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ALGOMA STEEL

1982 ANNUAL REPORT

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Highlights

Tons and dollars in millions except per share data	1982	1981
Shipments of steel products (tons)	1.472	2.519
Sales	\$ 874.2	\$1,426.4
Funds from operations	\$ (33.6)	\$ 269.4
Depreciation and amortization	\$ 53.5	\$ 49.7
Earnings before income taxes and equity in earnings of AMCA International Limited	\$ (123.8)	\$ 225.8
Net earnings (loss)	\$ (40.4)	\$ 165.0
– from integrated steel operations	\$ (66.1)	\$ 138.2
– from AMCA International Limited	\$ 25.7	\$ 26.8
Per common share data		
Net earnings (loss)	\$ (3.76)	\$ 10.85
Dividends paid	\$ 1.00	\$ 1.10
Book value	\$ 57.75	\$ 62.52
Long term debt as a per cent of capitalization	34%	22%
Return on average total investment	(6.2)%	13.6%
Return on common shareholders' equity	(0.9)%	18.8%
Utilization of raw steel production capability	53%	81%
Closing market price – 8% tax deferred preference share	\$ 19.00	\$ 16.875
– common share	\$ 24.75	\$ 44.375

Annual Meeting

The Annual Meeting of Shareholders will be held at the Algoma Steel Club, 89 Foster Drive, Sault Ste. Marie, Ontario, Tuesday, April 19, 1983 at 2:15 p.m. Eastern Standard Time. Notice of Meeting, an Information Circular and Proxy will be mailed separately to each Shareholder.

Les actionnaires qui désirent recevoir ce rapport en français sont priés d'en faire la demande au Secrétaire, Aciers Algoma Limitée, Sault-Sainte Marie, Ontario.

Executive Offices

503 Queen Street East
Sault Ste. Marie, Ontario
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Report to Shareholders

Algoma's unsatisfactory 1982 results reflected the precipitous drop in steel demand which so severely impacted North American and world steel producers. Raw steel production and steel product shipments decreased to 1.9 million and 1.5 million net tons in 1982 from 3.0 million and 2.5 million tons respectively in 1981. The reduction occurred in the last three quarters of the year when raw steel production rates dropped below 50 per cent of capacity for prolonged periods. Coal and iron ore operations were correspondingly curtailed in response to reduced demand for steel plant consumption and because of lower than expected coal sales to third parties.

The Corporation's total steel shipments declined by 42 per cent and domestic shipments were lower than in any non-strike year since 1962. The severity of the North American recession with its associated drop in demand for Algoma's major product lines was unprecedented and demand continued to worsen during the year. North American steel imports remained near record high levels and price discounting became more prevalent as the year progressed. Demand for major products from Algoma customers in the heavy construction, transportation and energy-related industries was particularly hard hit as the recession deepened and cutbacks and cancellations of orders reduced steel requirements in each of these sectors. Sales of \$874.2 million were in sharp contrast with record 1981 sales of \$1.43 billion.

Reduction of steel product inventories, previously accumulated by end users, importers and service centres, contributed to the sharp decline in order receipts. Algoma's backlogs dropped during the first quarter and remained at exceptionally low levels for the rest of the year. The excess North American inventory of oil country tubular goods and the continued importation of these products from offshore sources caused very low second, third and fourth quarter shipments by all North American seamless producers.

A net loss of \$40.4 million was the first annual loss reported by the Corporation since the mid-1930s. The net loss per common share, after providing for preference share dividends, was \$3.76 compared with earnings of \$10.85 in 1981. Earnings performance was favourable in the first quarter but results were unsatisfactory in each of the remaining quarters. The dividend per common share of 30 cents for the first and second quarters was reduced to 20 cents in the third and fourth quarters, for a total annual dividend of \$1.00.

Equity earnings from AMCA International Limited contributed \$1.83 per share compared with \$1.91 in 1981. The Corporation's interest in AMCA was reduced from 43 per cent to 35 per cent as a result of an AMCA common share issue in which Algoma chose not to participate in order to conserve cash for planned capital expenditures. In 1982, AMCA acquired Giddings & Lewis, Inc., a major United States machine tool and industrial products manufacturing company, which should improve AMCA's earnings potential in the future.

Funds provided from long term debt issues of \$50 million Canadian and \$100 million U.S. were used for capital expenditures, an operating cash shortfall and payment of preferred and common share dividends. The Corporation's financial position deteriorated during the year as long term debt increased from \$290.6 million to \$489.6 million and debt to total capitalization increased from 22 per cent to 34 per cent.

In response to the need for cash conservation, programs were effectively implemented to improve manhour control, restrict purchases of supplies and services, reduce inventories and conserve energy. Major cash savings were achieved but not sufficient to offset the decline in cash receipts from operations.

Capital spending originally planned at \$386 million in 1982 was reduced to \$185.4 million due to the negative cash flow from operations and the uncertainty of when demand for steel would show a sustained upturn. Field construction on the new tube mill was suspended, but delivery of machinery and equipment continued as scheduled. The essential equipment is now on site to resume construction of the mill as soon as the demand for oil country tubular goods shows a definite upward trend and there is a high level of confidence that the recession has ended. Construction of a new coke oven battery in 1982 was deferred after a re-evaluation indicated that the project could be postponed without jeopardizing Algoma's medium term coke supply. The 106'' mill coil box was under trial at year end and the new slab reheat furnace will be in operation early in 1983. Capital expenditures in 1983 are planned at \$50 million.

The income of bargaining unit and salaried employee groups was reduced as a result of the low operating levels. Up to 4,500 union employees were on layoff during most of the second half of the year and many others were affected by job reassignment. Salaried employees experienced salary freezes, bonus deferrals and a work sharing program which reduced their employment to four days a week.

The frequent changes of production schedules required to adjust to the rapidly changing steel product demand and to facilitate various cash conservation programs were difficult for the Company and its employees. Employees were kept informed of developments and they responded positively. The improved safety record achieved during the year was evidence of the determination of Algoma, its employees and their unions to maintain a safe workplace, even in times of adversity.

The low profit margins of individual steel product lines focused attention on two older mills which have contributed only marginally to operating earnings even in years such as 1974 and 1979 when steel demand exceeded production capacity. It has been decided to permanently close the bar and strip mill and the ball mill during 1983. These facilities are old and cannot be renovated to compete with new mills employing modern technology to achieve greater productivity and better quality product.

Closing of these mills is in keeping with the policy to reduce the complexity of Algoma's operations and direct raw steel capacity to only those products that can provide growth opportunity at satisfactory margins. The concentration of capital and management on Algoma's major product lines will improve the profitability of the Company.

There are fundamental changes occurring in the world steel industry which will adversely impact Algoma's ability to increase raw steel production during the 1980s at a rate comparable to the seventies. Until there is a resurgence in steel demand in North America and government action is taken in both the United States and Canada to prohibit dumped steel from entering our respective countries, growth in Canadian steel production will be restricted.

Canadian steel producers and their employees have enjoyed an enviable position for many years compared with their competitors in other countries. High operating rates, increasing employment and escalating wages and salaries have been accepted patterns which tended to be taken for granted. The stark economic realities of 1982 brought sobering realization of the need for Canadian steel to be truly competitive in both North American and world markets. The basics of high product quality, improved customer service, greater productivity, progressive management and positive employee attitude will be continuing and increasingly demanding essentials for those steel companies that are to survive and prosper in the years ahead.

The economic turmoil of the past twelve months makes it difficult to predict the future. The present outlook is for gradual recovery through 1983 and sustained growth for Algoma's steel products in 1984. Excessive customer inventories have been substantially reduced and unrestricted imports of dumped plate and wide flange products from offshore should be curbed as a result of the anticipated determination by the Deputy Minister of National Customs and Excise that there is evidence of injurious dumping of these products. A preliminary determination is expected to be made by Revenue Canada by the end of April. The government's announced intention to extend Canadian customs jurisdiction beyond the existing 12-mile limit to the outer limits of the continental shelf will provide Canadian producers with protection from unfair competition in supply of steel products required for offshore oil and gas exploration and development.

Mr. Robert W. Campbell was elected a Director of the Corporation after Mr. Ian A. Gray did not stand for re-election. Mr. John J. MacDonald retired as Secretary, having served the Corporation in this capacity for two years and previously as Assistant Secretary for 29 years. The Board appointed Mr. James T. Melville as Secretary and Mr. Paul C. Finley as Assistant Secretary, effective January 1, 1983.

The sincere effort of all Algoma employees who worked to overcome the many problems in this difficult year is acknowledged with appreciation. The hardships experienced by many employees who had their wages reduced or were laid off are recognized with concern and regret.

As we move into 1983, the support of employees, customers, suppliers and shareholders will be even more important in recovering from the difficulties of 1982 and moving to expected higher levels of sales and profitability in the years ahead.



Chairman and Chief Executive Officer



President and
Chief Operating Officer

Sault Ste. Marie, Ontario
February 25, 1983

Review of 1982



“A new line of heat treated plate was introduced and added to Algoma’s growing strength as a comprehensive Canadian plate supplier.”

