

Hayes-Dana Inc.



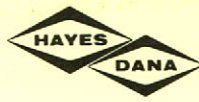
1982

800-441-1822

www.hayes-dana.com





**Financial Results in Brief**

	1982	1981
We received from our customers	<b>\$217,175,000</b>	\$223,243,000
And our net income after tax was	<b>1,932,000</b>	5,438,000
Or on a per share basis	<b>\$.30</b>	\$.89
Our number of shareholders was	<b>3,800</b>	4,200
And we had employment of	<b>1,940</b>	2,250

**The Company**

Founded over sixty years ago, Hayes-Dana Inc. is a diversified Canadian organization. The corporation manufactures and/or distributes a broad range of products and services to the five markets described below. With approximately 1,900 employees working in eight factories and over 50 other outlets across Canada, Hayes-Dana is a key element in the country's industrial mosaic.

**The Markets**

**Highway Vehicle:** The original equipment manufacturers of highway vehicles comprise Hayes-Dana's largest market.



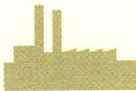
**Truck and Trailer Parts:** The Canadian market for replacement parts and services for trucks and trailers is estimated to exceed \$1.0 billion annually.



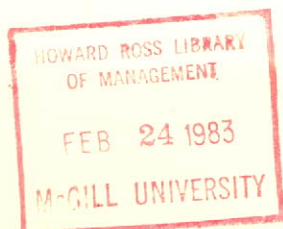
**Automotive Distribution:** Automotive jobbers, wholesale distributors and mass merchandisers make up the corporation's third major marketing thrust.



**Mobile Off-Highway:** The manufacturers of off-highway vehicles, such as loaders and graders, form another key market for Hayes-Dana.



**Industrial Equipment:** This market consists of the manufacturers of processing equipment and the like who serve all of the primary industries of Canada.



## To Our Shareholders

Obviously 1982 was a very difficult year for Hayes-Dana, as it was for all Canadian companies. Nevertheless, the Company remained profitable and we have significantly improved our position for the future in all our markets.

Difficult economic conditions such as these are also hard on our people. Many are working harder today than ever before, without the prospect of wage increases for the time being.

Additionally, many of our people have lost their jobs since the start of this recession. Our total employment has gone from a high of 3,080 in 1979 to the current level of 1,890.

As a shareholder, you have been unaffected during this past year. Dividends have been maintained and the market value of your stock has increased 49% to close the year at \$11.00. We are pleased that the investment community shares our optimism about the future of Hayes-Dana.

### 1982 Results

Sales for 1982 were \$217,175,000 compared with \$223,243,000 reported for 1981. Profits were \$1,932,000—down from 1981's level of \$5,438,000. On an earnings per share basis, this translates to 30¢ compared to 89¢ for the previous year.

Three of the corporation's major markets—Highway Vehicle, Truck and Trailer Parts and Automotive Distribution—are key components of the automotive industry. As the media well documented throughout the year, the problems that have been affecting this area since the middle of 1979 continued unabated. The combination of a declining market and strong foreign imports severely affected the results of all automotive businesses.

Of course, 1982 saw the North American economy in its most difficult time since the 1930's. The combination of high interest rates and a decline in the volume of goods shipped strongly curtailed our sales to the Highway Vehicle Market—particularly in the area of medium and heavy duty truck parts.

Under normal conditions, replacement parts sales to the Truck and Trailer Parts Market would offset sales declines to the original equipment manufacturers. However, the same decline in the volume of goods shipped and a severe curtailment of economic activity in western Canada resulted in fewer replacement parts being required. A similar decrease in automobile miles driven, combined with tighter inventory levels initiated by retailers, resulted in a decline in Automotive Distribution sales as well.

During the past two years, Hayes-Dana has been making a concerted

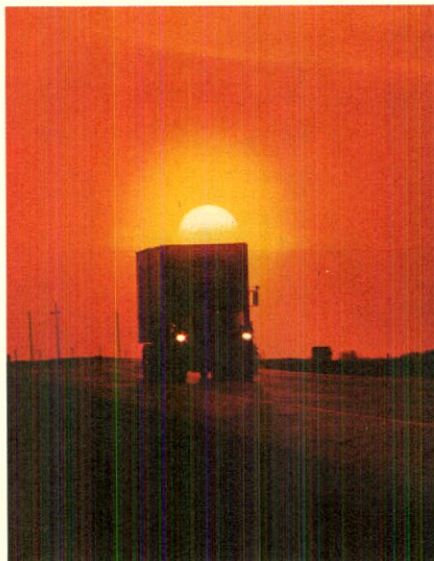
effort to increase its involvement with two industrial markets—Mobile Off-Highway and Industrial Equipment. Both these markets are greatly dependent upon capital spending programmes for their well being. Again a combination of events—high interest rates, the general economic depression and the delay in the energy megaprojects—resulted in our sales to these areas being restricted.

As was indicated, profits during 1982 dropped to a lower level. One of the major causes of this, of course, was that our manufacturing plants had to operate well below their rated capacity, particularly so during the last half of the year. While mainly related to weak market demand in general, unused capacity was also caused by the strike at Chrysler Canada which idled our van extension lines through much of the fourth quarter.

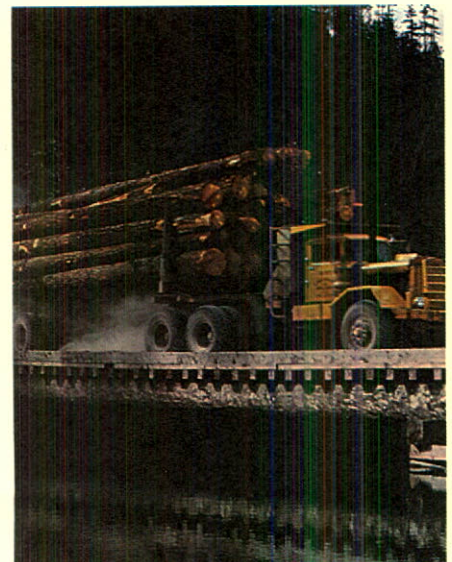
High interest rates restrict sales and add to operating costs at the same time. While the corporation carefully monitored both its inventory and capital spending levels in order to restrict carrying costs, interest expenses continued to have an adverse impact on overall profitability.

