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HAYES-DANA INC.

Annual Report

Financial Highlights

($ Thousands)

	1986	1985	1984
Net sales from continuing operations	**$468,728**	$431,753	$353,270
Income before extraordinary items	**$ 17,147**	$ 15,732	$ 19,907
– per common share	**$ 1.03**	$ 1.00	$ 1.30
Net income	**$ 13,608**	$ 15,732	$ 19,907
– per common share	**$ .82**	$ 1.00	$ 1.30
Dividends paid	**$ 7,006**	$ 6,295	$ 4,350
– per common share	**$ .42**	$ .40	$ .28
Shareholders' equity	**$122,743**	$115,651	$ 90,897
– per common share	**$ 7.34**	$ 6.95	$ 5.93
Shares traded during year (000)	**2,291**	3,951	3,779
Average shares outstanding (000)	**16,677**	15,763	15,252
Shares at year-end (000)	**16,717**	16,635	15,321
Shareholders at year-end	**4,874**	4,846	4,070
Average employment	**2,906**	2,861	2,493

Corporate Profile

Hayes-Dana Inc. is a diversified manufacturer and distributor of new and replacement components for trucks, automobiles, off-highway vehicles and industrial equipment. A discussion of our five markets and the challenge of serving these markets is included in this report.

Our Products

In addition to truck frames and certain stampings and components, we sell an extensive range of brand-name products, including:

SPICER® – drivetrain systems, including axles, clutches, transmissions, driveshafts, universal joints, trailer axles
BOSTON® – hose, rubber products
CHELSEA® – pumps, motors, power take-offs
FORMSPRAG® – mechanical and hydraulic clutches and brakes, couplings, and variable speed drives
GERBING® – variable speed drives
GRESEN® – pumps, control valves
HYCO® – telescopic cylinders
KRALINATOR® – oil, air, fuel filters
LESSARD® – hydraulic cylinders
PERFECT CIRCLE® – replacement engine parts and chassis parts
PRECISION CONTROLS® – cruise controls, window defoggers
TRU-CROSS® – universal joints
TYRONE® – pumps, motors
VICTOR® – gaskets, oil seals, sealing products
WEATHERHEAD® – brass and steel fittings, hose products
WICHITA® – pneumatic clutches and brakes
WIX® – oil, air, fuel filters

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1986 marked the twenty-fifth year in which Hayes-Dana's shares have been publicly traded on the Toronto Stock Exchange.

1986 was a good year for Hayes-Dana shareholders. The average daily price of Hayes-Dana shares was $13.50, which is the highest it's been during the Company's twenty-five years of public listing. Cash dividends paid were $0.42 per share, a 5% increase over the prior year.

Sales for the year amounted to $469 million which compares to $432 million in 1985. Sales in both years exclude the results of discontinued operations. Net income before extraordinary items increased to $17.1 million in 1986 from $15.7 million in 1985. On a per share basis, this amounted to $1.03 in 1986 and $1.00 in 1985. Net income after extraordinary items was $13.6 million, or $0.82 per share, in 1986.

Sales results in our five markets were mixed. Despite a slight softening in the highway vehicle market generally, Hayes-Dana's sales to this market increased 9% over the prior year. 1986 was the first full year of supplying heavy axles to Mack Trucks and engine supports to Ford.

Sales to the automotive distribution market increased 38% over 1985. A portion of the gain was attributable to the inclusion of a full year's results for the Kralinator filter operation, which was acquired in July, 1985. However, we also achieved real increases in our traditional lines in what was essentially a flat market.

Results in our other three markets were affected by the depressed state of the resource-based industries, particularly in western Canada, which include customers or end-users of many of the Company's products.

During the year, we took some significant steps aimed at restructuring the mix of our operations and reducing our less productive assets. Among these, were the sale of our Agmaster business and the announcement of the closure of our St. Catharines, Ontario forge plant. The latter resulted in an extraordinary charge to income in 1986, while the Agmaster disposal had no significant income effect. In both cases, demand had been steadily declining, a trend which is expected to continue. Consequently, it was determined that it was neither viable nor of strategic importance for Hayes-Dana to remain in these businesses.

Although these transactions contributed to a decrease in inventories, our total investment in inventory was further reduced by over $11 million, or 13%, exclusive of their effect. This was the result of an outstanding effort by our people, and it enabled us to repay a significant amount of indebtedness. At December 31, debt accounted for only 22% of total capitalization. Our strong balance sheet makes us well positioned financially for the challenges ahead.

The economic outlook for 1987 indicates more of the same, suggesting that vehicular production by our major original equipment customers should be close to 1986 levels, and that our other markets will remain fairly stable. If the economy does hold, Hayes-Dana's sales should be stronger in 1987, as we begin to benefit from expanded relationships with some of our major customers.

Beginning in August, we will start supplying Ford's Oakville, Ontario plant with axle assemblies for their new model light truck production. A new regional assembly facility (R.A.F.) will be opened in 1987 to accommodate this business, which should add $17 million to our sales on an annualized basis.

Under a new ten-year agreement with Mack Trucks, we will begin shipping frames preassembled with clutches, driveshafts, axles and suspension parts, to their Oakville plant, in line-set sequence. Previously, we had supplied only axles from an R.A.F. in Mississauga, Ontario. We will relocate this operation during the year to handle the increase in production requirements and expect to begin shipments in October. This business will mean $21 million in new sales annually.

These two new contracts, together with an agreement signed this year which expands our relationship with Navistar, are representative of a fundamental change which is occurring in our business. Major manufacturers are increasingly willing to enter into longer term contracts with suppliers, such as Hayes-Dana, who are willing to deliver on a just-in-time basis and are committed to continuous improvement in quality, price and technology.

This is the central challenge we face as a supplier to global markets – achieving continuous improvements in these areas and, at the same time, reducing our costs to insure our long-term profitability. We believe that because of our long-standing commitment to Total Quality and the Hayes-Dana Style, we have a head start. Our strong financial position assures us that we will have the resources to sustain the capital spending programmes which are required to maintain our growth and competitiveness. And, most importantly, we have people with a demonstrated track record of quality improvement and cost reduction.

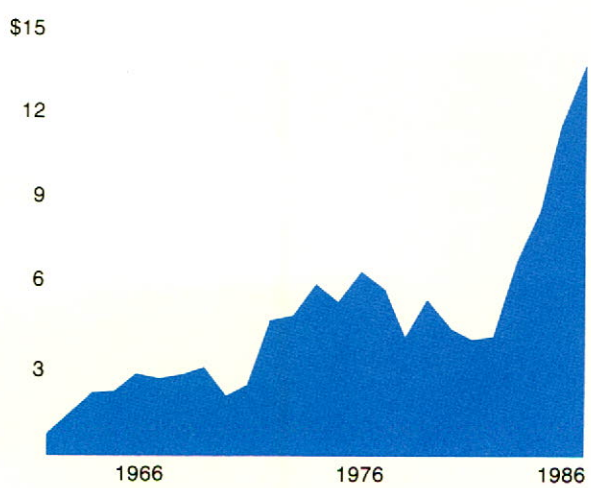
We are confident in our ability to meet this challenge. It's a necessary part of serving our customers, which is the theme of our Annual Report this year.

Naturally though, our principal responsibility is to serve you, our shareholders, and we look forward to the opportunity to increase the value of your investment in 1987.

G. D. DORESCO, Chairman

V. E. OECHSLE, President

Growth in Hayes-Dana Share Price 1962-1986



Note – Data adjusted for stock dividends and splits

Highway Vehicle

The Highway Vehicle Market softened slightly in 1986, although production increased in the truck segment, to which over 90% of our vehicular sales are directed. Overall, Hayes-Dana's sales into this market improved 9% over the prior year and accounted for 62% of the Company's total sales.