Marketing and Sales

Demand for steel products dropped sharply in all market sectors as North America experienced the most severe recession in the last 40 years. The Corporation's 1982 sales totalled only \$874.2 million compared to a record \$1.43 billion in 1981.

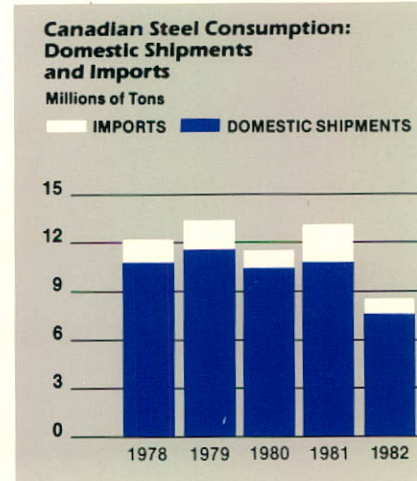
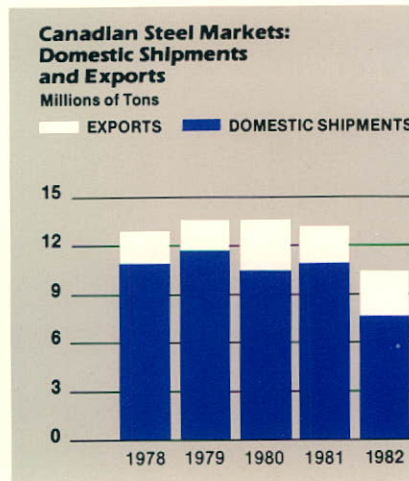
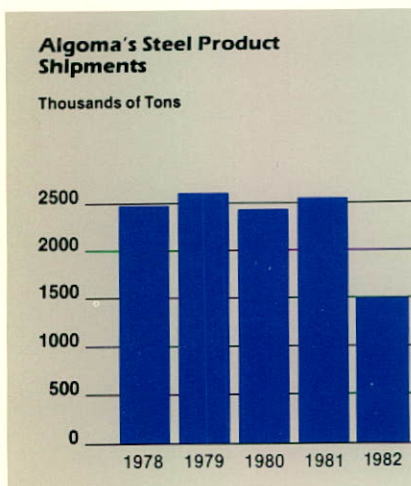
The drop in shipments of all products was brought about by a combination of factors. The downturn in capital spending which resulted from worsening economic conditions was compounded by the cancellation or deferral of a number of energy mega-projects. High levels of steel imports late in 1981 caused rapid buildup of customer inventories to very high levels by early 1982. Although these inventories were considerably reduced by year end, reordering continued to be sporadic because customers lacked confidence in the economic outlook.

Despite the advantage of the Canadian exchange rate, Algoma's shipments into the United States were substantially reduced due to depressed prices and decreased demand in the United States market. Low-priced imports from offshore continued to capture almost one quarter of United States steel consumption. Although a quota agreement was negotiated with the E.E.C. countries near year end, this had little effect on heavily discounted price levels. Customers in the agricultural and heavy equipment sectors, which have been historically important to Algoma, operated at very low levels throughout the year either because of strikes or lack of demand.

As a result of the declining North American markets for seamless and other steel products, Algoma aggressively pursued orders in the international market. Approximately 200,000 tons of offshore business was obtained which helped to maintain the Corporation's operating rates at more efficient levels than would otherwise have been possible. However, the excess world steel capacity resulted in extremely competitive markets and depressed prices.

A new line of heat treated plate was introduced and added to Algoma's growing strength as a comprehensive Canadian plate supplier. Algoma QT 700 and AR 360, quenched and tempered plates, provide high yield strength and abrasion resistance qualities for heavy machinery and plant equipment. The year began with a backlog of orders for these products, but as the economy receded, projects using plate were adversely affected.

Algoma was successful in supplying normalized plate for a number of energy-related projects including the fabrication of drilling platform modules to be used in the Beaufort Sea and a semi-submersible drilling rig which will be active in East Coast offshore areas. Algoma's normalized plate was supplied for Japanese fabrication of Beaufort Sea drilling island caissons which were subsequently shipped to Canada.



The downturn in the commercial building market and the deferral or cancellation of other construction projects decreased sales of Algoma's structural shapes. The Canadian rail market, which was particularly strong in 1981, softened during the year and rail export opportunities into the United States were less attractive because of lower demand and price discounting by competitive suppliers.

In addition to weaker demand for hot rolled sheet from the construction and welded pipe markets, the automotive industry failed to recover in 1982 and Algoma's shipments to this market were reduced. The completion of the 106" mill coil box and the new slab reheating furnace will enhance the production capability and competitiveness of the wide strip mill when markets recover.

A sharp drop in the U.S. seamless tubular demand was principally the result of record high inventory levels of oil country seamless casing and line pipe. Canadian demand for seamless tubular products showed some improvement toward the end of 1982 after extremely low levels of activity earlier in the year. Improved federal and provincial financial incentives were principal reasons for this increased activity, which is expected to continue into the first quarter of 1983.

A surge of low-priced steel imports into Canada from countries around the world increased inventories and were offered at heavily discounted prices which disrupted the domestic market. As a result, Algoma petitioned the Department of National Revenue to investigate the dumping of steel plate and wide flange shapes into Canada. A decision was reached near year end by the Federal Government to launch a formal investigation into the alleged dumping of both these products. Investigations are also being considered to determine whether seamless tubulars have been dumped into the Canadian market.

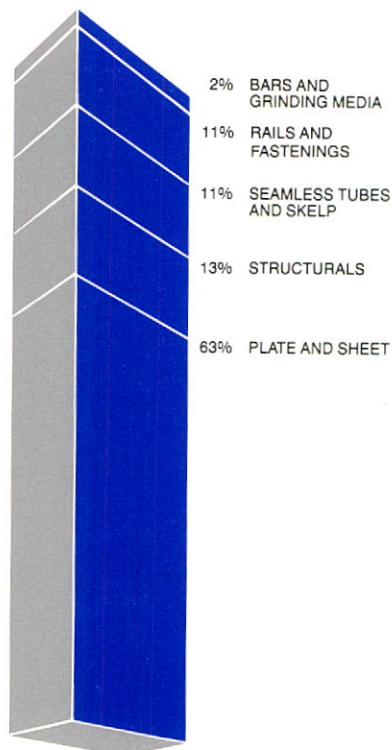
Improved customer service continues to be a major priority at Algoma and increased emphasis has been placed on product quality and delivery reliability. Significant improvements were achieved during 1982 and efforts will continue towards satisfying the very demanding and rapidly changing emphasis on "on time delivery".

While the North American economy is expected to show slight recovery in 1983, the gradual improvement in markets for Algoma's steel products will result primarily from the completion of inventory liquidation and displacement of imports. Depressed expenditures on major non-residential capital projects will continue to hinder recovery in demand for Algoma's construction-related products.

Consumer-related spending is expected to improve slowly and should be reflected in increased demand, particularly for automotive-related steel products.

Investment by the North American oil and gas industry in exploration and development drilling is projected to be slightly lower than in 1982 but footage drilled should still be among the highest on record. Tubular inventory liquidation has not yet been completed but tubular orders are forecast to increase as the year progresses.

The relatively strong Canadian currency, coupled with excess world steel capacity and resultant unsatisfactory prices, will restrict Algoma's competitiveness in offshore markets.



ALGOMA'S STEEL PRODUCT SHIPMENTS BY PRODUCT CLASSIFICATION, 1982

Raw Materials

Low production levels at the Steelworks during 1982 caused a sharp drop in raw material requirements. Iron ore and metallurgical coal deliveries to the Steelworks were 2.3 million gross tons and 1.1 million tons respectively, compared with 4.0 million gross tons and 2.5 million tons in 1981. The reduced tonnage requirements resulted in extended shutdowns at Algoma's mining operations.

Sinter production at the Algoma Ore Division at Wawa, Ontario reached 870,000 gross tons compared with 1981 production of 1.46 million gross tons. Iron ore hoisted in 1982 totalled 1.34 million gross tons with Stage IV of the MacLeod Mine accounting for 58 per cent of this production. Stage III of the mine is expected to be mined out by mid-1983.

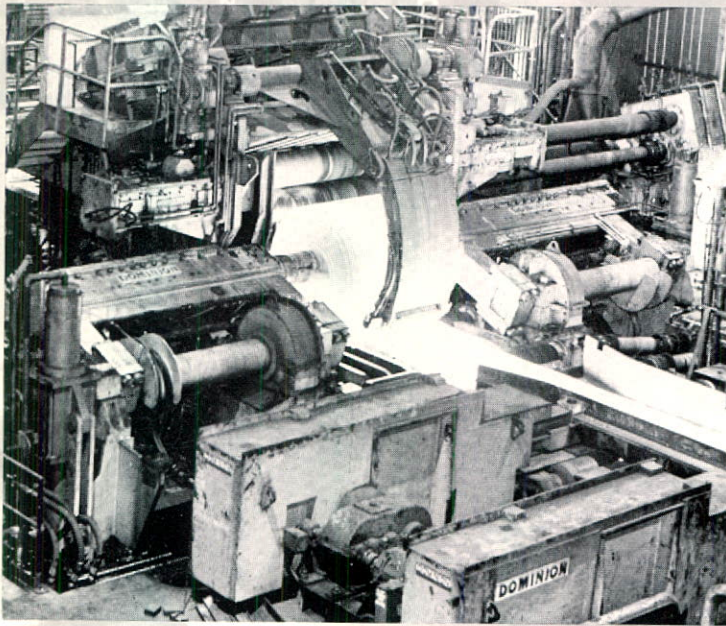
Pellet production at the Tilden Mine in Michigan was 3.72 million gross tons, down 48 per cent from 1981 and only 47 per cent of capacity. Excess pellet inventories at Tilden partners' plants and the decreased demand for steel products required shutdown of the pellet plant in mid-May and production did not resume until late November, at 50 per cent of capacity.