The cost of introducing new marketing programmes is significant at any time. During the year, the corpo-

Highway Vehicle Market



Truck and Trailer Parts Market



ration aggressively established new sales and distribution programmes to properly serve the hydraulic segment of the Mobile Off-Highway Market and the overall Industrial Equipment Market. These programmes represent an investment in the future and Hayes-Dana has now established a strong presence in both of these key areas.

### 1983 Prospects

1983 is starting off much as last year finished, with weak demand in all the corporation's markets. The consensus of economists is that business recovery in Canada is not going to be sudden, nor particularly significant when it does come. The feeling is that 1983 will be a year of gradual improvement, with continuing difficulties being felt throughout the country. With respect to Hayes-Dana's markets, this scenario seems particularly appropriate.

Regardless however, of overall market conditions, Hayes-Dana will make 1983 a year of definite progress. Because of changes in the North American auto industry over the last three years, new markets have been identified which can be served with our existing manufacturing facilities. We are aggressively pursuing additional opportunities in Europe as well.

Our Barrie, Ontario operations have become well known over the past

two years. In December we moved into our new Barrie plant which had been specifically designed for our axle housing programme. At the same time, Dana Corporation completed the purchase of International Harvester's axle facilities in the United States. As part of this transaction, Dana will become the major supplier of IHC's truck axle requirements. The direct result for Hayes-Dana will be to greatly increase the demand for our housings. As the Dana-Harvester programme is phased in over the next several months, the impact of this arrangement, both on our sales and income, will be very positive indeed.

The acquisition of Mascot Truck Parts in the latter part of 1982 will begin to have a major impact on the corporation's Truck and Trailer Parts activities this year. Providing the corporation with key additional products—rebuilt transmissions and differentials—as well as a capable management team, Mascot will play an important role in the corporation's efforts to strengthen our position in this major Canadian market.

A strengthening economy should be good for the Automotive Distribution market. During 1982, significant new accounts were opened which will help to improve results this year. Also the corporation opened new warehouse facilities in Edmonton

and Vancouver for automotive products. The early indications from these efforts are extremely positive.

We are confident that the Canadian industrial markets will improve over the next several months. Having now established strong representation in both the Mobile Off-Highway and Industrial Equipment Markets, Hayes-Dana looks forward to greatly improved sales this year. Sales of this type of equipment require long lead times in order to develop awareness of and confidence in the products. An example of this would be the many months taken to secure an order for Lo-Rez couplings for a number of ships that are to be built for the U.S. Navy. However once the initial acceptance is achieved, sales often increase sharply. We feel that 1982 was a year of laying such a foundation, with several key orders being taken.

All of these positive developments, taken together, form the basis for our optimism for 1983 and the years beyond.

