IVACO

IVACO INC.
ANNUAL REPORT

1989

IVACO

OFFICERS

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Chairman

PAUL IVANIER
President and
Chief Executive Officer

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Senior Vice-President

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Senior Vice-President

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Vice-President and
Chief Financial Officer

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Treasurer and Corporate
Controller

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General Counsel and
Secretary

MARIE BAILLARGEON
Assistant General Counsel and
Assistant Secretary

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ANNUAL MEETING

The annual meeting of the Company will be held on May 24, 1990 at 10:00 a.m. in the Oval Room of the Ritz-Carlton Hotel, Montréal, Québec.

COMPANY PROFILE

Ivaco is a steel producer with annual steel-making and rolling capacity in excess of 2 million tons. Steel is produced in modern electric furnace "midi" mills in Ontario, Georgia and Illinois and incorporates sophisticated alloy steels and a comprehensive range of carbon steels. The Company produces billets, hot rolled wire rods, hot rolled bars, strip and pipe. It is also a major manufacturer of steel products such as wire, welded wire fabric, fencing, nails, fasteners, wire ropes, high carbon prestressed strand, forgings and precision machined components.

Ivaco is also a substantial producer of plastic pipe, paper machine clothing, and other products. It fabricates and erects structural steel in both Canada and the U.S.

Ivaco has 59 plants of which 35 are in Canada, 23 are in the United States and 1 is in Australia. It employs approximately 11,500 people.

HEAD OFFICE

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TRANSFER AGENT AND REGISTRAR

The Royal Trust Company in Montréal, Toronto, Calgary, Winnipeg, Regina, Vancouver and Halifax.

SHARES LISTED

The Montréal Exchange
The Toronto Stock Exchange

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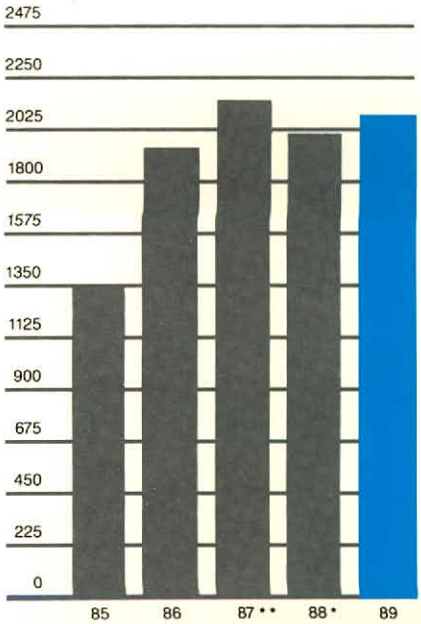
FINANCIAL HIGHLIGHTS

THOUSANDS OF DOLLARS EXCEPT PER SHARE AMOUNTS

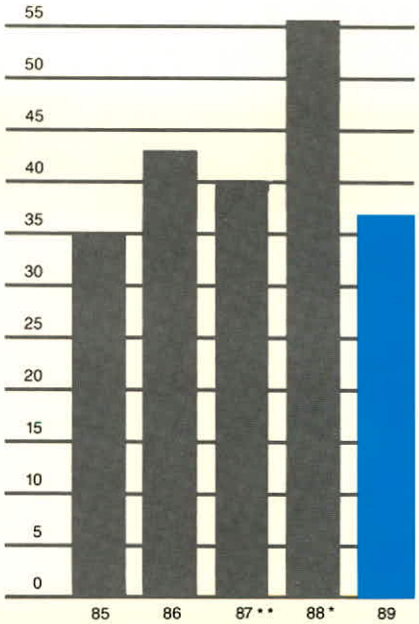
	1989	1988*
Sales	**$2,086,830**	$2,013,283
Earnings from operations	**$ 130,442**	$ 159,953
Earnings from continuing operations before income taxes and other items	**$ 71,154**	$ 108,253
Earnings from continuing operations	**$ 36,920**	$ 55,555
Earnings before extraordinary items	**$ 32,654**	$ 43,793
Net earnings	**$ 12,851**	$ 41,916
Earnings (loss) per share		
From continuing operations	**$ 0.76**	$ 1.77
Before extraordinary items	**$ 0.53**	$ 1.13
After extraordinary items	**$ (0.55)**	$ 1.03
Working capital	**$ 488,867**	$ 505,943
Net additions to fixed assets	**$ 68,037**	$ 89,772

*1988 results have been restated to reflect the effect of operations classified as discontinued in 1989.

