

CANADIAN OPERATIONS

Shipments of the Canadian divisions amounted to \$27,524,000, approximately 10 per cent of consolidated volume. Shipments of tire molds from the Canadian plant were especially heavy, showing a large gain over the preceding year. Canadian mining and construction industries operated at high levels of activity in 1965, creating a strong demand for manganese and alloy steel parts which resulted in increased shipments of these products. Shipments of railroad products and automotive brake lining were higher, reflecting the healthy state of that country's transportation industry.

A large portion of Canadian shipments is in airborne hydraulic equipment for the military in Canada and the United States. During the first half of the year, orders for aerospace hydraulic equipment were low. During the second half, however, a large volume of orders was received, mostly for delivery in 1966, and the plants will operate at peak capacity during this year to meet delivery commitments.

In July 1965, the operations of Dominion Brake Shoe Company and Jarry Hydraulics Limited were consolidated to improve organizational efficiency.

INTERNATIONAL OPERATIONS

Shipments of the international divisions, which include the European and Mexican operations, amounted to \$19,680,000 or eight per cent of total consolidated sales. In Europe, the industrial hydraulics divisions showed good sales increases while shipments of aerospace hydraulic equipment were lower because of the phasing out of the Nato F104 fighter plane. Sales of friction products were considerably higher. Shipments of tire molds exceeded the previous year but the recorded dollar volume was lower due to a change in the method of handling customer furnished materials.

The year 1965 marked what can be termed the start of the second phase in the development of our international operations. Expansion of manufacturing capacity for friction products and hydraulic equipment was started and the production of tire molds was extended to the continent with a new plant in Belgium.

In addition to these expansion moves, plans were made to extend and