Metallurgical coal mining operations of Cannelton Industries, Inc. began to shut down during the third quarter of 1982 and the shutdowns extended into 1983. Total production at the four metallurgical coal mining operations was 1.72 million tons, down from 2.12 million tons in 1981. Sale of metallurgical coal to third parties totalled 537,000 tons compared with 370,000 tons in 1981. Operating efficiency and coal quality improved at the Kanawha and Indian Creek coal preparation plants.

Steam coal shipments from the Kanawha Division decreased sharply in the second half of the year as a result of the economic downturn in the United States. Total steam coal shipments were 755,000 tons. While this was an increase from the 585,000 tons shipped the previous year, it was considerably below the tonnage projected for 1982.

One of the few beneficial effects of the 1982 shutdowns was the opportunity to thoroughly review potential for improvement in efficiency at all raw material operations. At Tilden, plans were put in place to test a new filtering process in 1983 that could produce major cost savings. At the Algoma Ore Division, efforts to improve labour productivity by innovative scheduling resulted in productivity at one-third capacity that was close to full capacity performance. At Cannelton's coal mines, all supervisors participated in an intensive training program designed specifically to improve productivity and safety when the coal mines resumed production. These programs will reduce raw material costs when improved sales permit higher levels of mine production.

A government supported research project to study the expansion of various coal blends in the cokemaking process was conducted at the Steelworks. Planned demolition of the No. 6 coke oven battery provided a unique opportunity to gain valuable research information at no risk. The results showed that a higher percentage of low volatile coal could be safely used in the cokemaking coal blend to produce better quality coke and achieve substantial cost savings.



“The 106” strip mill coil box which was commissioned in 1982 will help produce better quality, yield and product range on this facility.”

Manufacturing Operations

Manufacturing operations were severely hampered in 1982 as production levels were constantly adjusted downward in response to weak and variable demand for steel products. All operating facilities worked at reduced production schedules during the last three quarters of the year.

Coke production declined to 1.0 million tons compared with 1.4 million tons in 1981. To achieve the lower tonnage, No. 9 battery was taken out of service for more than four months, No. 8 battery was down for almost three months for major repairs and No. 6 battery was permanently shut down and dismantled in preparation for a new battery to be built on the same site. However, planned construction of this new battery was deferred in response to economic conditions.

Iron and raw steel production of 1.8 million tons and 1.9 million tons were approximately 38 per cent and 37 per cent, respectively, below 1981 levels. During most of 1982, a two blast furnace operation was maintained with selective banking of other blast furnaces to meet requirements.

Continuously cast steel totalled 934,000 tons, or 49.2 per cent of raw steel produced, compared to 1.1 million tons, or 37.2 per cent of the 1981 raw steel production. Engineering began on conversion of the slab caster to a combination bloom/slab caster which would permit casting of blooms for rail and seamless tubular production with resulting improved flexibility in Algoma's steelmaking and casting operations.

Steelmaking equipment and practices were modified during the year to improve quality, yields, energy consumption and the environment. Laser beam technology was applied to the monitoring of steelmaking vessel linings to improve lining life and prevent unexpected failures. A lance bubbling equilibrium system was installed on one of the No. 1 BOSP vessels and preliminary results indicate that this equipment facilitates improved quality, yield and emission control.

A research program designed to provide rails of improved premium quality achieved promising results in the production of prototype rails. The process is patentable and, if further experimentation is successful, the new premium rail will enhance Algoma's strong position in the marketplace.

Algoma became the only Canadian steel producer of heat treated plate with the successful startup of the new plate quench and temper facility. Construction of a new plate processing and shipping facility was suspended until market conditions improve. The 106" strip mill coil box, which was commissioned in 1982, will help produce better quality, yield and product range on this facility. A new plate and strip slab reheating furnace is scheduled to commence production early in 1983.

The declining market for oil country tubular products was paralleled by a significant change in product mix and much tighter quality standards, particularly for high grade casing used in Arctic and Atlantic offshore drilling. New seamless tubular inspection equipment will begin operating in February 1983 and will improve Algoma's quality assurance capability.

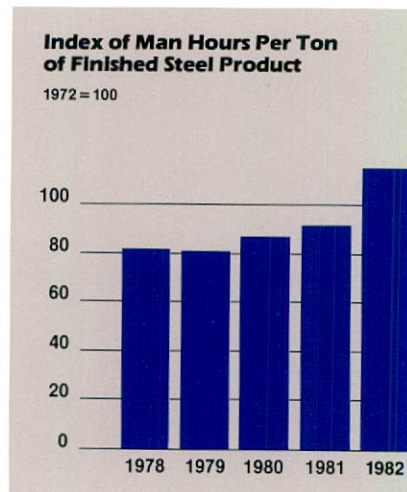
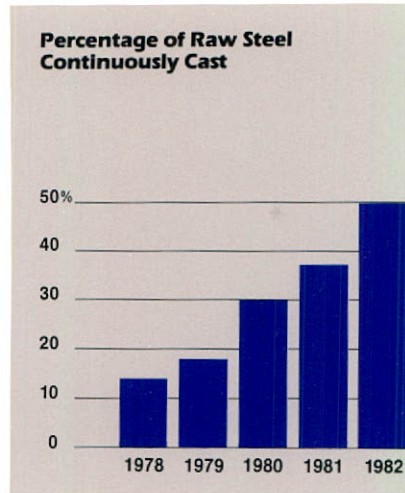
In conjunction with the downturn in business, cost reduction programs were employed throughout all operating departments. The programs focused on labour efficiency, maintenance, plant purchases, shop work and outside contracting. Savings were also achieved through inventory reductions and improved mill scheduling for energy conservation.

The unfavourable market forced a re-evaluation of the Corporation's 1982 capital program. Construction activity was reduced in mid-year and all field construction on the No. 2 tube mill was suspended in October. The tube mill building was completed to permit the receipt and storage of mill equipment. Machine foundations were approximately 35 per cent complete and some equipment was installed.

Analysis of bar and strip mill and ball mill product demand and profitability indicated that continued operation of these mills could not be justified and the mills will close in 1983. Investigations are underway to determine the viability of continuing to operate other rolling mills which have either lost money under current market conditions or contributed very little to profitability even in periods of strong market demand.

In June, the Ontario Ministry of the Environment issued a new control order for the Steelworks Division. Several items in this order were completed by year end and discussions were in progress with Ministry officials regarding schedules for completion of the remaining items.

The current world economy has presented new manufacturing challenges. These include the need for operators to respond to more competitive markets, intensified demands for new products, higher standards of quality and reliability and rapidly changing levels of production. At the same time, the need for cost reduction has never been greater and major improvements must be made in yields, efficiency and productivity. Attention in 1983 must continue to be focused on action programs in operating areas that will maintain and enhance Algoma's position as a preferred supplier in the difficult North American markets of the 1980s.



Employee Relations

As production progressively declined in 1982, it became necessary to reduce employment. Layoffs of unionized employees that began in late 1981 continued throughout 1982. At the beginning of the year there were close to 10,200 unionized employees at the Canadian divisions but by year end this had reduced to approximately 5,700.

Supplementary Unemployment Benefits (SUB) were paid to eligible laid off hourly employees. However, by the end of the third quarter the SUB fund, which exceeded \$3 million at the beginning of the year, had been depleted and SUB benefits were discontinued. An agreement was reached with Algoma's Canadian unions to permit laid off employees to maintain life insurance protection and health care benefits for an initial period of six months by paying monthly premiums directly to the insurance company. Special arrangements were made to permit laid off employees to continue in apprenticeship and skills training programs.

Staff and supervisory employment costs were lowered through imposition of a hiring freeze, early retirement incentives for employees with long service, the use of partially paid leaves of absence to encourage younger employees to return to college or university and the granting of special leaves for other purposes. In addition, salary levels and cost-of-living allowances were frozen effective June 1982. In October, approximately 2,000 supervisory and staff personnel began a work sharing program which involved working and being paid for four days a week and collecting unemployment insurance for the fifth day.

The economic climate increased the necessity for effective communication with all employees. Meetings were held frequently throughout the year with staff and supervisory employees and with union officials to update employees on changing economic developments and advise on the impact of the changes on the Company.

Employee concern over seniority rights and layoffs led to an increase in grievances during the year, most of which were resolved without resorting to arbitration.