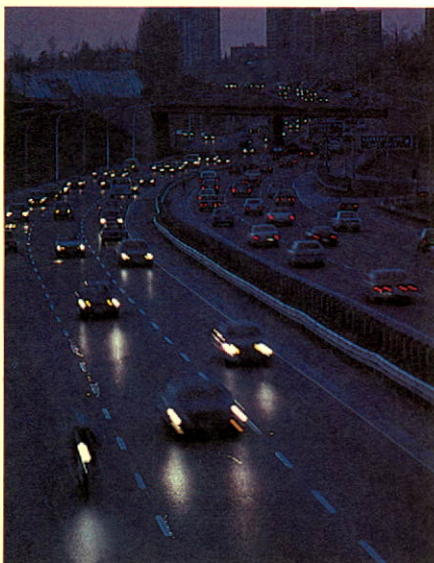


G. D. DORESCO, Chairman



V. E. OECHSLE, President

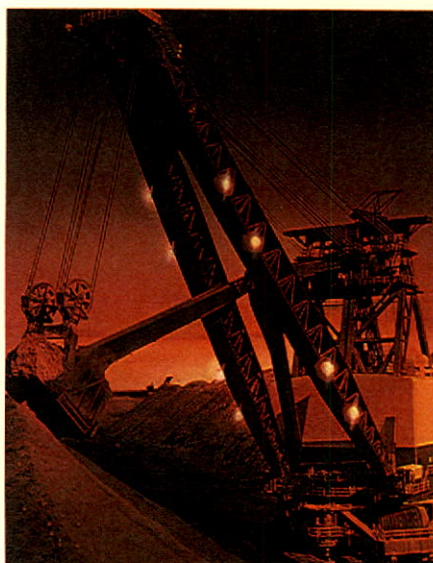
Automotive Distribution Market

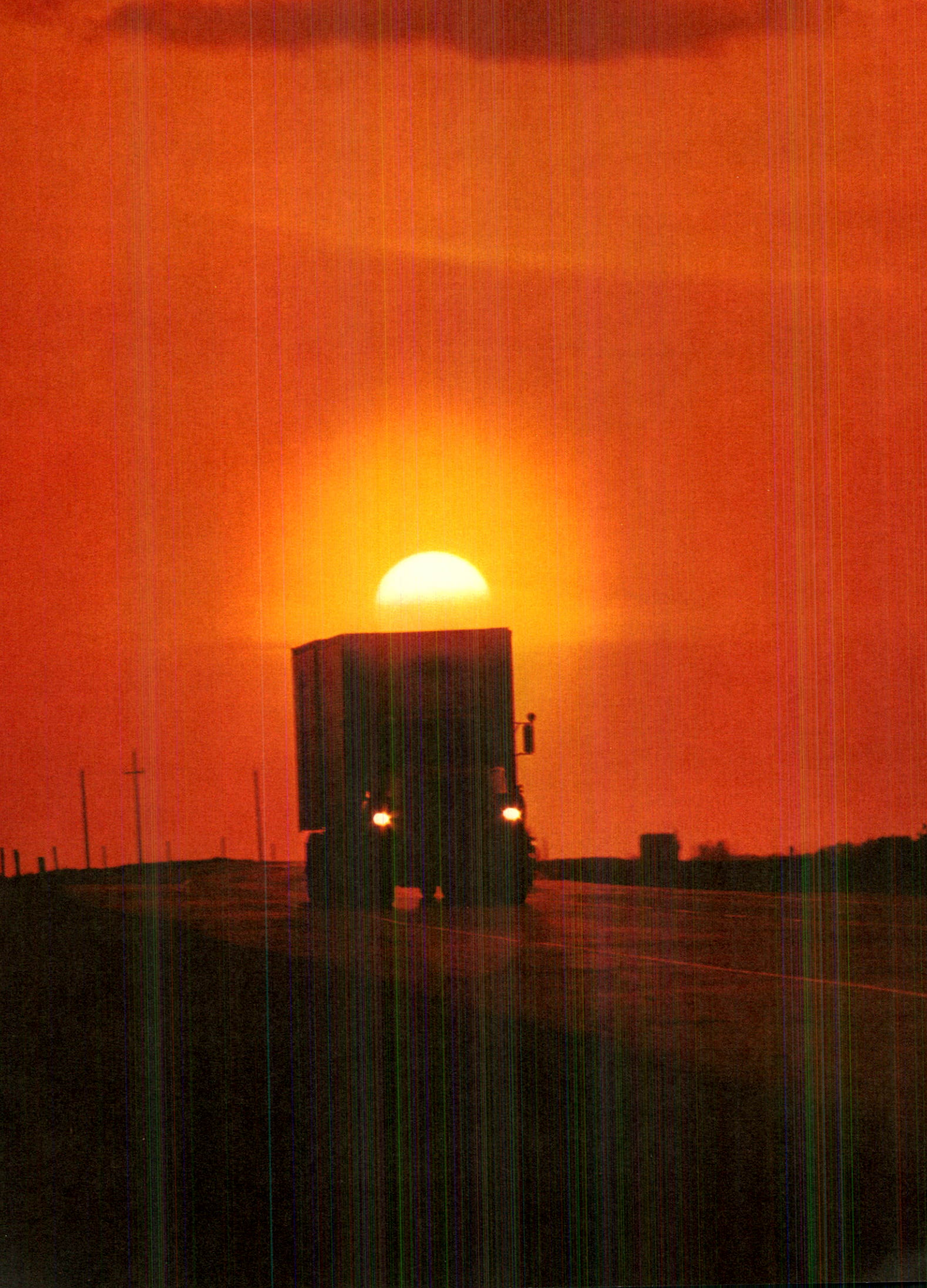


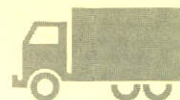
Mobile Off-Highway Market



Industrial Equipment Market







## Highway Vehicle Market

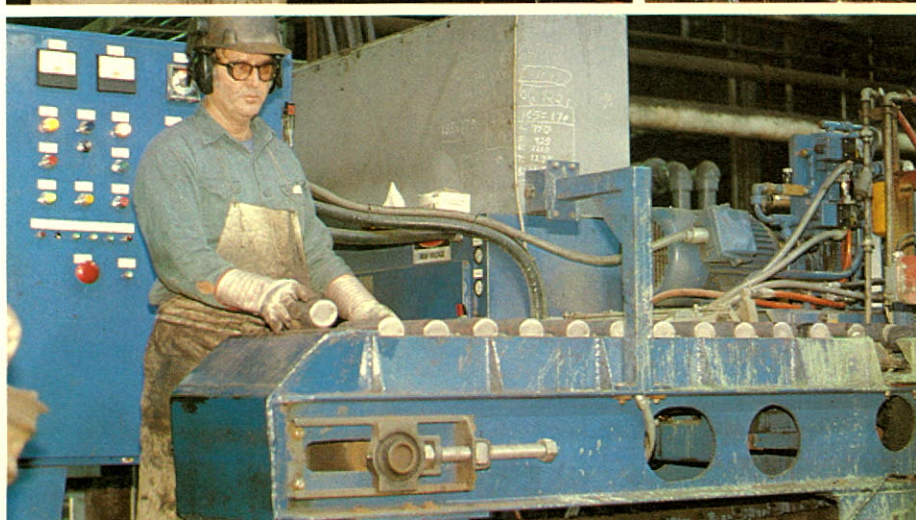
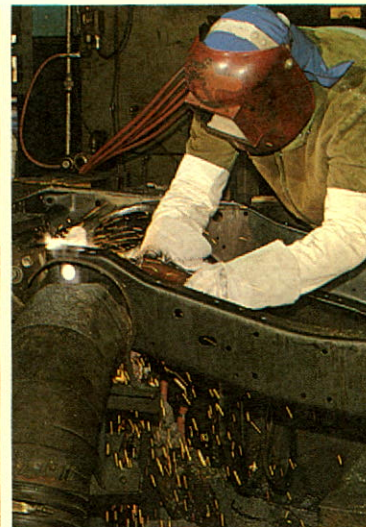
Supplying quality products to original equipment vehicle manufacturers has always been a major part of Hayes-Dana's business. In total, sales to this market represent over half of our current activities.

Plants located in St. Catharines and Thorold produce high quality forgings, drive shafts, universal joints and frames, mainly for use in various kinds of trucks. Precision fittings and gaskets are made in our St. Thomas plants for sale to all major North American OEM's.

1983 will see activity at the corporation's new Barrie plant increase greatly. As a result of a recent purchase by Dana Corporation, Hayes-Dana's Barrie plant will provide axle housings for the majority of International Harvester trucks. Along with the units made for GMC and Mack, this increased housing business means that the major development work that the corporation has done on this product over the past five years will begin to pay off.

The Highway Vehicle Market gave Hayes-Dana its reason for being and its impetus for growth. It will remain a key component in the future as well.