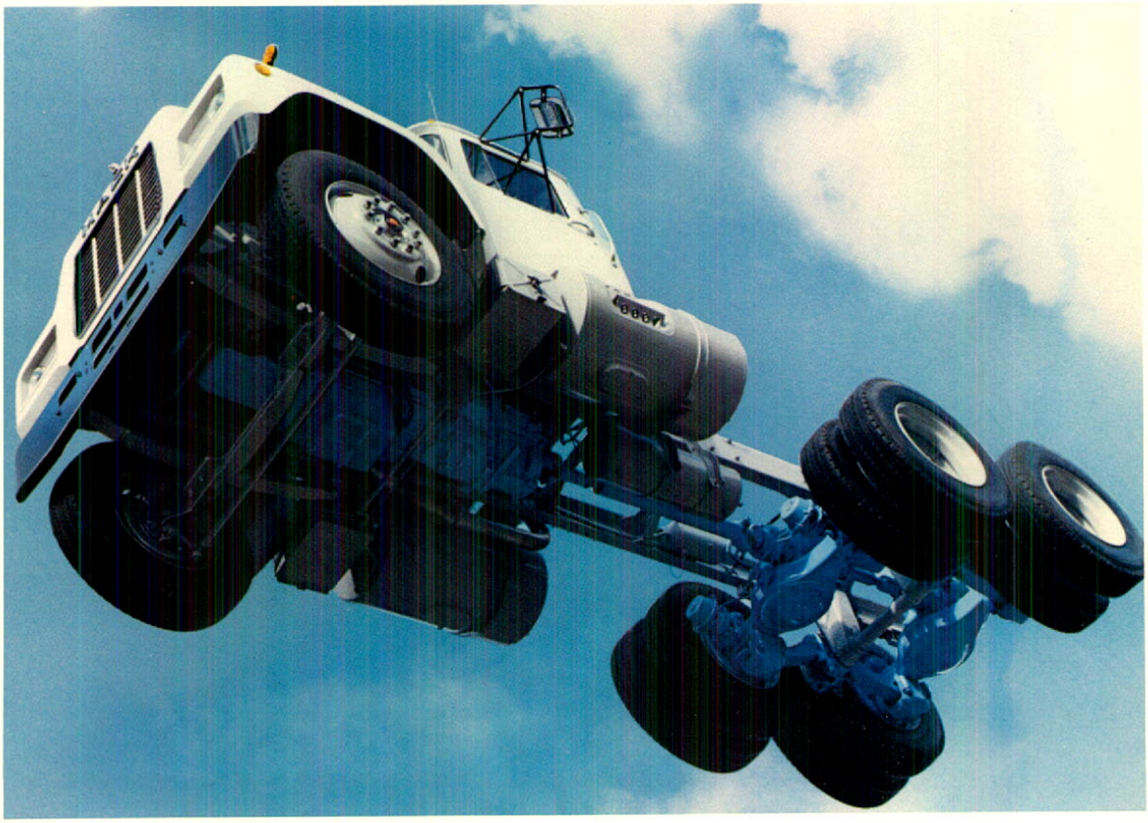
Sales of medium and heavy trucks tend to track the general level of economic activity. As we move into the fifth year of expansion in the current economic cycle, we do not expect any significant increase in truck production, although the composition of the trucks being built should continue shifting toward lighter classes from traditional Class 8 units.

The light truck segment is more closely linked to automotive cycles, as consumers in recent years have been purchasing larger numbers of light trucks for personal use. The growth of the minivans are representative of this trend, which shows no sign of changing in the near term.

1986 was the first full year of shipments of rear axle housings for Mack Trucks' North American requirements. It was also the first full year of engine support production for the Ford Aerostar minivan and assembly of axles for Mack's Oakville plant. In addition, sales of gaskets from our Victor plant in St. Thomas, Ontario rose 57% and sales from our trailer axle facility were up 11%.

The trend in supplying the original equipment manufacturers continues to be characterized by long-term contracts in exchange for dedicated regional assembly facilities, offering just-in-time delivery. Increased assembly business with Ford and Mack, coupled with the prospect for continued strength in the truck segment generally, should translate into favourable sales growth in this market in 1987.

In late 1987, Mack trucks produced in Canada will incorporate our frames, clutches, driveshafts, axles and suspension parts.



Truck Parts Distribution

Sales to this market were essentially unchanged from 1985. Several factors, both external and internal, contributed to the results.

Deregulation has and will continue to change the composition of this market. Consolidation of truck fleets has caused the basis of competition to shift from service to price. To sustain profitability at lower prices, truck parts suppliers must ultimately restructure the distribution system to improve cost effectiveness.

Hayes-Dana participates in all channels of distribution. We continue to be a prime supplier to the original equipment service channel – the arm of vehicle manufacturers which supply their dealers with replacement parts. We are also a major supplier to leading independent truck parts distributors across the country.

During 1986, we made several changes in our network of Truckline stores. Seven Company-owned branches were converted to independently-owned Associate stores. Although we continue to be the dominant supplier to these Associates, our sales now occur at the warehouse, rather than the retail level. Also, in an effort to reduce operating expenses, warehouse operations in western Canada were consolidated into our larger Edmonton location, with no disruption in service levels.

Six new Associate stores were opened in 1986: Charlottetown, P.E.I.; Amqui, P.Q.; Barrie and Longlac, Ont.; Yorkton, Sask.; and Camrose, Alta. We now have a total of 39 outlets, of which 24 are Associate stores.

This roll-off trailer is equipped with a Gresen valve, Lessard cylinders, Spicer trailer axles and Weatherhead hose and fittings.

The truck parts market should remain stable in 1987. Increases in unit sales will likely be offset by lower prices. Our sales to this market should increase as the result of the rapid expansion of the Truckline network, which has occurred over the past two years.

Mobile Off-Highway

The Mobile Off-Highway Market covers mobile equipment used in construction, agriculture, material handling and other applications. Hayes-Dana's product offering into this market consists of mechanical and hydraulic parts. The former includes drive train components, such as clutches, universal joints, driveshafts and axles. Hydraulic products include pumps, valves, cylinders, hose and fittings, which provide the power and control for the equipment's specialized functions such as dumping, lifting and turning.

This Truckline branch in Red Deer, Alberta, was one of seven which were converted from Company-owned to Associate stores, during 1986.

Sales to this market in 1986 improved 6% from the prior year. The increase resulted primarily from a healthier construction industry. Favourable interest rates and low inflation fuelled residential and public construction, both of which were up more than 20% from 1985. This, in turn, resulted in stronger sales of construction machinery.

Despite lower interest rates, 1986 was another disappointing year for the North American farmer and production of farm machinery declined for the seventh consecutive year. During the year, we sold our Agmaster business in St. Thomas, which produced "tractor-to-implement" driveshafts and related components. Hayes-Dana will, of course, continue to produce mechanical and hydraulic products for other agricultural applications.

The outlook for this market in 1987 remains uncertain. Continued strength in construction is largely dependent on the level of interest rates, and other segments of the market are closely tied to world commodity prices.

Automotive Distribution

Sales to this market increased 38% over 1985, due in part, to the inclusion of a full year's results of Kralinator. Increased sales of traditional lines reflected greater market penetration.

Although this market has shown steady growth in the past, it now seems poised for more rapid expansion. The average age of cars on the road today is now seven and a half years – the highest it's been since the 1950's. Also, record new car volumes in recent years will impact the demand for replacement parts in the late 1980's.

Hayes-Dana's basic strategy in this market is to position ourselves as the foremost full-line supplier to warehouse distributors, jobbers, and mass merchandisers in Canada. Over the last two years, we have established our Perfect Circle brand of engine and chassis parts as one of the leading names in the aftermarket. There are now over twenty different companies selling new cars in Canada. We will continue to address this market segment by offering full coverage in all our product lines for these vehicles.

The combination of the Kralinator and Wix filter operations makes Hayes-Dana the largest filter supplier in Canada. The Filter

Our wide range of automotive aftermarket parts includes Kralinator and Wix filters, Perfect Circle engine and chassis parts, Precision Control speed controls, Tru-Cross universal joints, Victor gaskets and Weatherhead fittings.

Division made a positive contribution to 1986 earnings and with continued rationalization, we look for further improvement in 1987.

Increased market share in our existing lines and new product introductions should cause our 1987 sales to increase faster than the growth of the market.

Industrial Equipment

Although Hayes-Dana's sales to this market in 1986 were down from 1985, the decline was the result of the disposal of the Company's Lo-Rez operation, in late 1985. Sales by our other operations into the Industrial Market actually increased 4% over 1985. This is the most diverse of the Company's five markets. We supply original equipment and replacement parts to customers situated in a number of commercial sectors. Market performance in 1986 varied by sector.