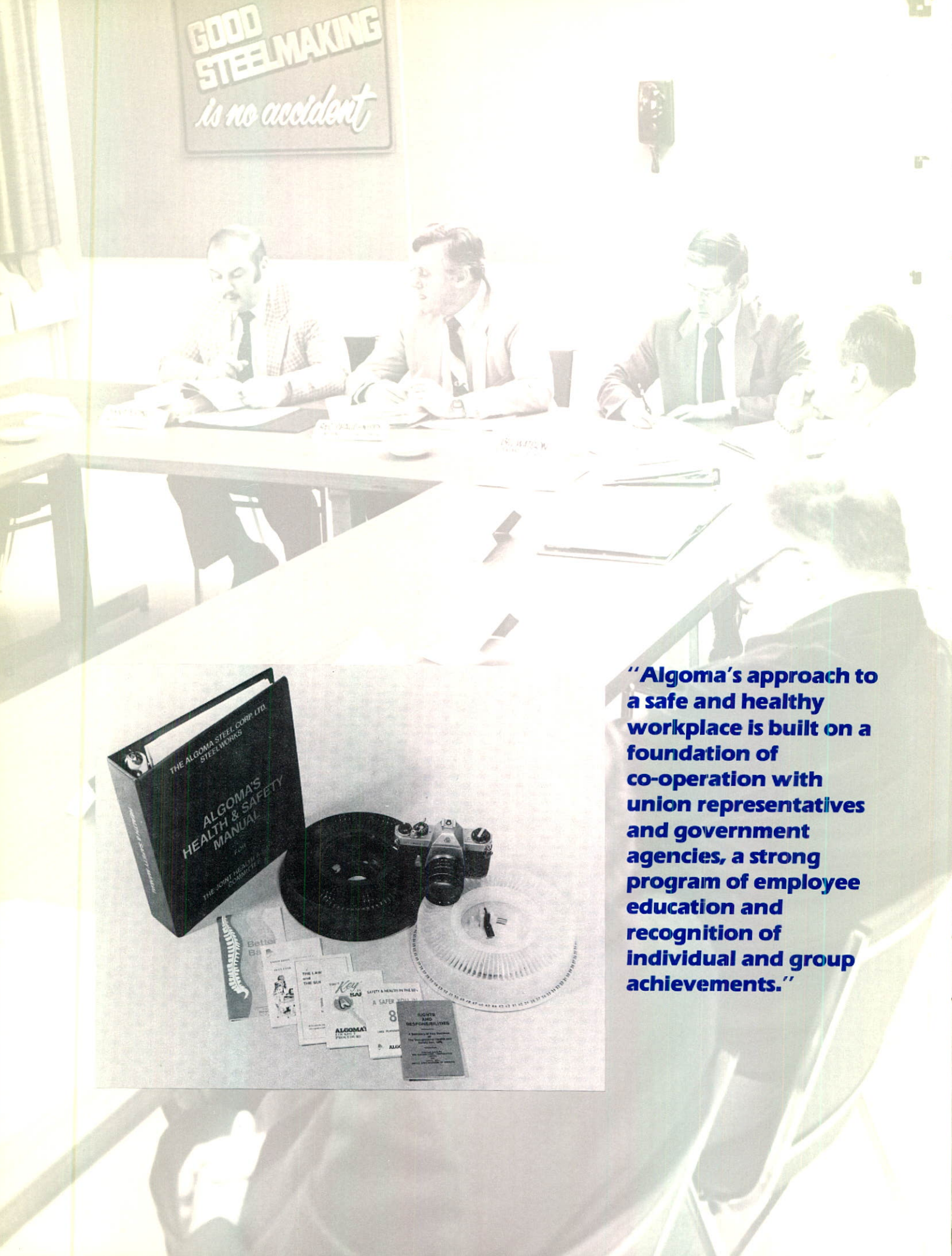
Health and safety programs were not compromised despite the disruptive effect of adverse steel markets on operations and employees. The ability to control injury rates in this period of high worker concern and dislocation demonstrated the effectiveness of the Joint Health and Safety programs which were implemented during the year. While there was an increase in lost-time severity in 1982, there were reductions in lost-time accident frequency and first treatment frequency at the Steelworks and Tube Divisions.

Algoma's approach to a safe and healthy workplace is built on a foundation of co-operation with union representatives and government agencies, a strong program of employee education and recognition of individual and group achievements. A Health and Safety Manual containing policies, procedures and practices and clearly defined rights, responsibilities and commitments of all parties under the Health and Safety Committee structure was developed and published in 1982.

Industrial Hygiene activities accelerated as the Ontario Ministry of Labour issued new regulations covering designated substances under the Health and Safety Act. Late in 1981 and during 1982, regulations were issued covering lead, mercury, asbestos and coke oven emissions. Each of these regulations required substantial work on the part of the Health Services group to assist in establishing control programs and to provide for medical examinations of workers and the setting up of exposure records.

The United Way campaign returned to a single year canvass and again demonstrated the generosity of Algoma's employees even in periods of economic difficulty. Their concern for the community was demonstrated by a high level of participation and the average contribution rose substantially.

**GOOD
STEELMAKING**
is no accident



“Algom’s approach to a safe and healthy workplace is built on a foundation of co-operation with union representatives and government agencies, a strong program of employee education and recognition of individual and group achievements.”



A new program recognizing scholastic and all around achievement was introduced in memory of Algoma's former chairman and chief executive officer. David S. Holbrook Scholarships were awarded to students from each of the nine secondary schools in Sault Ste. Marie, Wawa and Central Algoma as selected by the school principals' committees. The scholarship awards provide financial assistance for the first year of university.

In addition, 8 Sir James Dunn Scholarships were awarded to sons and daughters of employees attending university and 11 Algoma Steel Technology Bursaries were given to students attending a college of applied arts and technology. The Master of Business Administration program at Lake Superior State College, in Sault Ste. Marie, Michigan, entered its second year with 34 Algoma employees participating.

Employment at the Corporation's coal mines in West Virginia totalled 1,195 at the beginning of the year but declined to 234 by year end. Reductions in mining activity began in March, reflecting lower requirements of the Steelworks Division and by mid-October all four metallurgical coal mining divisions had been closed. Less than five per cent of the unionized work force remained employed at year end.

The labour agreement at the Welded Beam Division in Sault Ste. Marie expired on January 25, 1982. A new three-year agreement was ratified by the employees on February 19, 1982.

The following table illustrates the main employment cost elements for 1982. Comparative 1981 data illustrate the impact of reduction in employment during the year.

Millions of Dollars	1982	1981
Wages and Salaries		
for time worked	\$280	\$328
for vacation and statutory holidays	35	37
Supplementary Employment Costs		
pensions	41	39
group insurance plans and other benefits	26	21
unemployment insurance	4	5
workmen's compensation	9	10
Total	\$395	\$440

Financial Review

A 1982 net loss of \$66.1 million from integrated steel operations was partially offset by the Corporation's equity in earnings of AMCA International Limited which contributed \$25.7 million. The consolidated net loss was \$40.4 million or \$3.76 per common share after deducting preferred dividends.

Net earnings from integrated steel operations declined 148 per cent from 1981 as a result of sharply reduced shipment volume, depressed sales returns, increased financial expense, high unit costs resulting from low levels of production and a significant proportion of offshore sales which provided cash flow but contributed very little to profits. There were no increases in steel product selling prices during the year and employment and other costs continued to escalate.

The following table of quarterly pretax earnings reflects the deterioration which took place as the year progressed.

Quarter Millions of Dollars	1982	1981	1980
1	\$ 39.3	\$ 48.7	\$ 24.2
2	(20.7)	69.5	35.0
3	(63.8)	47.5	15.7
4	(78.6)	60.1	46.3
	(\$123.8)	\$225.8	\$121.2

Algoma chose to conserve cash for planned capital spending and did not take up its proportionate share of an AMCA International Limited common share issue in October, resulting in a decline in the Corporation's equity interest from 43 per cent to 35 per cent. Equity earnings from AMCA during the first half were favourable compared to the two prior years as shown in the following table but declined in the second half. The second quarter earnings included a \$9.0 million exchange gain from balance sheet translation and, the third quarter, a \$6.6 million exchange loss.

Quarter Millions of Dollars	1982	1981	1980
1	\$10.6	\$ 7.1	\$ 7.4
2	15.7	8.4	3.4
3	(1.4)	6.3	4.8
4	.8	5.0	11.2
	\$25.7	\$26.8	\$26.8

Capital expenditures totalled \$185.4 million, of which \$9.9 million was on mining operations and \$175.5 million on manufacturing facilities. The major capital project was the new seamless tube mill on which \$115.4 million was spent during the year. Capital spending was curtailed to conserve cash and about \$200 million of planned spending was cancelled or deferred. Estimated capital expenditures to complete projects authorized by the Board of Directors and committed by the Corporation amounted to \$121 million at year end and a further \$186 million of authorized expenditures have not yet been committed.