*(Top left) Derek Coomber, 11 years service, forging a part; (top right) welding a light truck frame; (middle right) Oswald Vouk, 16 years, machining a stub shaft; (bottom) Jim Bowlby, 17 years, loading an induction heat furnace.*







## Truck and Trailer Parts Market

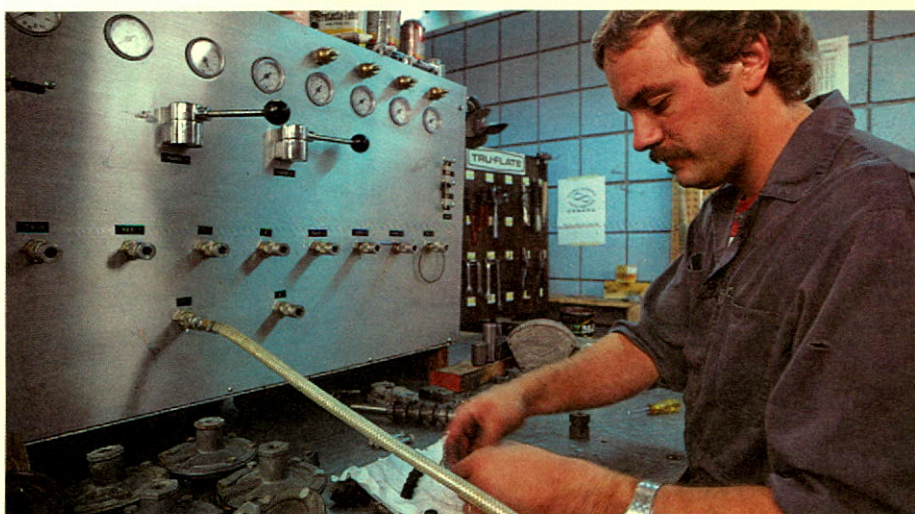
The movement of materials by truck and trailer is the life blood of the North American economy. Keeping these units on the road is, of course, a major challenge and Hayes-Dana helps to meet the market's demands in a variety of ways.

The Truck and Trailer Parts Market consists of independent truck operators, fleet owners and truck parts distributors throughout Canada. Via a network of company owned stores and warehouses, Hayes-Dana provides the market with an extremely wide range of products.

As a result of the recent acquisition of Mascot Truck Parts, the corporation now offers a complete rebuilt drivetrain package—from transmissions, clutches, drive shafts and universal joints right back to rear axle differentials. Similarly, the package of Truck Train products enables the corporation to meet the needs of both the trailer manufacturer and operator as well.

Combining the right products with knowledgeable people in convenient locations results in Hayes-Dana being in the strongest position to serve this major Canadian market.

*(Top) Dave Rodwell, 1 year of service, shortening a truck frame in Calgary; (middle left) Ed Henderson, 16 years, on the left talking with Peter Maurer, a Saskatoon customer; (middle right) Bill Bradley, 10 years, reviewing inventory in Duncan, B.C.; (bottom) Terry Taylor, 5 years, rebuilding a transmission selector in Duncan.*







## Automotive Distribution Market

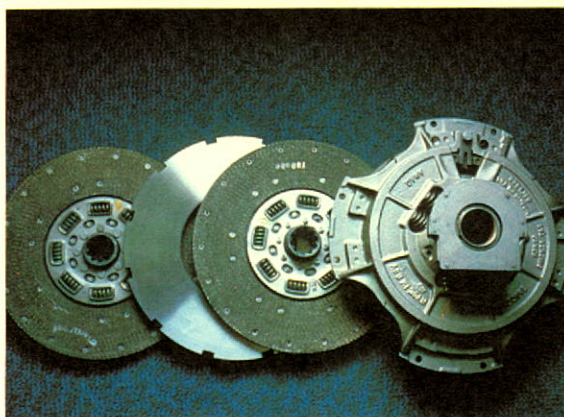
North Americans have long depended on the automobile for transportation. To supply service parts to warehouse distributors, automotive jobbers and mass merchandisers is the challenge offered by the Automotive Distribution Market.

And Hayes-Dana readily accepts this challenge. Weatherhead fittings, Victor gaskets, Speedostat speed controls, Spicer universal joints and Nasco remanufactured items are some of the brand name products that the corporation sells to this \$1 billion plus market. While certain of these products are made in the States, most come from Hayes-Dana's own manufacturing facilities in southern Ontario.

Technological developments in the automotive industry obviously impact on the aftermarket as well. The wide application of silicone based sealants for cars and trucks recently encouraged Hayes-Dana to become involved with such a manufacturer. As a result, the corporation will have a major stake in this rapidly expanding area.

Hayes-Dana looks forward to a long and rewarding relationship with the Automotive Distribution Market.

*(Top) Gary Bootsman, 19 years service, rebuilding a starter at Nasco; (middle left) a remanufactured angle spring clutch assembly; (middle right) a display of Hayes-Dana's automotive products; (bottom) Bill Hodgins, 6 years, filling an order in the Beamsville, Ont. warehouse.*







## Mobile Off-Highway Market

A resource based country such as Canada demands vehicles designed to work effectively in off-highway situations. Hayes-Dana has long been a supplier of key components to the manufacturers of just such equipment.

Mobile off-highway vehicles are used in agriculture, construction, forestry, material handling and mining. With most vehicles being built for particular applications, individualized component design is obviously essential.

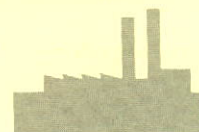
Starting from a marketing base of drivelines, transmissions, clutches and power take-offs, Hayes-Dana's involvement in this market has recently expanded to include hydraulic pumps and cylinders. In fact, in addition to representing some Dana lines in Canada, the corporation was recently appointed exclusive distributor of Lessard cylinders for all areas west of Quebec. Also during 1982, Hayes-Dana acquired the equipment of a U.S. manufacturer of agricultural drive-shafts, thereby gaining a dominant position in this market.

To properly serve the Mobile Off-Highway Market, the corporation has set up a team of specialists. Supported by a broad warehouse network, these experts offer product and knowledge availability second to none in Canada.



*(Top) John Neilands, 7 years service, on the left talking with Don Swanson, one of his Saskatoon customers; (middle) Richard Sanftleben, 4 years, reviewing inventory in the Calgary warehouse; (bottom) Hayes-Dana's Mobile Power warehouse in Calgary.*





## Industrial Equipment Market

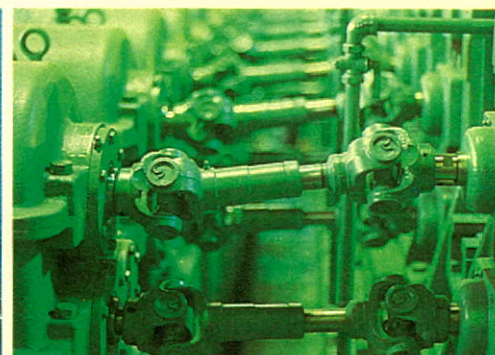
The market for industrial equipment is as broad and diversified as this country. It includes the makers of transportation products, processing equipment for mills and mines, power generation and distribution equipment and much more.

