saw Brake Drum and Shoe of Winnipeg joining the Hayes-Dana family. This was an important acquisition because it was our first involvement with driveline repairs operating from regional warehouses. Today, we operate seven of these facilities and sell to 75 independent driveline specialists in Canada. All outlets, of course, use our manufactured universal joints and drive shafts.

The distribution activities were slipping into high gear with two more acquisitions being completed in 1964. One was H. E. Kerr Industries Ltd., of Oshawa; the other, Canadian Traction Ltd., Oakville. Both are now the senior members of the Double Diamond Truck Centres Division. Significantly, they are close to Canada's two largest automobile and truck manufacturers and specialize in pre-delivery service and installation of custom equipment for truck dealers coast-to-coast.

Of course, the manufacturing area continued to expand. Nasco

Products Ltd., of Stoney Creek, Ontario was bought in 1966 with the objective of broadening the company's range of products. Today, Nasco is one of Canada's leading remanufacturers of electrical components, clutches and water pumps. (Subsequently, the Renu and Nasco operations were combined in the Stoney Creek facility.)

Of significance to all Canadians in marking our centennial, 1967 had other reasons of importance for the company. It saw the acquisition of Victor Manufacturing and Gasket Company of St. Thomas and the creation of Hayes-Dana Service Parts Ltd. Over the years, Victor has continued to expand, now being heavily involved with the new automotive engine plants in Windsor and St. Catharines.

Hayes-Dana Service Parts evolved from the B-W-H Service Parts operation and allowed Hayes-Dana to concentrate on the marketing of its own proprietary products to the truck aftermarket.

1967 also saw the building of a second plant in Thorold. Originally, this 380,000 sq. ft. plant was designed to manufacture auto frames; later, it was altered to produce frames for light trucks. Today, the plant also produces van extensions and cross-member brackets for other light trucks.

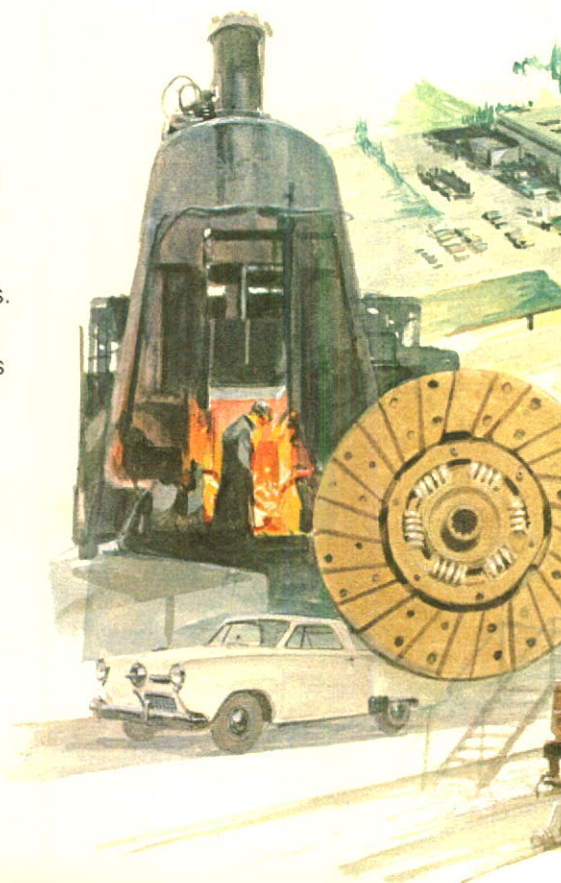
Retrospectively, it appears that the manufacturing and distribution groups have been engaged in matched progress. Each balancing the other. Both working for the continuing benefit and progress of the company.

The years 1975 and 1976 were especially important for the company's distribution activities. In 1975, a new central warehouse was opened in Beamsville, Ontario. Encompassing 60,000 sq. ft., the facility allowed the company to maintain an inventory large enough to properly service Canada's auto-

motive aftermarket. Since then, the building has become headquarters for the company's distribution activities.