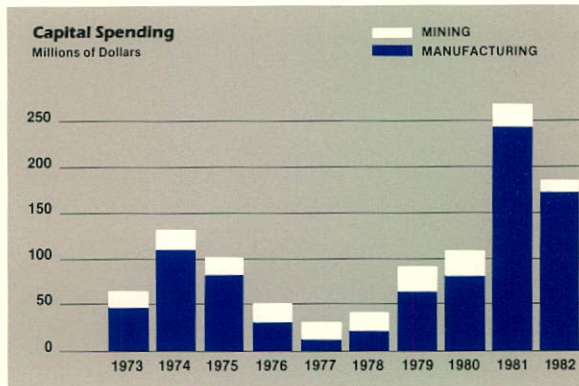
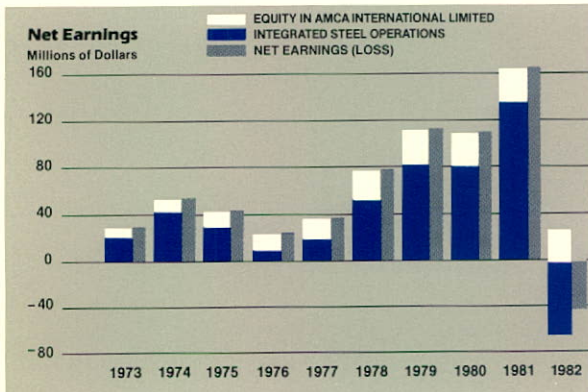
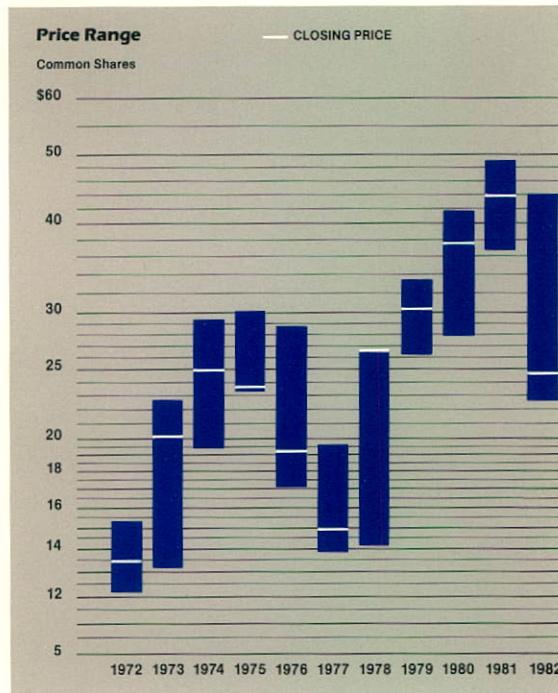
Unlike each of the past five years when cash flow from operations exceeded total capital expenditures, there was a \$219 million cash shortfall in 1982. The Corporation issued \$50 million of 17³/₈ per cent fifteen-year debentures in May and placed U.S. \$100 million debentures in November at an effective annual fixed rate of 14.3 per cent, maturing in 1990.

Working capital decreased \$54.6 million during the year to \$318.2 million and total assets increased \$10.6 million to \$1.73 billion. The ratio of current assets to current liabilities at year end was 2.8 to 1, the ratio excluding inventories was .7 to 1 and the proportion of long term debt to total capitalization was 34.2 per cent compared to 22.3 per cent a year ago.

Dividends paid to preference shareholders during the year amounted to \$12.5 million and to common shareholders \$14.0 million. Dividends declared per common share were 30 cents for each of the first two quarters of 1982 and 20 cents for each of the last two quarters, totalling \$1.00 compared with \$1.10 in 1981.

The price of Algoma's common shares decreased from \$44³/₈ at the end of 1981 to \$24³/₄ at December 31, 1982. The following table shows the quarterly highs and lows for common shares traded on the Toronto Stock Exchange during the year.

Quarter	High	Low
1	\$44	\$33
2	34 ¹ / ₈	23 ¹ / ₄
3	27 ⁵ / ₈	23
4	29	22 ³ / ₄



Earnings and Retained Earnings

For the years ended December 31

Thousands of Dollars	1982	1981
Income		
Sales	\$ 874,164	\$1,426,434
Interest and other income	2,066	21,811
	876,230	1,448,245
Expenses		
Cost of products sold	878,425	1,116,005
Administrative and selling	26,132	26,029
Interest and expense on long term debt	40,245	29,816
Interest on short term loans	1,757	893
Depreciation and amortization	53,508	49,686
	1,000,067	1,222,429
Earnings (loss) before income taxes and equity earnings	(123,837)	225,816
Income taxes – deferred (note 2)	(57,700)	87,600
Earnings (loss) before equity earnings	(66,137)	138,216
Equity in earnings of associated company (note 4)	25,716	26,754
Net Earnings (Loss)	\$ (40,421)	\$ 164,970
Provision for dividends on preference shares	\$ 12,306	\$ 12,758
Net earnings (loss) applicable to common shares	\$ (52,727)	\$ 152,212
Per common share	\$ (3.76)	\$ 10.85
Retained Earnings		
Balance at beginning of year	\$ 788,422	\$ 651,494
Net earnings (loss)	(40,421)	164,970
Dividends declared (note 11)	(26,491)	(28,042)
Balance at end of year	\$ 721,510	\$ 788,422

See notes to consolidated financial statements.

THE ALGOMA STEEL CORPORATION, LIMITED
CONSOLIDATED FINANCIAL STATEMENTS

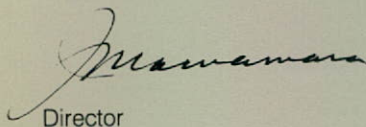
Financial Position

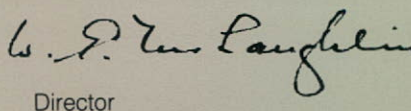
As at December 31

Thousands of Dollars	1982	1981
Current Assets		
Short term investments, at cost (approximates market)	\$ 20,237	\$ 7,800
Accounts receivable	97,628	203,994
Inventories (note 3)	368,285	390,448
Prepaid expenses	5,988	6,339
	492,138	608,581
Current Liabilities		
Bank overdraft	3,571	11,966
Accounts payable and accrued liabilities	154,137	210,780
Taxes payable	8,470	13,026
Long term debt due within one year	7,730	—
	173,908	235,772
Working Capital		
Current assets less current liabilities	318,230	372,809
Other Assets		
Non current account receivable	—	1,000
Long term investments (note 4)	242,197	227,267
Net fixed assets (note 5)	990,804	879,504
Unamortized debenture expense	3,600	1,833
	1,236,601	1,109,604
Total Investment		
Working capital plus other assets	1,554,831	1,482,413
Other Liabilities (note 7)		
Long term debt (note 8)	489,584	290,579
Accrued past service pension cost (note 9)	10,916	9,915
Deferred income taxes	112,752	170,428
	613,252	470,922
Excess of total investment over other liabilities	\$ 941,579	\$1,011,491
Commitments and Contingencies (notes 2, 6 and 9)		
Shareholders' Equity		
Capital stock (note 10)		
Preference shares	\$ 130,530	\$ 133,530
Common shares	89,539	89,539
Retained earnings	721,510	788,422
	\$ 941,579	\$1,011,491

See notes to consolidated financial statements.

On behalf of the Board:


Director


Director

Changes In Financial Position

For the years ended December 31

Thousands of Dollars	1982	1981
Source of Working Capital		
Operations		
Net earnings (loss)	\$ (40,421)	\$ 164,970
Equity in undistributed earnings of associated company	(11,530)	(13,013)
Other items included in earnings not resulting in an outlay or receipt of funds	18,324	117,443
	(33,627)	269,400
Proceeds from long term loans	204,759	—
Other	1,463	489
	172,595	269,889
Application of Working Capital		
Additions to fixed assets		
Manufacturing plants	175,485	246,636
Raw material properties	9,920	18,054
	185,405	264,690
Additions to long term investments	3,598	2,157
Reduction of long term debt	7,730	3,155
Preference shares purchased for cancellation	3,000	3,000
Dividends declared	26,491	28,042
Other	950	989
	227,174	302,033
Working Capital		
(Decrease) during year	(54,579)	(32,144)
Balance at beginning of year	372,809	404,953
Balance at end of year	\$ 318,230	\$ 372,809

Changes In Working Capital

Current Assets Increase (Decrease)		
Cash and short term investments	\$ 12,437	\$ (77,353)
Accounts receivable	(106,366)	48,717
Inventories	(22,163)	74,196
Prepaid expenses	(351)	876
	(116,443)	46,436
Current Liabilities Increase (Decrease)		
Bank overdraft	(8,395)	11,966
Accounts payable and accrued liabilities	(56,643)	63,310
Taxes payable	(4,556)	3,304
Long term debt due within one year	7,730	—
	(61,864)	78,580
Working Capital		
(Decrease) during year	\$ (54,579)	\$ (32,144)

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiary companies and significant inter-company transactions are eliminated. Assets, liabilities and results of operations of United States subsidiaries are included assuming \$1 Canadian equal to \$1 United States; if these were translated to the actual Canadian dollar equivalent, using historical rates to translate non current assets and long term liabilities, there would be no material effect on these financial statements. The investments in the associated company, AMCA International Limited, and in the cost sharing Tilden Mine joint venture producing iron ore pellets are accounted for by the equity method.

Inventories

Finished products and work in process are valued at the lower of cost and net realizable value. Raw materials and supplies are valued at the lower of cost and replacement cost.