Hayes-Dana's involvement with this \$600 billion world-wide market is both as a manufacturer and a distributor. The corporation's Lo-Rez operation in Vancouver manufactures highly technical torsional couplings for marine and locomotive applications. In fact, Lo-Rez has just received a major order to provide such equipment to Transamerica Delaval for installation in vessels for the U.S. Navy.

From a distribution point of view, Hayes-Dana represents a broad range of products made by Dana and other companies. Major industries that are in need of sophisticated clutches, brakes and couplings are mining, pulp and paper and oilfield equipment. As market acceptance of these products grows, the potential for manufacturing in Canada will be carefully examined.

Canada's need for sophisticated industrial equipment will increase in the 1980's and Hayes-Dana's involvement will move in line.

*(Top) Perry Larochelle, 1 year of service, on the right talking with Vern Drake and Jim Hatcher about Hayes-Dana supplied parts for potash boring machine in Saskatchewan mine; (middle left) Lo-Rez couplings have many marine applications; (middle right) Spicer drive shafts in machinery applications; (bottom) Potash mine in Saskatchewan—mining operations require many Hayes-Dana products.*



## Corporate Objectives

The past few years have seen Hayes-Dana take significant steps to adjust the balance between the markets it serves. While remaining a producer of components for automotive original equipment manufacturers, the corporation has made major commitments to increase its involvement with other areas. As the organization grows in the years ahead, changes in the importance of the various markets will become evident.

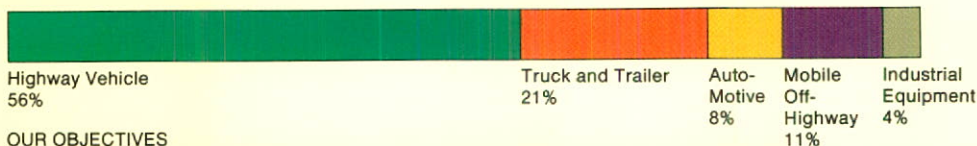
As the chart below for 1982 indicates, Hayes-Dana is predominantly a manufacturer and distributor of automotive parts—both to original equipment manufacturers and the aftermarket as well. However, major investments in people and programmes over the past two years have placed Hayes-Dana in a position to significantly increase its non-automotive activities. This type of effort, along with an on-going

acquisition programme, will allow the firm to expand its Mobile Off-Highway and Industrial Equipment areas, thereby moving towards the balance shown in the Objectives chart.

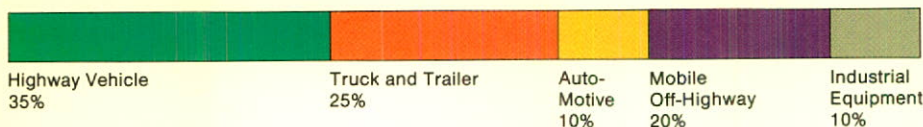
In 1980, Hayes-Dana announced a goal of being a \$500 million per year sales company by 1985. Obviously, the economic problems that have affected all aspects of Canadian business have forced the delay of this achievement. However, the corporation remains committed to an orderly growth programme. While the relative importance of the five markets will change, this will be achieved by a more rapid growth of one area over another rather than through any planned reduction efforts.

“To be the leading Canadian company turning power into progress” has been and will continue to be Hayes-Dana's guiding objective.

### 1982 RESULTS



### OUR OBJECTIVES



## Directors

---

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  
Group Vice President Distribution  
Dana Corporation

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

Vernon E. Oechsle  
St. Catharines, Ontario  
President  
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

## Senior Management

---

Walt Baum (29 Years Service)  
General Manager—  
Forge Division

Bill Brice (15 Years)  
General Manager—  
Industrial Power Division

Hugh Cosgrove (33 Years)  
Division Manager—  
Chassis Products Division

George Hough (29 Years)  
Vice President Controller

Leo Manni (12 Years)  
Division Manager—  
Industrial Products Division

Don MacKay (15 Years)  
Director of Operations

Jim McGill (41 Years)  
Manager Facilities and Safety

Bud McLaughlin (17 Years)  
Vice President Industrial Relations

Don Milroy (10 Years)  
Division Manager—  
Distribution Division

Mabel Moss (42 Years)  
Secretary

Bob Mossberger (33 Years)  
Division Manager—  
Drive Train Division

Bob Neelin (31 Years)  
Vice President Planning  
and Treasurer

Vern Oechsle (18 Years)  
President

Mike Ostrowski (14 Years)  
Division Manager—  
Mobile Power Division

Glenn Paton (4 Years)  
Assistant Treasurer

Jack Phillipson (11 Years)  
Division Manager—  
Truck Train Division

Pat Reid (34 Years)  
Assistant Secretary

Tom Saxton (23 Years)  
Division Manager—  
Automotive Marketing Division

Tom Wolf (11 Years)  
Director of Marketing and Distribution

## Divisional Organization

From an organizational point of view, Hayes-Dana operates nine independent divisions, each serving one or more of the Company's five markets. Additional marketing information can be obtained directly from the centres listed below.



**1**  
Highway  
Vehicle

**3** Automotive Marketing Division  
(416) 563-4991  
Tom Saxton—Division Manager  
P.O. Box 6000  
Beamsville, Ontario. L0R 1B0

**5** Industrial Power Division  
(416) 563-4991  
Bill Brice—General Manager  
P.O. Box 6000  
Beamsville, Ontario. L0R 1B0



**2**  
Truck and  
Trailer Parts

**1** Chassis Products Division  
(416) 227-3751  
Hugh Cosgrove—Division Manager  
P.O. Box 1048  
Thorold, Ontario. L2V 4P3

**4** Industrial Products Division  
**5** (416) 563-4991  
Leo Manni—Division Manager  
P.O. Box 6000  
Beamsville, Ontario. L0R 1B0



**3**  
Automotive  
Distribution

**2** Distribution Division  
**3** (519) 631-8600  
**4** Don Milroy—Division Manager  
**5** 109 Inkerman Street  
St. Thomas, Ontario. N5P 3G8