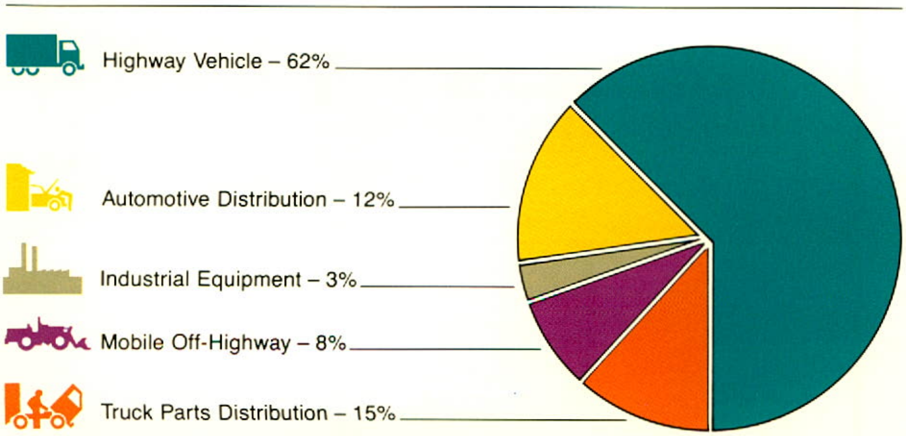
Increased activity by some of our lumber industry customers resulted in improved sales in our Wichita clutch and brake lines. However, other resource industries in western Canada, particularly oil, mining and agriculture continued to be negatively affected by world commodity prices. Consequently, this impacted sales in product lines dependent upon the strength of these sectors.

Our Formsprag clutch is supplied to manufacturers of helicopter engines.

The strong manufacturing base in Ontario and Quebec gave rise to improved results in these provinces. Sales of industrial shafts increased following a directed effort aimed at steel mills and pulp and paper producers.

By further broadening our product offering and continued expansion of our distributor base, we anticipate improved sales to this market in 1987.

1986 Sales by Market



Data excludes discontinued operations

Serving Our Customers

Hayes-Dana provides over 125,000 different components and assemblies to more than 7,000 customers. Our people, at plants, warehouses and stores from Duncan, British Columbia to Moncton, New Brunswick, ship over 80 product lines to 16,000 destinations in Canada and 28 foreign countries.

But "Serving Our Customers" means more than just timely shipments. As part of our commitment to Total Quality, we offer a full range of services in an effort to provide our customers with the competitive edge necessary to survive in today's globally competitive markets.

These services are the cornerstone of our diverse product packages. What we provide in the future will be governed by the demands of our markets and the creativity with which our people respond to those demands. 1987, like 1986, will probably see considerable change in our markets and within our Company. What won't change is our commitment to provide quality service to our customers.

Physical distribution to our aftermarket customers is the responsibility of our Distribution Division. Market demands for lower customer inventories have resulted in smaller and more frequent orders. We strive for immediate response with no backorders. Our people realize that reaching these goals is the key to our success.

We have installed an advanced multi-level conveyor system and "Sail Rail" in our central warehouse in Beamsville, Ontario, to achieve greater efficiencies in receiving incoming stock and filling outgoing orders. Computer-assisted receiving and order-entry systems allow us to monitor inventory levels, customer demand and supplier reliability. These tools have helped us to significantly reduce our own inventories.

Jackie Keyes (8 years service) stages product for shipment on the mezzanine level of our new conveyor system at the Beamsville warehouse.

Joan Crowley (2 years) accesses customer orders, current inventory levels, and supplier delivery status with our on-line order-entry system.

Customer service in our Filter Division includes regular visits with customers to review product and service requirements, and evaluate performance. It also includes regular communication with our suppliers to continually improve the quality and timeliness of incoming product.

Quality product, like quality service, is an ongoing responsibility. Our people perform hourly quality checks at each stage of the manufacturing process so that we can manufacture quality into the product rather than "inspect it in" later. Random life and efficiency tests performed in our on-site laboratory and complete pressure testing ensure the quality of our oil filter production. This attention to detail by all of our people has earned us recognition from our customers for superior quality.

In our Service Parts Division, we have adopted the credo, "make our customers want to do business with us". Training clinics, technical support, comprehensive cataloguing and assistance with customized

At our Cambridge filter plant, Dave Donaldson (8 years) performs research on new filtration materials, as well as various quality assurance tests on current products.

product applications are representative of the range of services provided to our aftermarket customers across Canada.

With the advent of front-wheel drive vehicles and the new driveline components which they require, we have provided training sessions for over 2,500 people representing both our customers and their customers. Having knowledgeable people selling, promoting and servicing our products results in a chain of satisfied customers and suppliers with a reputation for quality and reliability.

Continuous training of our own people ensures that our customers have access to the latest technology available from Hayes-Dana. Our nationwide sales force provides regular on-the-spot service, which is backed up by a team of specialists on call for assistance in the field. "Tech Line", a technical support hotline for all of our products, provides quick solutions to customer problems. This service is available in French and English.

Willis Cronkwright (2 years) is a member of our product support group, which provides technical advice to our aftermarket customers.

Jim Robinson (33 years) and Jack Banks (24 years) of our Service Parts and Filter Divisions, discuss new marketing programmes with Bob Susor, President, NAPA Canada.

Much of our growth in the aftermarket has resulted from acquiring business formerly held by competitors. To assist with the transition, our people help to restock the customers facilities, without disruption of normal business activities. A warehouse distributor may have multiple warehouses and dozens of jobber stores, with staff that has to be trained in our products, cataloguing and pricing. In 1986, we converted 25 warehouses and 605 jobber locations. Our experience has given us a reputation for changeover excellence.

Regional Assembly Facilities (R.A.F.'s) continue to epitomize customer service at Hayes-Dana. We locate these facilities as close as possible to our customers. Each one is totally dedicated to serving a single customer. A leader in the technology and theory of regional assembly, we deliver axles, driveshafts and other parts in line-set sequence, at least once each day. This allows our customers to operate with minimal inventory.

In August, 1987, we will open a new R.A.F. in Oakville to supply rear axle assemblies for Ford's new model light truck production.

Also, the Mississauga R.A.F., which presently assembles axles for Mack Trucks, will relocate to a larger facility and begin supplying an assembled frame, complete with driveline and suspension components.

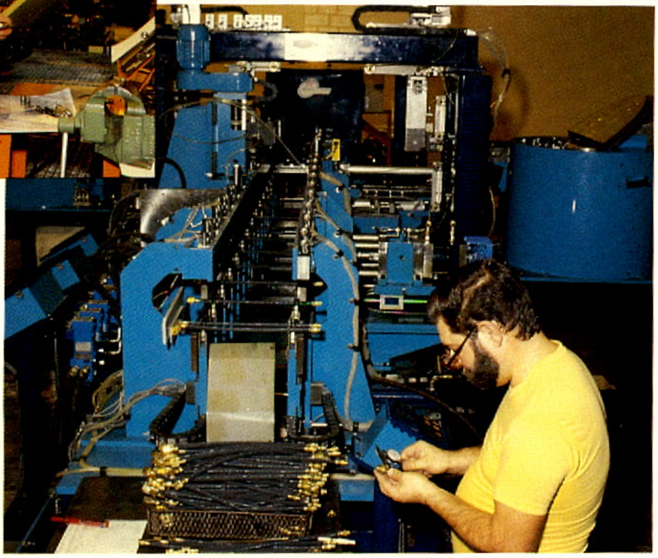
Flexibility is the key to fulfilling our customers' needs quickly. In addition to brass and steel fittings, our Weatherhead plant in St. Thomas produces automotive brake hose assemblies. In order to ensure consistent quality and to provide the flexibility needed to meet the changing product requirement of our customers, we have just completed a major capital project to fully automate brake hose assembly. The result is a 100% quality product and greater productivity, since the time required to change from assembling one part to another has been reduced from 4 hours to about 30 minutes.