Fixed Assets

Property, plant and equipment are recorded at cost. Expenditures for improvements and renewals which extend economic life and for mine development are capitalized. Maintenance and repairs are charged to earnings as incurred excepting expenditures on periodic relines of blast furnaces which are accrued for in advance on a unit of production basis.

Depreciation of manufacturing plant and equipment, which comprises over 80% of fixed assets, is provided using the straight-line method applied to the cost of the assets based on their estimated useful composite life of approximately 20 years and beginning when they commence operation. Plant and equipment at raw material properties and mine development costs are either depreciated on a straight-line basis at rates intended to amortize the cost of these assets over their estimated economic lives or are amortized on a unit of production basis over the estimated recoverable raw material reserves.

Interest incurred on funds borrowed to directly finance the development of new raw material properties and the construction of new manufacturing facilities is capitalized during the period of construction and initial development.

Exploration, Research and Start Up Expenses

Expenses in exploring for raw materials, investigating and holding raw material properties and costs of research and start up of new production facilities are charged to earnings as incurred.

Income Taxes

Income taxes are provided for on the deferred tax allocation basis. Since regulations in Canada and the United States permit the deduction of expenses in calculating taxable income which may not correspond with amounts recorded for financial reporting purposes, such differences, principally relating to depreciation, give rise to deferred income taxes in the financial statements.

Investment tax credits are recorded in the accounts in the year for which they are claimed for tax purposes. Since these tax credits increase taxable income of future years by lowering the value of depreciable assets for taxation purposes by the amount thereof, a portion, determined at the current tax rate, is set aside as deferred income taxes. The balance is applied to reduce income taxes charged to earnings.

2. Income Taxes

Revenue Canada has issued reassessments relating to earned depletion and 3% inventory allowances which would increase the Corporation's deferred income tax provisions for the years 1975, 1976 and 1977. The basis for the reassessments could have application to subsequent years. Notices of Objection have been filed and representations are being made on these matters. The Corporation and its legal advisors are of the opinion that the Corporation's arguments have merit and that the prospects of successfully opposing the arguments of Revenue Canada are favourable. Accordingly, the potential increase in deferred income taxes for 1975, 1976 and 1977 and subsequent years has not been provided for in the financial statements. In the event of an adverse ruling, the income tax provisions for the years 1975 to 1981 inclusive would be increased approximately \$14.2 million and the income tax recovery for 1982 would be decreased by approximately \$1.3 million.

3. Inventories

Thousands of Dollars	1982	1981
Finished products	\$ 73,086	\$ 61,505
Work in process	87,090	87,086
Raw materials and supplies	208,109	241,857
	\$ 368,285	\$ 390,448

4. Long Term Investments

Thousands of Dollars	1982	1981
Associated company	\$ 193,221	\$ 181,691
Joint venture	47,104	43,506
Other	1,872	2,070
	\$ 242,197	\$ 227,267

Equity in earnings of the associated company includes an exchange gain of \$2.0 million in 1982 and a loss of \$8.6 million in 1981 arising from translation of balance sheets of the associated company's foreign subsidiaries into Canadian funds.

5. Net Fixed Assets

Thousands of Dollars	1982	1981
Property, plant and equipment:		
Manufacturing plants	\$1,364,671	\$1,196,609
Raw material properties	216,090	217,511
	1,580,761	1,414,120
Accumulated depreciation and amortization	589,957	534,616
	\$ 990,804	\$ 879,504

6. Commitments

- (a) The Corporation, as a participant in the Tilden Mine joint venture, is entitled to receive its 30% share of production and is committed to pay its share of costs including minimum charges for principal and interest to cover the servicing of long term debt. The Corporation's share of such minimum charges was \$21.9 million in 1982 and will average approximately \$19.6 million annually during the next five years.

(b) The estimated amount required to complete approved capital projects is \$307 million which includes \$131 million for the construction of a new seamless tube mill and \$127 million for a new coke oven battery. These projects are expected to be completed during the next five years. At December 31, 1982 contractual commitments for these projects amounted to approximately \$121 million.

7. Long Term Leases

Rentals under long term leases amounted to \$10.4 million in 1982. Future minimum rentals will aggregate \$62.9 million and in each of the next five years will be (in millions of dollars) \$8.5, \$8.4, \$6.8, \$6.0 and \$4.5. These rentals are payable principally under leases of steel processing plant and equipment which contain options to purchase and under leases of raw material properties.

8. Long Term Debt

Thousands of Dollars	1982	1981
Debentures (a)		
7 ³ / ₈ % series C maturing 1987	\$ 14,569	\$ 14,569
8 ³ / ₄ % series D maturing 1991	28,800	28,800
10 ³ / ₈ % series E maturing 1994	43,688	43,688
11 % series F maturing 1995	61,642	61,642
17 ³ / ₈ % series L maturing 1997	50,000	—
Floating rate series G		
maturing 1999 (b)	60,000	60,000
Floating rate series I		
maturing 1994 (b)	46,880	46,880
Floating rate series M		
maturing 1990 (c)	122,434	—
9.65% note maturing 2000 (d)	35,000	35,000
Bank loan (e)	4,301	—
Short term promissory notes (e)	30,000	—
Total amount outstanding	497,314	290,579
Less due within one year	7,730	—
	\$489,584	\$290,579

Sinking fund requirements for 1983 and 1984 have been partially satisfied by purchase of debentures in the open market in the amounts of \$2.2 million in respect of 1983 and \$1.0 million for 1984. Unsatisfied sinking fund and other repayment requirements for each of the five years commencing in 1983 are (in millions of dollars) \$7.7, \$11.5, \$14.2, \$17.6 and \$25.1.

- (a) The debentures rank pari passu and are secured by a Trust Indenture containing a first floating charge on all assets of the Corporation in Ontario.
- (b) Series G are income debentures and bear non-taxable interest at 1¹/₈% over one-half of the prime lending rate of a Canadian chartered bank. The Corporation is permitted to convert this obligation into series H debentures bearing taxable interest which varies from 1¹/₄% to 3¹/₄% over the prime lending rate of a Canadian chartered bank.

Series I are income debentures in the principal amount of \$40 million payable in United States currency and bear non-taxable interest which varies from 1¹/₄% to 1¹/₂% over one-half of the London Interbank Offering Rate (LIBOR) or, at the option of the Corporation, from 1% to 1¹/₄% over one-half of the prime lending rate of a Canadian chartered bank on United States dollar demand loans to commercial customers resident in Canada. The debentures are convertible, at the option of the Corporation, into a Canadian currency obligation bearing interest which varies from 1% to 1¹/₄% over one-half of the prime lending rate of a Canadian chartered bank. The Corporation is permitted to convert this obligation into series J debentures bearing taxable interest at various rates and, at the option of the Corporation, may be in either United States or Canadian currency.

A United States currency loan would bear interest which varies from $\frac{3}{4}\%$ to 1% over LIBOR or, at the option of the Corporation, from .30% to .55% over the prime lending rate of a Canadian chartered bank on United States dollar demand loans to commercial customers resident in Canada. A Canadian currency loan would bear interest which varies from .30% to .55% over the prime lending rate of a Canadian chartered bank.

- (c) Series M debentures in the principal amount of \$100 million payable in United States currency bear interest based on the London Interbank Offering Rate (LIBOR). Concurrent with this borrowing, the Corporation entered into an Exchange Agreement with a foreign financial institution thus enabling the Corporation to convert its floating rate liability into an effective annualized fixed rate obligation of 14.27%. The debentures mature in November, 1990 but are repayable prior to maturity in whole or in part at the option of the Corporation.
- (d) The 9.65% note, an obligation of a United States subsidiary, is in United States currency and is repayable in annual instalments commencing in 1983.
- (e) An agreement with three Canadian chartered banks provides for an aggregate borrowing of up to \$250 million over a drawdown period ending December 30, 1985 to finance construction of a new seamless tube mill. The funds borrowed may be in Canadian dollars and/or United States dollars and may be converted into long term debt maturing in 1993. There have been no drawdowns under this line of credit. The Corporation's immediate requirements have been financed with a bank loan of \$4.3 million (U.S. \$3.5 million) and short term promissory notes of \$30.0 million. Since term loans under the tube mill lines of credit are available to replace such short term borrowings, they have been classified as long term debt.

9. Pensions

The unfunded liability for pensions in respect of past service is \$184.1 million, as estimated by independent actuaries, of which \$36.5 million is recorded in the statement of Financial Position. The unfunded liability includes an increase of \$12.6 million resulting from 1982 revisions in pension plans.

Pension costs charged to earnings were \$41.4 million in 1982 and include those arising from current service, annual interest on past service liabilities and annual payments respecting plan amendments and actuarial revaluations. It is planned that future payments will discharge the total unfunded past service liability by 1997.

10. Capital Stock

(a) Preference shares

Authorized – 7,621,200 shares of \$25.00 each par value, issuable in series of which 2,021,200 shares are reserved for conversion of series A shares into series B shares.