**2** Mobile Power Division  
**4** (416) 563-4991  
Mike Ostrowski—Division Manager  
P.O. Box 6000  
Beamsville, Ontario. L0R 1B0



**4**  
Mobile  
Off-Highway

**1** Drive Train Division  
(416) 227-3751  
Bob Mossberger—Division Manager  
P.O. Box 1045  
St. Catharines, Ontario. L2V 3Z6

**2** Truck Train Division  
**4** (416) 688-4565  
Jack Phillipson—Division Manager  
P.O. Box 3035  
St. Catharines, Ontario. L2R 7E3



**5**  
Industrial  
Equipment

**1** Forge Division  
(416) 227-3751  
Walt Baum—General Manager  
P.O. Box 3030  
St. Catharines, Ontario. L2R 7L1

### Company's Address

One St. Paul, P.O. Box 3029,  
St. Catharines, Ontario. L2R 7K9  
(416) 688-9511

### Common Shares

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

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

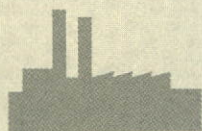
Listed: The Toronto Stock Exchange;  
Symbol—HAY.

### 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 Wednesday,  
March 9, 1983 at 11:00 A.M.





<b>Balance Sheet</b> December 31	<b>1982</b>	<b>1981</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash	\$ 721,000	\$ 293,000
Accounts receivable	23,981,000	23,074,000
Income taxes recoverable	2,130,000	—
Inventories (Note 2)	56,358,000	48,554,000
Prepaid expenses	296,000	262,000
	<b>83,486,000</b>	72,183,000
<b>Fixed assets:</b>		
Land and improvements	2,664,000	2,476,000
Buildings	20,680,000	16,106,000
Machinery and equipment	83,466,000	77,922,000
	<b>106,810,000</b>	96,504,000
Less: Accumulated depreciation	<b>55,097,000</b>	47,189,000
	<b>51,713,000</b>	49,315,000
<b>Other assets:</b>		
Unamortized deferred expenses (Note 3)	320,000	1,316,000
Goodwill	2,527,000	1,151,000
	<b>2,847,000</b>	2,467,000
	<b>\$138,046,000</b>	\$123,965,000

	1982	1981
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Bank advances and notes payable	<b>\$ 18,247,000</b>	\$ 5,313,000
Current portion of long-term debt	<b>211,000</b>	141,000
Accounts payable and accrued liabilities	<b>18,881,000</b>	16,356,000
Due to Dana Corporation and affiliate	<b>2,405,000</b>	5,510,000
Income taxes payable	<b>—</b>	426,000
	<b>39,744,000</b>	27,746,000
Long-term debt (Note 4)	<b>24,683,000</b>	22,666,000
Deferred income taxes	<b>15,414,000</b>	17,224,000
<b>Shareholders' equity (Notes 5 and 6):</b>		
Common shares	<b>13,278,000</b>	10,295,000
Retained earnings	<b>44,927,000</b>	46,034,000
	<b>58,205,000</b>	56,329,000
	<b>\$138,046,000</b>	\$123,965,000

Approved by the Board:

G. D. DORESCO  
Director

V. E. OECHSLE  
Director

<b>Statement of Income and Retained Earnings</b> For the year ended December 31		<b>1982</b>	<b>1981</b>
Sales		<b>\$217,175,000</b>	\$223,243,000
Other income		<b>655,000</b>	880,000
		<b>217,830,000</b>	224,123,000
Costs and expenses:			
Cost of sales		<b>191,202,000</b>	192,872,000
Selling, general and administrative expenses		<b>19,336,000</b>	16,054,000
Interest on long-term debt		<b>2,079,000</b>	3,358,000
Other interest		<b>3,166,000</b>	3,706,000
		<b>215,783,000</b>	215,990,000
Income before income taxes		<b>2,047,000</b>	8,133,000
Income taxes		<b>115,000</b>	2,695,000
Net income		<b>1,932,000</b>	5,438,000
Retained earnings at beginning of year		<b>46,034,000</b>	42,800,000
		<b>47,966,000</b>	48,238,000
Dividends		<b>3,039,000</b>	2,204,000
Retained earnings at end of year		<b>\$ 44,927,000</b>	\$ 46,034,000
Net income per share		<b>\$ .30</b>	\$ .89
Dividends per share—Declared		<b>.48</b>	.36
—Paid		<b>.48</b>	.48

<b>Statement of Changes in Financial Position</b> For the year ended December 31		<b>1982</b>	<b>1981</b>
Financial resources were provided by:			
Net income		<b>\$ 1,932,000</b>	\$ 5,438,000
Charges (credits) not requiring current funds—			
Amortization of goodwill and deferred expenses		<b>1,498,000</b>	1,769,000
Depreciation		<b>7,647,000</b>	8,079,000
Deferred income taxes		<b>(1,810,000)</b>	508,000
Working capital provided by operations		<b>9,267,000</b>	15,794,000
Sale of fixed assets		<b>—</b>	9,616,000
Increase in long-term debt		<b>2,017,000</b>	—
Common stock issued (Note 5)		<b>2,983,000</b>	339,000
		<b>14,267,000</b>	25,749,000
Financial resources were used for:			
Additions to fixed assets (net)		<b>9,466,000</b>	3,976,000
Business acquired less working capital, goodwill and long-term debt (Note 7)		<b>579,000</b>	6,000
Dividends		<b>3,039,000</b>	2,204,000
Decrease in long-term debt		<b>—</b>	42,000
Increase (decrease) in other assets, before amortization of goodwill and deferred expenses		<b>1,878,000</b>	(75,000)
		<b>14,962,000</b>	6,153,000
Increase (decrease) in working capital		<b>(695,000)</b>	19,596,000
Working capital at beginning of year		<b>44,437,000</b>	24,841,000
Working capital at end of year		<b>\$43,742,000</b>	\$44,437,000

## Notes to Financial Statements December 31, 1982

### 1. Summary of accounting policies:

The significant accounting practices and policies employed in the preparation of the financial statements of Hayes-Dana Inc. are summarized below:

#### Inventories—

Inventories are valued at the lower of cost and net realizable value with cost determined on a first-in, first-out basis.

#### Fixed assets—

Fixed assets are stated at cost. Depreciation is computed over the estimated useful lives of property, plant and equipment using the straight-line method at rates of 2½% and 5% on buildings and generally 10% on machinery and equipment.