These same two years saw the formation of our company's Double Diamond Truck Centres Division. It started with Byers Truck and Trailer Equipment with four branches in southern Ontario. In 1976, this operation was expanded to include Western Wheel and Parts Ltd., a company with six locations in British Columbia and Alberta. Substantial growth of this division has been recorded in the last five years with the group now having 22 locations from Belleville, Ontario westward.

The Double Diamond Centres reflect the needs of the particular markets they serve. For example, the Duncan, B.C. branch is almost solely involved with the sale of parts for off-highway vehicles and equipment.





## 5. Long-term debt:

	December 31	
	1981	1980
(a) 12½% Debenture Series A maturing April 15, 2000 and redeemable after April 15, 1985. Mandatory sinking fund payments of \$675,000 per annum commence in 1985 with the Corporation having the right, cumulative for one year, to make optional additional payments of up to \$270,000 per annum.	\$13,500,000	\$13,500,000
(b) Note payable to The Weatherhead Company of Canada, Ltd., maturing February 18, 1983. Interest is payable at the prime rate of the Corporation's principal banker.	7,949,000	7,949,000
(c) Note payable to the Ontario Development Corporation. The loan is interest free until October 15, 1983. Thereafter, interest will be payable at the rate of 11¾% per annum and monthly payments of principal and interest of \$21,979 will be made until the loan matures on October 15, 1988.	1,000,000	1,000,000
(d) Obligation under capital leases.	217,000	259,000
	<u>\$22,666,000</u>	<u>\$22,708,000</u>

## 6. Stated capital:

The Corporation has an unlimited number of authorized common and preference shares and there is no limit to the consideration to be received by it upon issue of such shares. The Corporation has an optional stock dividend policy whereby the shareholders have the right to receive dividends in stock rather than cash. During the year the Corporation introduced an Employees' Service Recognition Plan whereby long-term employees receive five shares on each quinquennial anniversary with the Corporation. The Corporation has reserved 59,286 shares for issuance under these two plans.

	December 31	
	1981	1980
Total number of common shares issued and outstanding	6,142,285	6,093,681
During the year, the Corporation issued common shares and received proceeds pursuant to:		
Optional stock dividend policy	18,944	8,766
Exercise of employees' stock options	19,075	2,585
Service recognition stock plan	10,585	—
Total number of common shares issued	<u>48,604</u>	<u>11,351</u>
Total proceeds received	<u>\$339,000</u>	<u>\$89,000</u>

## 7. Stock options:

The Employees' Stock Option Plans provide for options to be granted to key employees to purchase up to 278,725 shares of the Corporation's common shares at prices equal to the market value of the shares on the date granted. During the year ended December 31, 1981, 19,075 options were exercised for cash of \$105,434 and options on 54,000 shares were granted.

At December 31, 1981, the following options to purchase were outstanding:

	Option price per share	Number of shares at December 31	
Expiry date		1981	1980
December 16, 1981	\$ 5.625	—	24,860
September 13, 1982	5.125	27,100	31,025
September 27, 1983	10.000	39,175	41,175
September 24, 1984	10.000	39,500	41,900
September 24, 1985	9.500	47,950	50,200
October 14, 1986	7.625	54,000	—
		<u>207,725</u>	<u>189,160</u>

Of these, 44,900 share options are held by seven officers, of whom two are directors.



## 8. Investment in and amalgamation of subsidiary corporation:

Effective September 1, 1981, the Corporation increased its interest in Muncie Canada Limited from 50% to 100% by acquiring the remaining 2,500 common shares for a cash outlay of \$400,000.

The acquisition was accounted for by the purchase method and is summarized as follows:

Net assets acquired:	
Working capital	\$249,000
Fixed assets	6,000
	255,000
Goodwill	145,000
Consideration—Cash	\$400,000

The results of operations of Muncie Canada Limited have been included in the statement of income and retained earnings from September 1, 1981. Previously, the Corporation had included on an equity basis its 50% share of the undistributed net income of Muncie Canada Limited.

Effective December 31, 1981, Hayes-Dana Inc. and its wholly-owned subsidiary, Muncie Canada Limited, amalgamated and are continuing operations under the name of Hayes-Dana Inc.