Issued at December 31

Thousands of Dollars	1982	1981
8% cumulative redeemable tax deferred series A shares (2,021,200 in 1982 and 2,141,200 in 1981)	\$ 50,530	\$ 53,530
Floating rate cumulative redeemable retractable series C shares (2,000,000 in 1982 and 1981)	50,000	50,000
Floating rate cumulative redeemable retractable series D shares (1,200,000 in 1982 and 1981)	30,000	30,000
	\$130,530	\$133,530

Series A shares are entitled to annual dividends of \$2.00 per share payable quarterly; commencing with the quarterly payment December 1, 1988, dividends received on that and future quarterly dates will be taxable. They are redeemable at the option of the Corporation at a premium of \$1.00 per share which reduces annually and are exchangeable after September 1, 1988 on a share for share basis at the option of the holder into 9³/₄% cumulative redeemable preference shares series B on which dividends will be taxable. The Corporation is obligated to purchase in each twelve month period up to 120,000 series A or B shares to the extent that they are available at market prices not exceeding \$25 per share. The Corporation purchased for cancellation 120,000 shares in 1982 at prices averaging \$17.45 per share.

Series C shares are entitled to quarterly dividends at a rate equal to 1¹/₂% over one-half of the mean prime lending rate of five Canadian chartered banks. They are redeemable at the option of the Corporation at a premium of \$.25 per share which reduces to par in 1983. The shares have a retractable feature which requires the Corporation to invite tenders for the purchase of all such shares and to purchase at May 31, 1987 at \$25.00 per share plus accrued and unpaid dividends all shares deposited with the Corporation pursuant to the invitation. Not less than 45 days prior to this date the Corporation is permitted to offer an increased dividend rate or to create additional retraction privileges for the benefit of shares not so purchased.

Series D shares are similar to series C excepting that they are entitled to quarterly dividends at a rate equal to 1³/₈% over one-half of the mean prime lending rate of five Canadian chartered banks. The Corporation is similarly required to invite tenders for the purchase of these shares and to purchase shares so tendered at December 31, 1987.

(b) Common shares

Authorized – 30,186,704 shares without par value.
 Issued – 14,029,353 shares at December 31, 1982 and 1981.

11. **Dividends**

Dividends were declared as follows:

Thousands of Dollars	1982	1981
Preference shares		
Series A		
\$2.00 per share in 1982 and 1981	\$ 4,170	\$ 4,408
Series C		
\$2.63 per share in 1982 and \$2.54 in 1981	5,266	5,073
Series D		
\$2.52 per share in 1982 and \$2.61 in 1981	3,026	3,129
	12,462	12,610
Common shares		
\$1.00 per share in 1982 and \$1.10 in 1981	14,029	15,432
	\$26,491	\$28,042

12. Related Party Transactions

The Corporation is a subsidiary of Canadian Pacific Enterprises Limited which at December 31, 1982 held approximately 61.2% of the Corporation's outstanding common shares. Canadian Pacific Enterprises Limited is a subsidiary of Canadian Pacific Limited, a diversified corporation with its head office in Montreal, Quebec, and consequently the Corporation is related to the numerous companies in the Canadian Pacific group. The Corporation owns 34.9% of the common shares of the associated company, AMCA International Limited (AMCA), and a 30% interest in the Tilden Mine joint venture. The Corporation's equity in the associated company was reduced from 42.3% to the current level in 1982 as a result of a common share issue by AMCA in which the Corporation did not participate.

In the normal course of business, the Corporation sells its products at prevailing market prices and credit terms to Canadian Pacific Limited and AMCA International Limited and their subsidiary companies. Similarly, the Corporation regularly purchases transportation and other services, capital goods and iron ore pellets from the related parties. The Corporation has a revolving operating line of credit at competitive rates with Canadian Pacific Securities Limited, a wholly-owned subsidiary of Canadian Pacific Enterprises Limited, in the amount of \$40 million under which there were borrowings of \$30 million at December 31, 1982.

Transactions with related parties and balances at year end are as follows:

Thousands of Dollars	1982	1981
Transactions during year		
Sales of product	\$ 90,499	\$102,593
Purchases, principally transportation, capital goods and iron ore pellets	73,307	142,871
Interest income from short term investments	—	7,161
Interest expense on short term borrowings	660	100
Interest expense on long term debt	2,658	—
Balances at December 31		
Accounts receivable	8,810	13,960
Accounts payable	852	3,300
Short term promissory notes	30,000	—

13. Business Segments Information

LINES OF BUSINESS

The Corporation is a vertically integrated steel producer which obtains most of its iron ore and coal requirements from properties which it owns, leases or in which it has an interest in Canada and the United States. The Corporation's revenue is derived almost entirely from the sale of rolled steel products, merchant iron, coal, cokemaking by-products and raw materials that may be surplus to steelmaking requirements from time to time.

Virtually all of the Corporation's assets, excepting for the investment in the associated company, are related to integrated steelmaking activities.

OPERATIONS BY GEOGRAPHIC AREA

Thousand of Dollars	Consolidated		Canada		United States	
	1982	1981	1982	1981	1982	1981
Sales						
External	\$ 874,164	\$1,426,434	\$ 746,359	\$1,193,302	\$127,805	\$233,132
Intra-enterprise sales between geographic areas	241,614	428,520	120,174	241,138	121,440	187,382
	1,115,778	1,854,954	866,533	1,434,440	249,245	420,514
Eliminations	(241,614)	(428,520)	(120,174)	(241,138)	(121,440)	(187,382)
Total	\$ 874,164	\$1,426,434	\$ 746,359	\$1,193,302	\$127,805	\$233,132
Earnings						
From operations	\$ (76,832)	\$ 238,665	\$ (62,678)	\$ 227,169	\$ (14,154)	\$ 11,496
Eliminations	(7,069)	(3,951)	527	(5,281)	(7,596)	1,330
	(83,901)	234,714	(62,151)	221,888	(21,750)	12,826
Other income	2,066	21,811				
Interest expense	(42,002)	(30,709)				
Income taxes	57,700	(87,600)				
Equity in earnings of associated company	25,716	26,754				
Net earnings	\$ (40,421)	\$ 164,970				
Assets at December 31						
Identifiable	\$1,535,518	\$1,536,494	\$1,391,055	\$1,384,174	\$144,463	\$152,320
Investment in associated company	193,221	181,691				
	\$1,728,739	\$1,718,185				

Intra-enterprise sales between geographic areas are at market prices for similar products.
Canadian operations include export sales of approximately \$286 million (1981 - \$485 million).

14. **Remuneration**

Total direct remuneration of directors and senior officers amounted to \$1.4 million.



Auditors' Report to the Shareholders

We have examined the consolidated statement of financial position of The Algoma Steel Corporation, Limited as at December 31, 1982 and the consolidated statements of earnings 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 company 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.

Peat Marwick, Mitchell & Co.
Chartered Accountants

Sault Ste. Marie, Canada
February 9, 1983

Ten Year Summary of Operating and Financial Data

Tons in thousands and dollars in millions excepting per share data		1982	1981	1980	1979	1978
Operations						
Production – Iron Ore (1)	G.T.	1,983	3,643	3,732	4,125	4,109
– Coal (2)	N.T.	2,488	2,732	2,907	2,868	2,069
– Coke	N.T.	1,009	1,411	1,470	1,546	1,424
– Iron	N.T.	1,809	2,907	3,039	3,374	3,148
– Raw Steel	N.T.	1,899	3,017	3,179	3,528	3,317
Shipments – Steel Products	N.T.	1,472	2,519	2,415	2,597	2,456
Earnings and Related Statistics						
Sales	\$	874.2	1,426.4	1,149.1	1,081.2	864.2
Earnings Before Income Taxes and Equity Earnings	\$	(123.8)	225.8	121.2	120.2	57.7
Income Taxes	\$	(57.7)	87.6	38.8	35.3	10.7
Equity in Earnings of Associated Company	\$	25.7	26.8	26.8	27.0	22.6
Net Earnings	\$	(40.4)	165.0	109.2	111.9	77.1(9)
– Applicable to Preference Shares	\$	12.3	12.8	11.6	10.7	9.5
– Applicable to Common Shares	\$	(52.7)	152.2	97.6	101.2	67.6
Dividends Paid						
– On Preference Shares, and Related Taxes	\$	12.5	12.6	11.6	10.6	9.4
– On Common Shares	\$	14.0	15.4	12.3	8.2	
Earnings Retained in Business	\$	(66.9)	137.0	85.3	93.1	67.7
Cash Flow From Operations	\$	(33.6)	269.4	181.4	180.7	109.5
Per Common Share – Net Earnings (3)(4)	\$	(3.76)	10.85	8.21	8.65	5.79
– Cash Flow From Operations (3)(4)	\$	(3.27)	18.29	14.29	14.54	8.57
– Dividends Paid	\$	1.00	1.10	1.00	.70	
Net Earnings as % of						
– Sales	%	(4.6)	11.6	9.5	10.4	8.9
– Average Common Shareholders' Equity (5)	%	(6.2)	18.8	14.8	19.0	15.0
– Average Total Investment (6)	%	(0.9)	13.6	11.0	13.2	10.5
Cost of Products Sold as % of Sales	%	100.5	78.2	81.2	80.9	84.1
Depreciation and Amortization	\$	53.5	49.7	47.3	39.9	35.7
Capital Expenditures						
Manufacturing Facilities	\$	175.5	246.6	82.4	65.2	24.2
Mining Properties	\$	9.9	18.1	24.8	24.1	15.0
Total	\$	185.4	264.7	107.2	89.3	39.2
Long Term Debt						
Borrowings – Debentures	\$	172.4			106.9	
– Other	\$	34.3		35.0	.3	3.5
– Total	\$	206.7		35.0	107.2	3.5
Repayments	\$	7.7	3.2	39.9	57.3	6.1
Interest and Expense	\$	40.2	29.8	27.5	27.6	24.8
Financial Position at Year End						
Current Assets	\$	492.1	608.6	562.1	435.5	362.4
Current Liabilities	\$	173.9	235.8	157.2	150.9	155.5
Working Capital	\$	318.2	372.8	405.0	284.6	206.9
Net Fixed Assets	\$	990.8	879.5	644.8	587.0	549.8
Total Assets	\$	1,728.7	1,718.2	1,422.1	1,224.1	1,050.8
Total Investment (7)	\$	1,554.8	1,482.4	1,264.9	1,073.2	895.3
Long Term Debt (11)	\$	489.6	290.6	293.7	298.6	248.7
Preference Shares	\$	130.5	133.5	136.5	139.8	140.0
Common Shareholders' Equity	\$	811.0	878.0	741.0	578.8	485.4
Number of Common Shares Issued (000)	No.	14,029	14,029	14,029	11,691	11,672
Common Shareholders' Equity Per Share (8)	\$	57.75	62.52	52.77	49.44	41.53
Number of Common Shareholders	No.	6,489	7,142	7,812	8,748	9,369