#### Unamortized deferred expenses—

It is the Corporation's policy to defer expenditures incurred on major expansions and model changeovers and to amortize such expenditures over a reasonably short period.

Patents are amortized on a straight-line basis over their average life.

Costs incurred in issuing long-term debt are amortized over the term of the applicable debt issue.

#### Goodwill—

Goodwill arising from acquisitions is being amortized on a straight-line basis over periods up to ten years.

#### Research and development—

All research and development costs are expensed as incurred.

#### Translation of foreign currencies—

Foreign currency balances and transactions are translated into Canadian dollars as follows: long-term assets and liabilities at exchange rates in effect at dates of acquisition; current assets and liabilities at rates in effect at the appropriate period end; revenue and expenses at average rates for the period. Unrealized

gains on translation of foreign currency are deferred and carried forward on the balance sheet; unrealized losses are charged to income. An unrealized gain of \$1,629,000 as at December 31, 1982 (December 31, 1981—\$866,000) resulting from the translation of net current balances at period end rates of exchange was deferred in the accounts.

#### Income taxes—

The Corporation follows the tax allocation basis of accounting for taxes on income whereby deferred income taxes are provided on all significant timing differences between accounting and taxable income, primarily accelerated depreciation claimed for tax purposes in excess of amounts recorded in the accounts. The Corporation uses the "flow-through" method of accounting for investment tax credits as a reduction of the provision for federal income taxes.

#### Net income per share—

Net income per share is computed on the basis of the weighted average number of shares outstanding during the year. Shares reserved for issuance under the stock option plans would not materially dilute this figure.

### 2. Inventories:

	December 31	
	1982	1981
Raw materials	\$ 6,820,000	\$ 7,722,000
Work-in-Process and finished goods	49,538,000	40,832,000
	<u>\$56,358,000</u>	<u>\$48,554,000</u>

### 3. Unamortized deferred expenses:

	December 31	
	1982	1981
Model changeover costs	\$ —	\$ 1,034,000
Patents	61,000	—
Debenture issue costs	259,000	282,000
	<u>\$ 320,000</u>	<u>\$ 1,316,000</u>

#### 4. Long-term debt:

	December 31	
	1982	1981
(a) 12¾% Debentures 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) Bank note payable maturing December 22, 1987. The interest rate fluctuates based on the cost of funds and may be fixed by the Corporation at anytime from 30 days to the balance of the term.	10,000,000	—
(c) 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
(d) 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
(e) Obligation under capital leases.	394,000	358,000
	24,894,000	22,807,000
Less amount due within one year	211,000	141,000
	\$24,683,000	\$22,666,000

#### 5. 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 plan whereby the shareholders have the right to receive dividends in stock rather than cash. During the year the Corporation's dividend reinvestment plan was altered so that shareholders could have their cash dividends automatically reinvested in new shares. Employees receive five shares on each quinquennial anniversary with the Corporation under the terms of the service recognition plan. The Corporation has reserved 41,355 shares for issuance under these three plans.

	December 31	
	1982	1981
Total number of common shares issued and outstanding	6,540,666	6,142,285
During the year, the Corporation issued common shares and received proceeds pursuant to:		
Dividend plans	14,771	18,944
Employee share plans	23,610	29,660
Mascot acquisition (Note 7)	156,250	—
Private placements (160,000 at \$7.125; 43,750 at \$8)	203,750	—
Total number of common shares issued	398,381	48,604
Total proceeds received	\$2,983,000	\$ 339,000

#### 6. Stock options:

The employees' stock option plans provide for options to be granted to key employees to purchase up to 243,925 shares of the Corporation's common shares at prices equal to the market value of the shares on the dates granted. During the year ended December 31, 1982, 20,450 options were exercised for cash of \$104,806 and no additional options were granted.

At December 31, 1982 the following options to purchase were outstanding:

	Option price per share	Number of shares at December 31	
Expiry date		1982	1981
September 13, 1982	\$ 5.125	—	27,100
September 27, 1983	10.000	36,675	39,175
September 24, 1984	10.000	37,100	39,500
September 24, 1985	9.500	45,150	47,950
October 14, 1986	7.625	52,300	54,000
		171,225	207,725

Of these, 27,550 share options are held by seven officers, of whom one is a director.

**7. Acquisition of and amalgamation with subsidiary corporation:**  
Pursuant to an agreement effective January 1, 1982, the Corporation acquired all of the issued and outstanding shares of Mascot Truck Parts Limited for an aggregate consideration of \$5 million.

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

Net assets acquired:	
Working capital	\$4,056,000
Fixed assets	579,000
	4,635,000
Less: Long-term debt	1,450,000
	3,185,000
Goodwill	1,815,000
Consideration	\$5,000,000
Consideration—	
Cash	\$3,750,000
Common shares (156,250 at \$8)	1,250,000
	\$5,000,000

The 1982 results of operations of Mascot Truck Parts Limited have been included in the statement of income and retained earnings.

Effective December 31, 1982, Hayes-Dana Inc. and its wholly-owned subsidiary, Mascot Truck Parts Limited, amalgamated and are continuing operations under the name of Hayes-Dana Inc.

#### 8. 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, 1982, both the Corporation's sales to and purchases from Dana Corporation represented 9% of the Corporation's total sales and cost of sales for the year.

#### 9. Sales to major vehicle manufacturers:

The only customer which accounted for more than 10% of the Corporation's total sales for the year ended December 31, 1982 was Ford Motor Company at 30% (December 31, 1981—27%). Sales to General Motors, International Harvester and Chrysler Corporation represented 7%, 4% and 4% respectively.

#### 10. Pension plans:

Pension plan expenses for the year ended December 31, 1982 amounted to \$4,593,000 (December 31, 1981—\$4,937,000).

The unfunded past service liability is estimated by independent actuaries to be approximately \$23,500,000 (December 31, 1981—\$24,000,000) of which \$19,200,000 represents employee vested benefits (December 31, 1981—\$19,700,000). This cost is being amortized and funded over not more than fifteen years.