## 9. Related party transactions:

Under long standing arrangements, the Corporation obtained, at rates and terms which the Corporation believes are fair and equitable, advice, products and services from Dana Corporation, its parent company. For the year ended December 31, 1981, both the Corporation's sales to and purchases from Dana Corporation represented 13% and 14% respectively of the Corporation's total sales and cost of sales for the year.

## 10. Sales to major vehicle manufacturers:

The only non-related customer which accounted for more than 10% of the Corporation's total sales for the year ended December 31, 1981 was Ford Motor Company at

27% (December 31, 1980—28% (unaudited)). Sales to General Motors, International Harvester and Chrysler Corporation represented 9%, 5% and 3% respectively.

## 11. Pension plans:

Pension plan expenses for the year ended December 31, 1981 amounted to \$4,937,000 (December 31, 1980—\$4,245,000 (unaudited)).

The unfunded past service liability is estimated by independent actuaries to be approximately \$24,000,000 (December 31, 1980—\$25,831,000) of which \$19,700,000 represents employee vested benefits (December 31, 1980—\$22,084,000). This cost will be amortized and funded over not more than fifteen years.

## 12. Commitments:

At December 31, 1981, the Corporation was committed under non-cancellable leases for the following future minimum lease payments:

1982	\$1,263,000
1983	1,004,000
1984	678,000
1985	427,000
1986	289,000
Thereafter	662,000
Total future minimum lease payments	\$4,323,000

Outstanding commitments relating to the purchase of fixed assets amount to approximately \$3,902,000 at December 31, 1981.

## 13. Segmented information:

The Corporation operates principally in two business segments; Vehicular and Industrial. The Vehicular segment consists primarily of the manufacture and marketing of axle housings, truck frames, drive shafts, universal joints, clutches and engine parts. The Industrial segment comprises the manufacture and marketing of various products, including many for off-highway motor vehicles.



Segmented Information	For the year ended December 31		For the four months ended December 31
	1981	1980	1980
		(unaudited)	
Sales:			
Vehicular	<b>\$188,669,000</b>	\$174,570,000	\$ 64,568,000
Industrial	<b>34,574,000</b>	25,485,000	7,213,000
	<b>\$223,243,000</b>	\$200,055,000	\$ 71,781,000
Segment operating profit:			
Vehicular	<b>\$ 13,833,000</b>	\$ 10,704,000	\$ 2,042,000
Industrial	<b>3,447,000</b>	3,254,000	703,000
	<b>17,280,000</b>	13,958,000	2,745,000
General corporate expense	<b>(2,083,000)</b>	(2,315,000)	(759,000)
Interest expense	<b>(7,064,000)</b>	(6,509,000)	(1,865,000)
Income taxes	<b>(2,695,000)</b>	(1,480,000)	(25,000)
Net income	<b>\$ 5,438,000</b>	\$ 3,654,000	\$ 96,000
Identifiable assets:			
Vehicular	<b>\$100,447,000</b>	\$122,136,000	\$122,136,000
Industrial	<b>21,060,000</b>	15,810,000	15,810,000
Corporate	<b>2,458,000</b>	3,425,000	3,425,000
	<b>\$123,965,000</b>	\$141,371,000	\$141,371,000
Additions to fixed assets (net):			
Vehicular (Note 3)	<b>\$ (6,979,000)</b>	\$ 3,578,000	\$ 1,161,000
Industrial	<b>557,000</b>	491,000	243,000
Corporate	<b>782,000</b>	(43,000)	(81,000)
	<b>\$ (5,640,000)</b>	\$ 4,026,000	\$ 1,323,000
Businesses acquired less current assets and goodwill at acquisition (Note 8):			
Vehicular	<b>\$ 6,000</b>	\$ —	\$ —
Industrial	<b>—</b>	471,000	—
	<b>\$ 6,000</b>	\$ 471,000	\$ —
Depreciation:			
Vehicular	<b>\$ 7,017,000</b>	\$ 7,051,000	\$ 2,520,000
Industrial	<b>835,000</b>	561,000	195,000
Corporate	<b>227,000</b>	230,000	69,000
	<b>\$ 8,079,000</b>	\$ 7,842,000	\$ 2,784,000
Export sales	<b>\$ 99,730,000</b>	\$ 81,085,000	\$ 31,661,000

## Auditors' Report

To the Shareholders of Hayes-Dana Inc.:

We have examined the balance sheet of Hayes-Dana Inc. as at December 31, 1981 and the statements of income and 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, 1981 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 period.