1977	1976	1975	1974	1973
3,839	4,089	3,478	3,165	3,217
1,929	2,235	2,425	1,984	2,413
1,371	1,539	1,294	1,376	1,429
2,848	2,806	2,624	2,774	2,619
2,974	2,888	2,748	2,763	2,650
2,201	2,036	1,968	2,018	1,946
687.8	584.8	541.5	474.1	376.2
5.5	(14.3)	16.3	57.9	30.8
(15.8)	(25.6)	(10.6)	13.5	7.5
16.0	12.5	13.1	8.6	5.0
37.3	23.8	43.5(10)	53.0	28.3
6.9	4.0			
30.4	19.8	43.5(10)	53.0	28.3
6.8	3.5			
2.3	12.9	16.3	15.8	7.3
28.2	7.4	27.2	37.2	21.0
41.2	19.2	49.6	89.4	57.8
2.60	1.70	3.72(10)	4.54	2.43
2.94	1.30	4.25	7.66	4.97
.20	1.10	1.40	1.35	.625
5.4	4.1	8.0	11.2	7.5
7.5	5.1	11.7	15.7	9.2
6.2	4.9	8.1	11.0	6.9
88.2	89.8	85.1	77.8	80.8
33.6	33.0	29.3	26.1	23.5
15.1	33.5	84.1	113.0	49.0
14.5	17.0	18.6	18.6	16.0
29.6	50.5	102.7	131.6	65.0
		65.0	50.0	
3.5	10.7	31.4	15.5	30.7
3.5	10.7	96.4	65.5	30.7
16.4	6.7	3.5	2.2	3.4
22.5	23.1	19.2	10.6	6.4
298.4	264.5	220.0	166.1	131.3
145.2	175.2	141.7	109.2	68.2
153.2	89.3	78.3	56.9	63.1
557.9	560.4	539.7	468.4	366.1
973.1	924.4	849.4	706.7	551.7
827.9	749.2	707.7	597.5	483.5
251.3	264.2	260.2	167.4	104.1
140.0	60.0			
417.7	389.7	384.0	356.8	319.1
11,672	11,672	11,670	11,670	11,635
35.73	33.35	32.90	30.58	27.42
10,393	10,542	11,536	12,220	14,958

Notes:

- (1) Includes mines operated by the Corporation and its share of production from joint ventures.
- (2) Metallurgical and steam coal.
- (3) After provision for dividends on preference shares.
- (4) Based on weighted average number of common shares outstanding during the year.
- (5) Net earnings are after deduction of amount applicable to preference shares.
- (6) Net earnings are before deduction of interest on long term debt net of income taxes, and total investment is before deduction of current portion of long term debt.
- (7) Total assets less current liabilities.
- (8) Based on common shares issued as at December 31.
- (9) Includes an extraordinary credit of \$7.5 million amounting to 64¢ per common share.
- (10) Includes an extraordinary gain of \$3.5 million amounting to 30¢ per common share.
- (11) Excludes long term debt due within one year.

Directors

Russell S. Allison

Montreal, Quebec
Executive Vice President
CP Rail

+†**Robert D. Armstrong**

Toronto, Ontario
Former Chairman and
Chief Executive Officer
Rio Algom Limited

***Robert W. Campbell**

Calgary, Alberta
Vice-Chairman and
Chief Executive Officer
Canadian Pacific
Enterprises Limited

***John Macnamara**

Sault Ste. Marie, Ontario
Chairman and Chief
Executive Officer
The Algoma Steel
Corporation, Limited

¶**W. Earle McLaughlin**

Montreal, Quebec
Former Chairman
The Royal Bank of Canada

†**Arthur H. Mingay**

Toronto, Ontario
Chairman, Canada Trust

†**Paul A. Nepveu**

Montreal, Quebec
Chairman, CIP Inc.

***Peter M. Nixon**

Sault Ste. Marie, Ontario
President and Chief
Operating Officer
The Algoma Steel
Corporation, Limited

¶**Leonard N. Savoie**

Sault Ste. Marie, Ontario
President and Chief
Executive Officer
Algoma Central Railway

***W. John Stenason**

Calgary, Alberta
President, Canadian Pacific
Enterprises Limited

Robert J. Theis

Syracuse, New York
President, Canadian
Pacific Enterprises
(U.S.) Inc.

*¶**Walter G. Ward**

Toronto, Ontario
Former Chairman
The Algoma Steel
Corporation, Limited

* Member of Executive Committee

† Member of Compensation Committee

¶ Member of Audit Committee

Principal Officers

John Macnamara

Chairman and Chief
Executive Officer

Peter M. Nixon

President and Chief
Operating Officer

Robert N. Robertson

Senior Vice President –
Commercial

Patrick L. Rooney

Senior Vice President –
Operations

Ross H. Cutmore

Vice President –
Finance and Accounting

Samuel H. Ellens

Vice President –
Administration

Donald L. McEachern

Vice President – Sales

R. Gordon Paterson

Vice President –
Engineering

+ **John J. MacDonald**

Secretary

J. Kenneth Morano

Treasurer

William J. Reed

Controller – Steel and
Iron Ore Operations

+ Retired December 1, 1982.

Succeeded by
James T. Melville

Corporate Information

Manufacturing and Mining Facilities

Canada

Sault Ste. Marie, Ontario
The Algoma Steel Corporation,
Limited

Steelworks Division

Tube Division

Marine Division

Welded Beam Division

Wawa, Ontario

Algoma Ore Division

United States

West Virginia

Cannelton Industries Inc.

Kanawha Division, Cannelton

Pocahontas Division, Superior

Indian Creek Division, Peytona

Maple Meadow Mining Company,
Fairdale

Michigan

Cannelton Iron Ore Company

Tilden Mine Joint Venture,

Ishpeming

Algoma Tube Corporation, Dafter

Incorporation

Under the laws of the Province of
Ontario

Share Transfer Agents and Registrars

Montreal Trust Company, Saint
John, Montreal, Toronto,
Winnipeg, Regina, Calgary and
Vancouver

The Royal Bank of Canada Trust
Company, New York

Shares Listed

Montreal, Toronto and Vancouver
Stock Exchanges

Trustee for Debentures

Montreal Trust Company, Toronto,
Ontario

Registrar for Debentures

Montreal Trust Company, Halifax,
Montreal, Toronto, Winnipeg,
Regina, Calgary and Vancouver

Valuation Day Values

(for Canadian Income Tax
Purposes)

Series C Debenture \$ 94.00

Series D Debenture \$103.50

Common Share \$ 13.38

Products and Sales Office Locations

Products

Seamless Tubular Products

Casing

Line Pipe

Standard Pipe

Mechanical Tubing

Coupling Stock

Plate

Sheared and Gas Cut

Normalized

Quenched and Tempered

Floor

Hot Rolled Sheet

Coils and Cut to Length

Cold Rolled Sheet and Strip

Cold Rolled Sheet for Motor Laminations

Wide Flange Shapes

Welded Wide Flange Shapes

Welded Special Shapes

Bearing Pile Shapes

Standard Angles, Channels and Beams

Heavy and Light Rails

Tie Plates and Joint Bars

Grinding Rods

Ingots, Blooms, Billets and Slabs

Pig Iron

Sinter

Coal

Coke

Coal Tar Chemicals

Sales Offices

Sault Ste. Marie, Ontario

Moncton, New Brunswick

Montreal, Quebec

Toronto, Ontario

Hamilton, Ontario

Windsor, Ontario

Winnipeg, Manitoba

Calgary, Alberta

Vancouver, British Columbia

Houston, Texas*

*Algoma Tube Corporation