One of the greatest demands of the North American automotive market has been for continuous improvement in quality, price and technology. Our Victor plant acquired new gasket business in 1986, through the development of an innovative process for the manufacture of transmission gaskets for front wheel drive cars. This process benefits customers through reduced prices. In addition, the new part is easier to install and offers improved sealing characteristics.

Each year, as we have expanded our product lines and services, we have increased and diversified the number of our customers. However, the thrust of our various technical efforts has also allowed us to increase business with our traditional customers. Last year, sales to Ford represented 25% of total sales. In addition, sales to General Motors, Navistar, Mack and Chrysler each accounted for more than 4% of total sales. We look forward to meeting the future product needs of these, and our many other traditional customers, with the same competence and enthusiasm that created our present relationships.

Serving our customers involves commitment, action, technological innovation and flexibility. Our people have exhibited these qualities in the past and we will continue to depend on their participation, motivation and skills in the future. It's all part of being globally competitive and enhancing the value of our shareholders' investment.

Automated machining and assembly equipment allow Bob MacIntyre (25 years) and Fred Gray (24 years) to concentrate on quality testing of hose-ends (top) and brake hose assemblies (bottom), at our Weatherhead plant, in St. Thomas.



Financial Objectives

We continue to believe that the attainment of certain key financial objectives is a good measurement of Management's stewardship for our shareholders. Our performance during 1986 and the preceding five years is displayed below. The data was calculated using month-end averages for Balance Sheet items and, where applicable, income before extraordinary items.

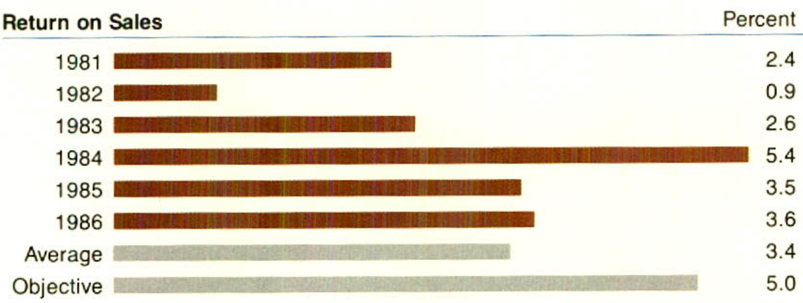
As the Company becomes more diversified, we continue to review the appropriateness of each objective. In 1986, we started to apply different "Assets to Sales" objectives to each Division, depending on its type of business, i.e. manufacturing, assembly, distribution, etc. Since one ratio is no longer relevant to our aggregate business, this objective, displayed in prior years against actual performance, is no longer included in the Report.

Return on Equity

Objective
Achieve a 21% return on average equity

Performance
1986 was 14.2%, and six year average was 14.1%

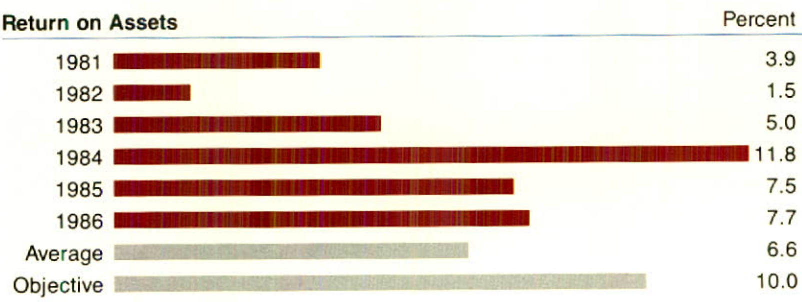
Return on Sales



Objective
Achieve a 5% return on net sales

Performance
1986 was 3.6%, and six year average was 3.4%

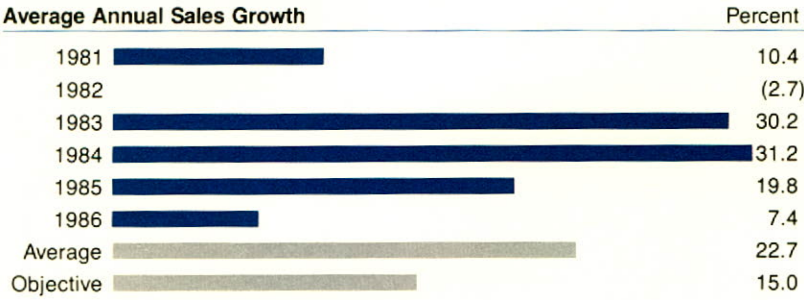
Return on Assets



Objective
Achieve a 10% return on total assets

Performance
1986 was 7.7%, and six year average was 6.6%

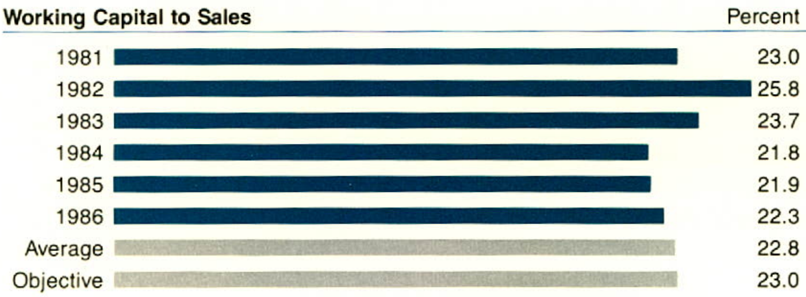
Average Annual Sales Growth



Objective
Achieve an average annual sales growth of 15% per year

Performance
1986 was 7.4%, and six year average was 22.7%

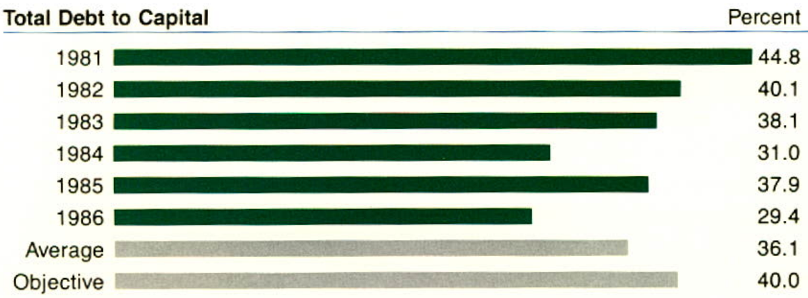
Working Capital to Sales



Objective
Achieve a ratio of working capital, excluding current bank debt, to net sales of no greater than 23%

Performance
1986 was 22.3%, and six year average was 22.8%

Total Debt to Capital



Objective
Achieve a ratio of current bank debt + long-term debt to debt + equity (capital), of no greater than 40%

Performance
1986 was 29.4%, and six year average was 36.1%

Consolidated Balance Sheet

At December 31 ($ Thousands)

	1986	1985	1984
Assets			
Current assets:			
Cash and short-term investments	**$ 9,015**	$ 1,346	$ 397
Accounts receivable	**53,412**	50,184	47,070
Income taxes recoverable	**–**	1,534	–
Inventories (Note 4)	**72,823**	87,775	79,051
Prepaid expenses	**712**	1,145	1,598
	135,962	141,984	128,116
Investments and advances (Note 5)	**1,348**	4,080	3,665
Fixed assets (Notes 2 and 3):			
Land and improvements to land	**4,766**	4,853	4,326
Buildings	**28,932**	31,748	26,719
Machinery and equipment	**108,265**	116,717	97,268
	141,963	153,318	128,313
Less: Accumulated depreciation	**74,820**	80,416	72,313
	67,143	72,902	56,000
Other assets:			
Unamortized deferred expenses	**241**	347	587
Goodwill	**2,280**	2,684	1,983
	2,521	3,031	2,570
	$206,974	$221,997	$190,351

	1986	1985	1984
Liabilities and Shareholders' Equity			
Current liabilities:			
Bank advances and notes payable	**$ 2,035**	$ 14,571	$ 13,630
Current portion of long-term debt	**1,054**	8,068	1,068
Accounts payable and accrued liabilities	**35,070**	32,537	34,988
Due to Dana Corporation and affiliates	**427**	4,496	3,357
Income taxes payable	**314**	–	474
	38,900	59,672	53,517
Long-term debt (Note 6)	**32,252**	32,657	30,668
Deferred income taxes	**13,079**	14,017	12,442
Minority interest in subsidiaries	**–**	–	2,827
Shareholders' equity:			
Share capital (Notes 7 and 8)	**42,236**	41,746	26,429
Retained earnings	**80,507**	73,905	64,468
	122,743	115,651	90,897
	$206,974	$221,997	$190,351