Hamilton, Ontario  
January 27, 1982

PRICE WATERHOUSE & CO.  
Chartered Accountants



**Condensed Financial Summary**

For the years ended	<b>Dec. 1981</b>	Dec. 1980	Aug. 1980	Aug. 1979
<b>Operating Data</b>				
Sales	<b>\$223,243,000</b>	\$200,055,000	\$202,197,000	\$212,206,000
Cost of sales	<b>192,872,000</b>	175,604,000	176,133,000	186,261,000
Interest expense	<b>7,064,000</b>	6,509,000	6,922,000	2,666,000
Income before income taxes	<b>8,133,000</b>	5,134,000	6,823,000	13,743,000
Income taxes	<b>2,695,000</b>	1,480,000	2,107,000	5,018,000
Net income	<b>5,438,000</b>	3,654,000	4,716,000	8,725,000
Net income for the year retained for growth	<b>3,234</b>	733,000	1,797,000	6,065,000
Net income per share of common stock	<b>\$.89</b>	\$.60	\$.78	\$1.44
Cash dividends per share of common stock	<b>\$.48</b>	\$.48	\$.48	\$ .44
<b>Year End Financial Position</b>				
Working capital	<b>44,437,000</b>	24,841,000	25,837,000	9,989,000
Property, plant and equipment at cost	<b>96,504,000</b>	103,152,000	102,133,000	92,160,000
Property, plant and equipment, less accumulated depreciation	<b>49,315,000</b>	63,028,000	64,489,000	59,027,000
Total assets	<b>123,965,000</b>	141,371,000	144,819,000	142,762,000
Long-term debt	<b>22,666,000</b>	22,708,000	24,220,000	1,000,000
Shareholders' equity	<b>56,329,000</b>	52,756,000	54,032,000	52,050,000
Ratio of current assets to current liabilities	<b>2.6:1</b>	1.5:1	1.5:1	1.1:1
Shareholders' equity per share	<b>\$9.17</b>	\$8.66	\$8.88	\$8.59

\* After extraordinary charge



Aug. 1978	Aug. 1977	Aug. 1976	Aug. 1975	Aug. 1974	Aug. 1973	Aug. 1972
\$150,081,000	\$145,164,000	\$128,944,000	\$90,187,000	\$90,051,000	\$97,735,000	\$64,596,000
130,014,000	127,328,000	112,724,000	79,785,000	81,124,000	85,805,000	55,467,000
876,000	857,000	874,000	1,219,000	1,194,000	1,040,000	553,000
11,291,000	10,819,000	9,961,000	5,273,000	4,312,000	7,939,000	5,722,000
4,355,000	4,270,000	4,170,000	2,228,000	1,904,000	3,290,000	2,370,000
6,936,000	6,549,000	5,791,000*	3,045,000	2,408,000	4,649,000	3,352,000
5,004,000	4,597,000	4,345,000	1,609,000	805,000	3,281,000	2,120,000
\$1.15	\$1.08	\$ .96*	\$ .51	\$ .40	\$ .78	\$ .56
\$ .32	\$ .26	\$ .24	\$ .24	\$ .24	\$ .23	\$ .20
18,429,000	24,137,000	19,681,000	9,568,000	8,423,000	8,158,000	7,575,000
66,168,000	62,570,000	59,106,000	55,259,000	52,580,000	48,943,000	42,738,000
36,602,000	28,190,000	27,754,000	31,221,000	31,198,000	30,812,000	27,260,000
94,419,000	66,453,000	65,445,000	61,326,000	65,148,000	61,792,000	55,856,000
—	4,898,000	4,898,000	1,500,000	4,000,000	6,000,000	4,000,000
45,848,000	40,833,000	35,876,000	31,271,000	29,662,000	28,704,000	25,417,000
1.5:1	2.9:1	2.2:1	1.5:1	1.4:1	1.4:1	1.4:1
\$7.59	\$6.76	\$5.94	\$5.22	\$4.96	\$4.80	\$4.25



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## Directors

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A. Graham Coulter  
Toronto, Ontario  
Executive Advisor and Director  
Seeburn Metal Products Limited

George D. Doresco  
Toledo, Ohio  
Chairman of the Board  
Hayes-Dana Inc.