#### 11. Commitments:

At December 31, 1982, the Corporation was committed under non-cancellable leases for the following future minimum lease payments:

1983	\$1,308,000
1984	815,000
1985	566,000
1986	419,000
1987	252,000
Thereafter	456,000
Total future minimum lease payments	\$3,816,000

Outstanding commitments relating to the purchase of fixed assets amount to approximately \$408,000 at December 31, 1982.

#### 12. 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.

<b>Segmented Information</b> For the year ended December 31	<b>1982</b>	<b>1981</b>
Sales:		
Vehicular	<b>\$185,002,000</b>	\$188,669,000
Industrial	<b>32,173,000</b>	34,574,000
	<b>\$217,175,000</b>	\$223,243,000
Segment operating profit:		
Vehicular	<b>\$ 9,257,000</b>	\$ 13,833,000
Industrial	<b>1,659,000</b>	3,447,000
	<b>10,916,000</b>	17,280,000
General corporate expense	<b>(3,624,000)</b>	(2,083,000)
Interest expense	<b>(5,245,000)</b>	(7,064,000)
Income taxes	<b>(115,000)</b>	(2,695,000)
Net income	<b>\$ 1,932,000</b>	\$ 5,438,000
Identifiable assets:		
Vehicular	<b>\$107,940,000</b>	\$100,447,000
Industrial	<b>23,686,000</b>	21,060,000
Corporate	<b>6,420,000</b>	2,458,000
	<b>\$138,046,000</b>	\$123,965,000
Additions to fixed assets (net):		
Vehicular	<b>\$ 6,010,000</b>	\$ (6,979,000)
Industrial	<b>2,307,000</b>	557,000
Corporate	<b>1,149,000</b>	782,000
	<b>\$ 9,466,000</b>	\$ (5,640,000)
Business acquired (Note 7):		
Vehicular	<b>\$ 569,000</b>	\$ 6,000
Industrial	<b>10,000</b>	—
	<b>\$ 579,000</b>	\$ 6,000
Depreciation:		
Vehicular	<b>\$ 6,602,000</b>	\$ 7,017,000
Industrial	<b>770,000</b>	835,000
Corporate	<b>275,000</b>	227,000
	<b>\$ 7,647,000</b>	\$ 8,079,000
Export sales	<b>\$ 86,844,000</b>	\$ 99,730,000

## Auditors' Report

To the Shareholders of Hayes-Dana Inc.:

We have examined the balance sheet of Hayes-Dana Inc. as at December 31, 1982 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, 1982 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.

Hamilton, Ontario  
January 26, 1983

PRICE WATERHOUSE  
Chartered Accountants



## Condensed Financial Summary

For the years ended	Dec. 1982	Dec. 1981	Dec. 1980	Aug. 1980
<b>Operating Data</b>				
Sales	<b>\$217,175,000</b>	\$223,243,000	\$200,055,000	\$202,197,000
Cost of sales	<b>191,202,000</b>	192,872,000	175,604,000	176,133,000
Interest expense	<b>5,245,000</b>	7,064,000	6,509,000	6,922,000
Income before income taxes	<b>2,047,000</b>	8,133,000	5,134,000	6,823,000
Income taxes	<b>115,000</b>	2,695,000	1,480,000	2,107,000
Net income	<b>1,932,000</b>	5,438,000	3,654,000	4,716,000
Net income for the year retained for growth	<b>—</b>	3,234	733,000	1,797,000
Net income per share	<b>\$ .30</b>	\$ .89	\$ .60	\$ .78
Cash dividends per share	<b>\$ .48</b>	\$ .48	\$ .48	\$ .48

## Year End Financial Position

Working capital	<b>43,742,000</b>	44,437,000	24,841,000	25,837,000
Property, plant and equipment at cost	<b>106,810,000</b>	96,504,000	103,152,000	102,133,000
Property, plant and equipment, less accumulated depreciation	<b>51,713,000</b>	49,315,000	63,028,000	64,489,000
Total assets	<b>138,046,000</b>	123,965,000	141,371,000	144,819,000
Long-term debt	<b>24,683,000</b>	22,666,000	22,708,000	24,220,000
Shareholders' equity	<b>58,205,000</b>	56,329,000	52,756,000	54,032,000
Ratio of current assets to current liabilities	<b>2.1:1</b>	2.6:1	1.5:1	1.5:1
Shareholders' equity per share	<b>\$8.90</b>	\$9.17	\$8.66	\$8.88

\*After extraordinary charge

Aug. 1979	Aug. 1978	Aug. 1977	Aug. 1976	Aug. 1975	Aug. 1974	Aug. 1973
\$212,206,000	\$150,081,000	\$145,164,000	\$128,944,000	\$90,187,000	\$90,051,000	\$97,735,000
186,261,000	130,014,000	127,328,000	112,724,000	79,785,000	81,124,000	85,805,000
2,666,000	876,000	857,000	874,000	1,219,000	1,194,000	1,040,000
13,743,000	11,291,000	10,819,000	9,961,000	5,273,000	4,312,000	7,939,000
5,018,000	4,355,000	4,270,000	4,170,000	2,228,000	1,904,000	3,290,000
8,725,000	6,936,000	6,549,000	5,791,000*	3,045,000	2,408,000	4,649,000
6,065,000	5,004,000	4,597,000	4,345,000	1,609,000	805,000	3,281,000
\$1.44	\$1.15	\$1.08	\$ .96*	\$ .51	\$ .40	\$ .78
\$ .44	\$ .32	\$ .26	\$ .24	\$ .24	\$ .24	\$ .23
9,989,000	18,429,000	24,137,000	19,681,000	9,568,000	8,423,000	8,158,000
92,160,000	66,168,000	62,570,000	59,106,000	55,259,000	52,580,000	48,943,000
59,027,000	36,602,000	28,190,000	27,754,000	31,221,000	31,198,000	30,812,000
142,762,000	94,419,000	66,453,000	65,445,000	61,326,000	65,148,000	61,792,000
1,000,000	—	4,898,000	4,898,000	1,500,000	4,000,000	6,000,000
52,050,000	45,848,000	40,833,000	35,876,000	31,271,000	29,662,000	28,704,000
1.1:1	1.5:1	2.9:1	2.2:1	1.5:1	1.4:1	1.4:1
\$8.59	\$7.59	\$6.76	\$5.94	\$5.22	\$4.96	\$4.80