Approved by the Board:

G. D. DORESCO
Director

V. E. OECHSLE
Director

Consolidated Statement of Income and Retained Earnings

For the year ended December 31 ($ Thousands)

	1986	1985	1984
Net sales (Note 2)	**$468,728**	$431,753	$353,270
Other income	**2,162**	1,857	2,563
	470,890	433,610	355,833
Costs and expenses:			
Cost of sales	**400,949**	365,077	294,036
Selling, general and administrative	**31,482**	33,759	25,386
Interest on long-term debt	**3,443**	3,514	2,761
Other interest	**1,335**	2,365	709
	437,209	404,715	322,892
Income from continuing operations before income taxes	**33,681**	28,895	32,941
Income taxes (Note 9)	**15,594**	13,045	13,781
Income from continuing operations	**18,087**	15,850	19,160
Income (loss) from discontinued operation, net of income taxes (Note 2)	**(1,207)**	(785)	832
Minority interest in losses of consolidated subsidiaries	**–**	700	82
Equity in income (loss) before extraordinary item of affiliated companies	**267**	(33)	(167)
	(940)	(118)	747
Income before extraordinary items	**17,147**	15,732	19,907
Extraordinary items:			
Provision for loss on disposal of discontinued operation, net of income taxes (Note 2)	**(4,102)**	–	–
Gain on sale of investment by affiliated company, net of income taxes (Note 5)	**563**	–	–
Net income	**13,608**	15,732	19,907
Retained earnings at beginning of year	**73,905**	64,468	48,911
	87,513	80,200	68,818
Dividends	**7,006**	6,295	4,350
Retained earnings at end of year	**$ 80,507**	$ 73,905	$ 64,468
Income per share before extraordinary items	**$1.03**	$1.00	$1.30
Net income per share	**$ .82**	$1.00	$1.30
Dividends per share – Declared and paid	**$ .42**	$ .40	$ .28

Consolidated Statement of Changes in Financial Position

For the year ended December 31 ($ Thousands)

	1986	1985	1984
Cash provided by operating activities:			
Income before extraordinary items	**$17,147**	$15,732	$ 19,907
Items not involving current cash flow–			
Depreciation	**8,855**	7,279	6,968
Amortization of goodwill and deferred expenses	**510**	653	396
Deferred income taxes	**1,352**	1,204	(586)
Other	**940**	118	(747)
Change in non-cash working capital from continuing operations	**5,827**	(7,524)	(13,142)
Loss from discontinued operation net of items not involving current cash flow and net of changes in non-cash working capital	**797**	914	1,212
	35,428	18,376	14,008
Cash used in investment activities:			
Purchase of fixed assets	**(10,674)**	(16,886)	(10,535)
Sale of fixed assets	**489**	548	576
Businesses sold and discontinued (including $1,190 resulting from extraordinary item – Note 2)	**5,335**	–	–
Businesses acquired, net of bank advances and notes payable (1985 – $4,432; 1984 – $4,036)	**–**	(16,012)	(8,999)
Acquisition of minority shareholder's interest in a subsidiary	**–**	(2,798)	–
Investments and advances (including $563 resulting from extraordinary item – Note 5)	**3,562**	(448)	(1,596)
Other	**–**	(783)	(151)
	(1,288)	(36,379)	(20,705)
Cash (used) provided by financing activities:			
Long-term debt	**(7,419)**	8,989	5,506
Common shares issued	**490**	15,317	616
Dividends	**(7,006)**	(6,295)	(4,350)
	(13,935)	18,011	1,772
Increase (decrease) in cash and short-term investments, less bank advances and notes payable	**$20,205**	$ 8	$ (4,925)

	1986	1985	1984
Changes in non-cash working capital components of continuing operations:			
Decrease (increase) in accounts receivable	**$ (3,503)**	$ 1,352	$ (8,928)
Decrease (increase) in inventories	**10,878**	(1,903)	(7,683)
Increase (decrease) in accounts payable due to Dana Corporation, affiliates and other suppliers	**(3,932)**	(5,600)	8,304
Increase (decrease) in income taxes payable	**1,949**	(1,939)	(4,135)
Other	**435**	566	(700)
	$ 5,827	$ (7,524)	$(13,142)

December 31, 1986 ($ Thousands in all tables, except per share data)

1. Summary of accounting policies:

The significant accounting policies followed in the preparation of the consolidated financial statements of the Corporation are summarized below:

Basis of consolidation – The consolidated financial statements include the accounts of the Corporation and all of its subsidiary companies except the wholly-owned subsidiary, St. Catharines Financial Inc. The investment in the shares of St. Catharines Financial Inc. is carried on the equity method of accounting as the operations and assets of St. Catharines Financial Inc. are not similar to those of the Corporation. In addition, investments in shares of associated companies in which the Corporation has a significant influence but not majority ownership are accounted for on the equity basis.

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, reduced by applicable investment tax credits and government grants. 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 certain non-capital 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 lives.

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

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

Research and development – Research and development costs are expensed as incurred.

Translation of foreign currencies – Foreign currency balances and transactions are translated into Canadian dollars as follows:

All monetary assets and liabilities at rates in effect at the year-end; other assets and liabilities at rates prevailing at the date of acquisition; revenues and expenses at average rates for the period.

Translation gains and losses are included in income except for unrealized gains and losses arising from the translation of long-term monetary assets and liabilities which are deferred and amortized over the remaining lives of the related items.

Income taxes – The Corporation follows the tax allocation basis of accounting for taxes on income:

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 cost reduction method of accounting is used for investment tax credits, whereby such credits are deducted from the expenditures to which they relate.

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. Discontinued operation:

During the year, the Corporation announced that its Forge plant would cease operations in early 1987. The operating results of the discontinued operation have been reclassified and shown separately in these financial statements. Accordingly, the consolidated statement of income excludes the net sales, costs and expenses and applicable income taxes of the discontinued operation.

The Corporation has provided for losses of $4,102,000 (net of income taxes of $3,431,000) comprised of the write down of facilities (with an original cost of $14,186,000 and accumulated depreciation of $9,281,000) and other assets to their net realizable value, plus other costs to be incurred in connection with the closure.

The net sales of the discontinued operation were as follows:

	December 31		
	1986	1985	1984
Net sales	**$ 9,140**	$13,033	$17,921

3. Business sold:

During the year, the Corporation sold its Agmaster business including fixed assets valued at an original cost of $5,278,000 and accumulated depreciation of $3,808,000. The net sales and operating results to September 30, 1986 of the business have been included in income from continuing operations in the consolidated statement of income. The effect on income from the sale was not significant.

The net sales of this business were as follows:

	December 31		
	1986	1985	1984
Net sales	**$ 5,786**	$ 6,949	$ 9,526

4. Inventories:

	December 31		
	1986	1985	1984
Raw materials	**$ 9,160**	$12,348	$11,267
Work-in-process and finished goods	**63,663**	75,427	67,784
	$72,823	$87,775	$79,051

5. Investments and advances:

	December 31		
	1986	1985	1984
Affiliated companies carried on equity basis–			
St. Catharines Financial Inc.	**$ 1,348**	$ 610	$ 750
Wix International Corporation	**–**	1,264	860
	1,348	1,874	1,610
Advances to affiliated companies	**–**	2,206	2,055
	$ 1,348	$ 4,080	$ 3,665

In 1986, Hayes-Dana Filters Inc. sold its 40% interest in Wix International Corporation, a U.S. company, to Dana Corporation. The gain on this sale was not significant.

During the year, St. Catharines Financial Inc., a wholly-owned subsidiary of the Corporation, disposed of its 60% interest in CSL Silicones Inc. to the minority shareholders of CSL Silicones Inc. which resulted in a gain of $563,000.