Mervyn L. Lahn  
London, Ontario  
President  
The Canada Trust Company

Gerald B. Mitchell  
Toledo, Ohio  
Chairman  
Dana Corporation

S. J. "Woody" Morcott  
Toledo, Ohio  
President  
Hayes-Dana Inc.

Benjamin P. Newman  
St. Catharines, Ontario  
President  
Newman Steel Limited

Vernon E. Oechsle  
St. Catharines, Ontario  
Executive Vice President and  
General Manager  
Hayes-Dana Inc.

Samuel T. Paton  
Toronto, Ontario  
Corporate Director

John D. Stevenson, Q.C.  
Toronto, Ontario  
Partner—Smith, Lyons, Torrance,  
Stevenson & Mayer

John J. Wettlaufer  
London, Ontario  
Professor—Business Administration  
University of Western Ontario

Donald G. Willmot  
Toronto, Ontario  
Chairman of the Board  
The Molson Companies Limited

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## Senior Management

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Walt Baum (28 Years Service)  
General Manager—  
Forge Division

Bill Braun (31 Years)  
Vice President Marketing and Distribution

Bill Brice (14 Years)  
General Manager—  
Industrial Power Division

Hugh Cosgrove (32 Years)  
Division Manager—  
Chassis Products Division

George Hough (28 Years)  
Vice President Controller

Leo Manni (11 Years)  
Division Manager—  
Industrial Products Division

Don MacKay (14 Years)  
Director of Operations

Jim McGill (40 Years)  
Manager Facilities and Safety

Bud McLaughlin (16 Years)  
Director Personnel

Don Milroy (9 Years)  
Division Manager—  
Weatherhead Division

Woody Morcott (18 Years)  
President

Mabel Moss (41 Years)  
Secretary

Bob Mossberger (32 Years)  
Division Manager—  
Drive Train Division

Bob Neelin (30 Years)  
Vice President Planning  
and Treasurer

Vern Oechsle (17 Years)  
Executive Vice President and General  
Manager

Mike Ostrowski (13 Years)  
Division Manager—  
Axle Division

Glenn Paton (3 Years)  
Assistant Treasurer

Jack Phillipson (10 Years)  
Division Manager—  
Mobile Power Division

Tom Saxton (22 Years)  
Division Manager—  
Double Diamond Truck Centres Division

Daynard Welsh (26 Years)  
Division Manager—  
Automotive Products Division

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## Divisional Addresses

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Automotive Products Division  
(416) 563-4991  
P.O. Box 6000,  
Beamsville, Ontario. L0R 1B0

Axle Division  
(705) 737-2300  
P.O. Box 7500,  
Barrie, Ontario. L4M 5M4

Chassis Products Division  
(416) 227-3751  
P.O. Box 1048,  
Thorold, Ontario. L2V 4P3

Double Diamond Truck Centres  
Division  
(416) 688-4565  
P.O. Box 3035,  
St. Catharines, Ontario. L2R 7E3

Drive Train Division  
(416) 227-3751  
P.O. Box 1045,  
Thorold, Ontario. L2V 3Z6

Forge Division  
(416) 227-3751  
P.O. Box 3030,  
St. Catharines, Ontario. L2R 7L1

Industrial Power Division  
(416) 563-4991  
P.O. Box 6000,  
Beamsville, Ontario. L0R 1B0

Industrial Products Division  
(416) 563-4991  
P.O. Box 6000,  
Beamsville, Ontario. L0R 1B0

Mobile Power Division  
(416) 563-4991  
P.O. Box 6000,  
Beamsville, Ontario. L0R 1B0

Weatherhead Division  
(519) 631-8600  
109 Inkerman Street,  
St. Thomas, Ontario. N5P 3G8