A summary of St. Catharines Financial Inc. financial statements as at December 31, 1986 is as follows:

Balance Sheet

	December 31		
	1986	1985	1984
Assets			
Current assets	**$ 208**	$ 3	$ 26
Fixed assets and other assets	**1,253**	1,205	1,624
	$ 1,461	$ 1,208	$ 1,650
Liabilities and Shareholder's Equity			
Current liabilities	**$ 95**	$ 105	$ 143
Long-term debt and other liabilities	**18**	493	757
Shareholder's equity	**1,348**	610	750
	$ 1,461	$ 1,208	$ 1,650

Statement of Operations

	For the year ended December 31		
	1986	1985	1984
Revenue from properties	**$ 731**	$ 654	$ 300
Income from operations	**$ 332**	$ 268	$ 63
Equity in income (loss) of subsidiary	**–**	(305)	(198)
Income (loss) before income taxes and extraordinary item	**332**	(37)	(135)
Income taxes	**157**	103	32
Income (loss) before extraordinary item	**175**	(140)	(167)
Gain on disposal of subsidiary (net of income taxes of $21)	**563**	–	–
Net income (loss)	**$ 738**	$ (140)	$ (167)

6. Long-term debt:

	December 31		
	1986	1985	1984
12.75% Debentures Series A maturing April 15, 2000 and redeemable after April 15, 1985. Mandatory sinking fund payments of $675,000 per annum commenced in 1985 with the Corporation having the right, cumulative for one year, to make optional additional payments of up to $270,000 per annum.	**$12,150**	$12,825	$13,500

6. Long-term debt (continued)

	December 31		
	1986	1985	1984
Revolving bank term loan maturing December 22, 1991. The interest rate fluctuates based on the cost of funds and may be fixed by the Corporation at any time from 30 days to the balance of the term.	**10,000**	10,000	10,000
Revolving bank loan providing for a line of credit of $10,000,000 to December 31, 1988. The interest rate fluctuates based on the cost of funds and may be fixed by the Corporation at any time from 30 days to the balance of the term.	**5,000**	10,000	–
Bankers acceptance maturing June 10, 1991 with interest at 10.3%.	**5,000**	–	–
Bank note maturing January 6, 1986 with interest at 11.25%.	**–**	7,000	7,000
Government of Canada loan without interest, repayable in monthly instalments, maturing June 1, 1990.	**482**	–	–
Obligations under capital leases.	**674**	900	1,236
	33,306	40,725	31,736
Less: Current portion	**1,054**	8,068	1,068
	$32,252	$32,657	$30,668

7. Share capital:

The Corporation has an unlimited number of authorized common and preference shares, and there is no limit to the consideration to be received upon issue of such shares.

	December 31		
Common shares issued and outstanding:	**1986**	1985	1984
	16,716,951	16,634,507	15,320,896

Common shares were issued as follows:	**1986**	1985	1984
For cash –			
Dividend plans	**12,809**	12,949	10,062
Stock option plans (Note 8)	**67,925**	76,404	98,076
Service recognition plan	**1,710**	3,480	7,390
Private placement ($12.00 per share)	**–**	1,000,000	–
	82,444	1,092,833	115,528
In exchange for the minority interest in the common shares of Wix Inc.	**–**	220,778	–
	82,444	1,313,611	115,528

Consideration received:	**1986**	1985	1984
Cash	**$ 490**	$12,519	$ 616
Shares of Wix Inc.	**–**	2,798	–
	$ 490	$15,317	$ 616

The Corporation has a dividend re-investment plan whereby the shareholders may have their dividends automatically re-invested in new shares. The Corporation's stock dividend plan, whereby shareholders could receive dividends in stock rather than cash, was terminated effective June 27, 1986. In addition, the Corporation has a service recognition plan whereby employees receive five shares on each quinquennial anniversary of service with the Corporation. At December 31, 1986, 37,719 shares (1985 – 52,238; 1984 – 69,172) were reserved for issuance under these plans.

8. Stock options:

The Corporation has several stock option plans through which options have been granted to officers and other key employees for the purchase of common stock. Options may be granted at prices equal to the market value at the date of the grant and are exercisable during periods of five to ten years from that date.

Stock option transactions for the respective years were as follows:

	Number of shares		
	1986	1985	1984
Outstanding at beginning of year	**276,300**	238,174	350,500
Granted	**–**	120,900	–
Exercised	**(67,925)**	(76,404)	(98,076)
Cancelled	**(12,725)**	(6,370)	(14,250)
Outstanding at end of year	**195,650**	276,300	238,174
Cash consideration received on options exercised	**$ 302**	$ 370	$ 469
Shares reserved for future stock option grants	**379,100**	379,100	500,000

The following options to purchase were outstanding at December 31:

		Number of shares		
Expiry date	Option price	**1986**	1985	1984
September 24, 1985	$ 4.7500	**–**	–	50,954
October 14, 1986	3.8125	**–**	53,100	68,970
June 3, 1988	6.1250	**80,750**	102,500	118,250
July 10, 1995	12.0000	**114,900**	120,700	–
		195,650	276,300	238,174

Of the number of options outstanding at December 31, 1986, 78,000 share options are held by ten officers, of whom one is a director.

9. Income taxes:

The Corporation's effective tax rate is computed as follows:

	1986		1985		1984	
Combined basic federal and provincial rates	**53.1%**	**$17,885**	51.2%	$14,795	50.8%	$16,735
Manufacturing and processing credits	**(6.7)**	**(2,256)**	(6.8)	(1,958)	(6.6)	(2,176)
Inventory allowance	**(0.5)**	**(164)**	(3.1)	(902)	(2.6)	(857)
Investment tax credits	**–**	**–**	–	–	(0.8)	(274)
Losses of subsidiaries	**–**	**–**	3.5	1,014	–	–
Other	**0.4**	**129**	0.3	96	1.0	353
	46.3%	**$15,594**	45.1%	$13,045	41.8%	$13,781

Subsidiaries have unrecorded tax benefits which may be utilized to reduce taxable income and taxes payable in future years as follows:

Expiry	Losses	Investment tax credits
1987	$ 362	$ 48
1990	392	–
1991	1,821	–
1992	2,904	–
	$5,479	$ 48

10. Related party transactions:

Under long-standing arrangements, the Corporation obtains advice, products and services from Dana Corporation at rates and terms which the Corporation believes are fair and equitable. In 1986, the Corporation's sales to Dana Corporation represented 15% of total sales; purchases from Dana Corporation represented 15% of cost of sales.

11. Pension plans:

The Corporation and its subsidiaries provide retirement benefits for substantially all of its employees under eleven different pension plans. Annual costs, vested benefits, liabilities, and other pension information are based on independent actuarial estimates. The cost of funding current service benefits is expensed as incurred. Unfunded liabilities or experience deficiencies are funded in accordance with actuarial recommendations, over not more than fifteen years.

Aggregate plan details at December 31 were:

	1986	1985	1984
Pension plan expense	**$ 3,850**	$ 3,953	$ 4,544
Benefits paid	**3,127**	2,880	2,579
Plan assets, at market value	**83,516**	72,373	54,871
Unfunded employee vested benefits	**5,357**	10,291	17,260
Total unfunded past service liability	**5,813**	11,129	18,442

12. Commitments:

At December 31, 1986, the Corporation was committed under non-cancellable leases for the following future minimum lease payments:

1987	$2,418
1988	1,971
1989	1,166
1990	756
1991	542
Thereafter	3
Total future minimum lease payments	$6,856

13. Comparative amounts:

Certain of the comparative balances in prior years have been restated to conform with changes in financial statement presentation adopted by the Corporation in 1986.

14. 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 for agricultural, marine and resource industries, including off-highway vehicles.

		For the year ended December 31		
		1986	1985	1984
Net sales:	– Vehicular	**$417,651**	$381,491	$311,443
	– Industrial	**51,077**	50,262	41,827
		$468,728	$431,753	$353,270
Export sales		**$184,156**	$165,902	$147,538
Export sales as a percentage of net sales		**39.3%**	38.4%	41.8%
Operating profit:	– Vehicular	**$ 42,697**	$ 37,715	$ 38,831
	– Industrial	**2,954**	3,177	270
		45,651	40,892	39,101
General corporate expense		**(7,192)**	(6,118)	(2,690)
Interest expense		**(4,778)**	(5,879)	(3,470)
Income taxes		**(15,594)**	(13,045)	(13,781)
Income from continuing operations		**18,087**	15,850	19,160
Income (loss) from discontinued operation		**(1,207)**	(785)	832
Other items		**267**	667	(85)
Extraordinary items		**(3,539)**	–	–
		$ 13,608	$ 15,732	$ 19,907
Depreciation:	– Vehicular	**$ 7,511**	$ 5,701	$ 4,964
	– Industrial	**768**	994	1,343
	– Corporate	**576**	584	661
		$ 8,855	$ 7,279	$ 6,968
Purchase of fixed assets:	– Vehicular	**$ 9,384**	$ 14,668	$ 6,652
	– Industrial	**978**	1,991	1,568
	– Corporate	**312**	227	2,315
		$ 10,674	$ 16,886	$ 10,535
Identifiable assets:	– Vehicular	**$172,369**	$181,880	$144,666
	– Industrial	**22,548**	30,568	38,326
	– Corporate	**12,057**	9,549	7,359
		$206,974	$221,997	$190,351
Businesses acquired:	– Vehicular	**$ –**	$ 10,506	$ 4,811
	– Industrial	**–**	1,074	152
		$ –	$ 11,580	$ 4,963

Management's and Auditors' Reports

Management's Responsibility for Financial Reporting

The financial statements of Hayes-Dana Inc. have been prepared by management, which is responsible for their integrity and objectivity. These statements have been prepared in conformity with generally accepted accounting principles and, where appropriate, reflect estimates based on judgments of management.

Our policy is to maintain systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. These systems are designed to provide reasonable assurance that the financial information is accurate and reliable and that the Corporation's assets are accounted for and protected from loss.

The Board of Directors, through its Audit Committee, which is composed of non-management directors, is responsible for assuring that management fulfills its financial reporting responsibilities. The Audit Committee meets periodically with management and the independent auditors to review accounting, auditing and financial matters. The Committee reports its findings to the Board of Directors for consideration in approving the financial statements, for issuance to the shareholders.

The financial statements have been examined independently by Price Waterhouse, on behalf of the shareholders, in accordance with generally accepted auditing standards. Their opinion appears below.

R. C. Richter, Senior Vice President	D. G. Johnston, Vice President – Finance and Treasurer	G. G. Hough, Vice President – Controller

Auditors' Report

To the Shareholders of Hayes-Dana Inc.:

We have examined the consolidated balance sheet of Hayes-Dana Inc. as at December 31, 1986 and the consolidated 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 consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1986 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.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants

Hamilton, Ontario
January 28, 1987

Accounting for the Effects of Inflation

(Unaudited)

The primary financial statements are based on historical cost accounting, which matches actual costs incurred with actual revenues received. To highlight the effect of inflation and the decline in the purchasing power of the dollar on business and management's success in coping with inflation, the Canadian Institute of Chartered Accountants (CICA) has recommended that corporations provide supplemental information to show the effect of inflation, using current cost accounting.

Current cost accounting, by definition, is a method of measuring assets and expenses associated with the use and sale of assets at their current cost or lower recoverable amount at the balance sheet date, or at the date of use or sale. Current cost data is determined by valuing inventory at current replacement cost, cost of goods sold using the LIFO method of accounting, and property, plant and equipment by indexing historical costs of individual categories, except for land, where values are based on current market values.

This method of reporting inflationary effects requires the use of numerous assumptions and estimates, and accordingly, the resulting information, presented below, is not a precise indication of the effects of inflation on the results of Hayes-Dana's operations. In addition, the provision for income taxes, according to the CICA recommendations, remains unchanged, since adjustments to income under the current costs computations are not deductible for tax purposes. This results in a tax rate, under the current cost method, which significantly exceeds the Corporation's effective tax rate.

The following schedules summarize selected information for the three years ended December 31, 1986, 1985 and 1984.

Statement of Income Adjusted for Changing Prices and Other Supplementary Data

($ Thousands)

	Historical	Current cost		
	1986	1986	1985	1984
Net sales and other income	$470,890	$470,890	$451,677	$385,510
Cost of sales	392,094	395,601	377,417	315,993
Other expenses, including interest	36,260	36,260	41,289	31,263
Depreciation	8,855	10,864	8,354	9,901
Income taxes	15,594	15,594	13,589	14,930
Income from continuing operation	18,087	12,571	11,028	13,423
Income (loss) from discontinued operations	(1,207)	(1,876)	(1,740)	51
Other	267	267	695	(91)
Income before extraordinary items	17,147	10,962	9,983	13,383
Extraordinary items	(3,539)	(5,415)	–	–
Net income	$ 13,608	$ 5,547	$ 9,983	$ 13,383
Schedule of Balances at December 31				
Inventory	$ 72,823	$ 73,012	$ 91,916	$ 86,096
Net fixed assets	67,143	97,434	103,243	87,610
Shareholders' equity	122,743	153,223	148,082	125,759
Other Supplementary Data				
Effect of general inflation		$ (7,845)	$ (6,789)	$ (6,445)
Increase in current cost of inventory and fixed assets during the year		14,841	5,733	2,072
Net increase in current cost over effect of general inflation		$ (6,996)	$ (1,056)	$ (4,373)
Gain in general purchasing power from net monetary liabilities		$ 1,132	$ 1,503	$ 1,101
Financing adjustment		$ 2,112	$ 1,324	$ 403

Supplementary Financial Data

Summary of Sales by Market ($ millions)
This table indicates composition of sales by market and the data excludes discontinued operations.

Market	Sales			Percent Change	
	1986	1985	1984	1986-85	1985-84
Highway Vehicle	**$293**	$270	$222	9	22
Truck Parts Distribution	**68**	69	64	(1)	8
Automotive Distribution	**56**	40	24	40	67
Mobile Off-Highway	**38**	36	31	6	16
Industrial Equipment	**14**	17	12	(18)	42
	$469	$432	$353	9	22

Quarterly Financial Data
The quarterly net sales and gross margin (excluding the discontinued operation), plus income before extraordinary items and related earnings per share, are set forth in the following table ($ thousands, except per share amounts):

	Quarter Ended	Net Sales	Gross Margin	Net Income[1]	Earnings Per Share
1986	**March 31**	**$123,902**	**$17,329**	**$ 4,597**	**$ .28**
	June 30	**124,918**	**19,226**	**5,204**	**.31**
	September 30	**111,610**	**15,045**	**3,127**	**.19**
	December 31	**108,298**	**16,179**	**4,219**	**.25**
	Year	**468,728**	**67,779**	**17,147**	**1.03**
	Incl. Discontinued Operation	**477,868**	**66,669**		
1985	March 31	$100,543	$15,801	$ 4,306	$ .28
	June 30	111,133	17,499	4,549	.30
	September 30	105,063	15,303	2,481	.15
	December 31	115,014	18,073	4,396	.27
	Year	431,753	66,676	15,732	1.00
	Incl. Discontinued Operation	444,786	66,447		
1984	March 31	$ 90,067	$14,047	$ 4,718	$ .31
	June 30	92,055	16,383	5,800	.38
	September 30	83,936	13,723	4,321	.28
	December 31	87,212	15,081	5,068	.33
	Year	353,270	59,234	19,907	1.30
	Incl. Discontinued Operation	371,191	62,030		

[1]In 1986, Net Income, after Extraordinary Items was $13,608.

Shareholders' Investment
The following table indicates the range of market prices of Hayes-Dana Inc. stock on the Toronto Stock Exchange, and the dividends declared for each quarter, during 1986, 1985 and 1984. At December 31, 1986, the closing price was $12.50.

Stock Prices	Price Range						Dividends		
	1986		1985		1984		**1986**	1985	1984
Quarter Ended	**HI**	**LO**	HI	LO	HI	LO			
March 31	**15.25**	**11.25**	12.87	9.31	9.25	7.31	**.10**	.10	.060
June 30	**16.50**	**13.50**	11.50	9.50	8.56	7.00	**.10**	.10	.075
September 30	**15.62**	**12.12**	13.25	10.87	8.62	6.87	**.11**	.10	.075
December 31	**12.62**	**10.62**	13.00	10.75	10.62	8.25	**.11**	.10	.075
Dividends Paid							**.42**	.40	.285

Eleven-Year Financial Summary

$ Thousands, except per share data

For the Years Ended	Dec. 1986	Dec. 1985	Dec. 1984	Dec. 1983
Operations Data*				
Net sales	**$477,868**	$444,786	$371,191	$282,829
Cost of sales	**411,119**	378,339	309,161	245,541
Gross margin %	**14.0**	14.9	16.7	13.2
Income before taxes, extraordinary and other items	**31,465**	27,415	34,370	12,217
Income taxes	**14,585**	12,350	14,378	4,838
Income before extraordinary items	**17,147**	15,732	19,907	7,379
Extraordinary items	**(3,539)**	–	–	–
Net income	**13,608**	15,732	19,907	7,379
% of sales	**2.8**	3.5	5.4	2.6
Interest expense	**5,163**	6,314	3,907	4,302
Depreciation	**9,569**	7,930	7,646	10,140
Fixed asset additions	**10,674**	16,886	10,535	5,630
Dividends	**7,006**	6,295	4,350	3,395
Year End Financial Position				
Current assets	**$135,962**	$141,984	$128,116	$103,563
Working capital	**97,062**	82,312	74,599	61,382
Current ratio	**3.5:1**	2.4:1	2.4:1	2.5:1
Fixed assets, at cost	**141,963**	153,318	128,313	110,124
Fixed assets, less accumulated depreciation	**67,143**	72,902	56,000	46,746
Total assets	**206,974**	221,997	190,351	154,232
Long-term debt	**32,252**	32,657	30,668	24,333
Total debt	**35,341**	55,296	45,366	34,060
Shareholders' equity	**122,743**	115,651	90,897	74,724
Data Per Share				
Income before extraordinary items	**$ 1.03**	$ 1.00	$ 1.30	$ .53
Net income	**.82**	1.00	1.30	.53
Cash dividends	**.42**	.40	.28	.24
Shareholders' equity	**7.34**	6.95	5.93	4.91
Working capital	**5.81**	4.95	4.87	4.04

*All Operations data include Discontinued Forge Operation.

	Dec. 1982	Dec. 1981	Aug. 1980	Aug. 1979	Aug. 1978	Aug. 1977	Aug. 1976
	$217,175	$223,243	$202,197	$212,206	$150,081	$145,164	$128,944
	191,202	192,872	176,133	186,261	130,014	127,328	112,724
	12.0	13.6	12.9	12.2	13.4	12.3	12.6
	2,047	8,133	6,823	13,743	11,291	10,819	13,515
	115	2,695	2,107	5,018	4,355	4,270	5,860
	1,932	5,438	4,716	8,725	6,936	6,549	7,655
	–	–	–	–	–	–	(1,864)
	1,932	5,438	4,716	8,725	6,936	6,549	5,791
	0.9	2.4	2.3	4.1	4.6	4.5	4.5
	5,245	7,064	6,922	2,666	876	857	874
	7,647	8,079	7,578	3,735	3,223	3,344	3,757
	9,466	3,976	7,616	26,093	11,635	3,780	3,844
	3,039	2,204	2,919	2,660	1,932	1,592	1,446
	$ 83,486	$ 72,183	$ 77,410	$ 82,732	$ 56,726	$ 37,066	$ 36,401
	43,742	44,437	25,837	9,989	18,429	24,137	19,681
	2.1:1	2.6:1	1.5:1	1.1:1	1.5:1	2.9:1	2.2:1
	106,810	96,504	102,133	92,160	66,168	62,570	59,106
	51,713	49,315	64,489	59,027	36,602	28,190	27,754
	138,046	123,965	144,819	142,762	94,419	66,453	65,445
	24,683	22,666	24,220	1,000	–	4,898	4,898
	43,141	28,120	49,371	38,157	17,613	4,898	6,813
	58,205	56,329	54,032	52,050	45,848	40,833	35,867
	$ .15	$ .44	$ .39	$ .72	$ .57	$ .54	$ .63
	.15	.44	.39	.72	.57	.54	.48
	.24	.24	.24	.22	.16	.13	.12
	4.45	4.58	4.44	4.30	3.80	3.38	2.97
	3.35	3.62	2.13	.83	1.53	2.00	1.63

Divisional Organization

Hayes-Dana operates eight divisions, each serving one or more of the Company's five markets. Additional marketing information can be obtained directly from the centres listed below

Chassis Products Division
One St. Paul
P.O. Box 3037
St. Catharines, Ontario.
L2R 7E3
(416) 641-1771

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

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

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

Filter Division
244 Montrose Street
P.O. Box 3157
Cambridge, Ontario.
N3H 4S7
(519) 653-3263

Truck Train Division
1415 Shawson Dr.
Mississauga, Ontario.
L4W 1X7
(416) 676-9100

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

Regional Assembly Division
2109 Wyecroft Road
Oakville, Ontario.
L6L 5L7
(416) 825-0566

Key to Markets

Highway Vehicle

Truck Parts Distribution

Mobile Off-Highway

Automotive Distribution

Industrial Equipment

Directors

A. Graham Coulter
Corporate Director

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

Robert W. Korthals
President
Toronto-Dominion Bank

Mervyn L. Lahn
President and
Chief Executive Officer
The Canada Trust Company

Gerald B. Mitchell
Chairman and
Chief Executive Officer
Dana Corporation

Southwood J. Morcott
President and
Chief Operating Officer
Dana Corporation

Benjamin P. Newman
President
Newman Steel Limited

Vernon E. Oechsle
President
Hayes-Dana Inc.,
Group Vice President
Dana Corporation

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

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

Donald G. Willmot
Honorary Director
The Molson Companies
Limited

Back row: Messrs. Korthals, Stevenson, Lahn, Morcott, Coulter, Wettlaufer.

Front row: Messrs. Newman, Oechsle, Doresco, Mitchell, Willmot.

Corporate Directory

Senior Management

Walter H. Baum
(33 years' service)
General Manager –
Drive Train Division

Hugh P. Cosgrove
(37 years)
Vice President and
General Manager –
Chassis Products Division

John E. Doddridge
(22 years)
Executive Vice President
and General Manager

Ronald E. Edwards
(18 years)
General Manager –
Filter Division

James M. Harris
(23 years)
General Manager –
Distributed Products Division

George G. Hough
(33 years)
Vice President – Controller

Donald G. Johnston
(4 years)
Vice President – Finance
and Treasurer

Gerald M. Logan
(13 years)
General Manager –
Distribution Division

Donald R. MacKay
(19 years)
Vice President – Total Quality

James G. McGill
(45 years)
Manager – Facilities

J. B. "Bud" McLaughlin
(21 years)
Vice President – Human
Resources

Robert O. Mossberger
(37 years)
General Manager –
Truck Train Division

Robert W. Neelin
(35 years)
Vice President – Planning

Vernon E. Oechsle
(22 years)
President

Paul G. Redfearn
(21 years)
Division Manager –
Regional Assembly Division

Patricia L. Reid
(38 years)
Corporate Secretary

Robert C. Richter
(12 years)
Senior Vice President

Thomas J. Saxton
(27 years)
General Manager –
Service Parts Division

Corporate Address

One St. Paul, P.O. Box 3029
St. Catharines, Ontario.
L2R 7K9
(416) 687-4200

Annual Meeting

The Annual Meeting of Shareholders of Hayes-Dana Inc. will be held in the Dominion Ballroom of The Sheraton Centre, 123 Queen Street West, Toronto, Ontario, on Wednesday, March 25, 1987 at 11:00 a.m.
We welcome your attendance.

Auditors

Price Waterhouse; Hamilton

Principal Bankers

The Royal Bank of Canada
The Toronto-Dominion Bank
National Bank of Detroit

Registrar – Series A Debentures

The Canada Trust Company;
Toronto

Solicitors

Smith, Lyons, Torrance,
Stevenson & Mayer; Toronto

Stock Exchange Listing

The Toronto Stock Exchange
Symbol: HAY

Transfer Agent – Common Shares

The Canada Trust Company;
Toronto

Co-Transfer Agent
Ohio Citizens Trust Company;
Toledo, Ohio

Printed in Canada