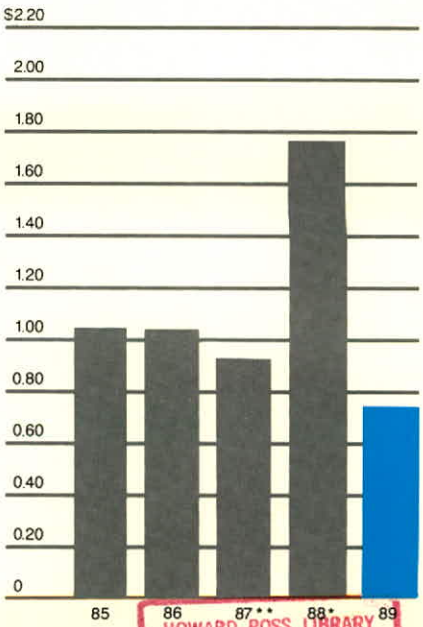
SALES
(millions of dollars)



EARNINGS (from continuing operations)
(millions of dollars)



EARNINGS PER SHARE***
(from continuing operations)



*1988 RESULTS HAVE BEEN RESTATED TO REFLECT DISCONTINUED OPERATIONS.
**1987 RESULTS HAVE BEEN RESTATED TO REFLECT THE PRIOR YEAR'S ADJUSTMENTS.
***AFTER DEDUCTING DIVIDENDS ON PREFERRED SHARES.

TO OUR SHAREHOLDERS

Isin Ivanier
Chairman

Paul Ivanier
President and Chief Executive Officer

March 7, 1990

Your Company achieved satisfactory results from continuing operations in 1989 and took bold steps to prepare for the future.

Overall results reflected a significant number of adverse factors. Those which were under our control were faced and dealt with decisively. As a result, Ivaco enters the challenging last decade of this century strongly focused and effectively structured to enhance shareholder value in a meaningful manner.

Among the challenges which affected the Company during the past year were unexpectedly high interest rates, the artificially high Canadian dollar, the reintroduction of severe pricing pressures, particularly in the United States, for a large number of wire and fastener products, and the recognition within Ivaco that 1989 was the appropriate time to divest, restructure or consolidate those operations that were not central to the Company's long term strategic objectives. Several of these factors are particularly significant: the value of the Canadian dollar, high interest rates and the rationale for some restructuring and consolidation.

The relative value of the Canadian and U.S. dollar is extremely significant to Ivaco as is the high level of interest rates. The Company reports its results in Canadian currency yet some two thirds of its sales are in the United States. Had the Canadian dollar and rates of interest remained at their 1988 average levels throughout the past year, 1989 after tax earnings would have been approximately $12.1 million or $0.67 per share higher. In 1988, the stronger Canadian dollar over the previous

year combined with higher interest rates also reduced after tax earnings for that year by $23.4 million or $1.27 per share. In total, the stronger Canadian dollar and higher interest rates had a negative effect on 1989 net earnings when compared to 1987 of $35.5 million or $1.94 per share. The combined effect of these factors is staggering, particularly since they have a compounding effect from year to year.

The restructuring and consolidation, primarily within the Sivaco Wire Group and 79% owned Canron Inc., has resulted in one time extraordinary charges of $19.8 million.

At Canron, several businesses that did not meet appropriate levels of profitability or long term business objectives were divested or reorganized. These included the iron pipe and concrete pressure pipe businesses, the Mechanical Division and an underachieving plastic pipe operation in the U.S. As a result, Canron entered 1990 with an extraordinarily strong cash position and a solid base of profitable operations upon which to grow.

Elsewhere within Ivaco, a disciplined analysis of the Company's core businesses resulted in the closing of the ArrowHead coppermetal business in Toronto, the completion of the sale of its equipment, the divestiture of a small but unprofitable chain link fence operation and a sweeping reorganization of the Sivaco Wire Group, which has consolidated its operations from six plants to three. When fully completed later this year, the Group will have added some 15% to its tonnage capacity and improved its operating efficiency.

One very positive, if unexpected, aspect of the Wire Group restructuring is the opportunity it has created for Ivaco to establish a major presence in Eastern Europe. The Company has entered into a 50/50 owned joint venture agreement with an industrial products group in Poland for the manufacture of nails. Ivaco's contribution consists of wire drawing, nail making, galvanizing, and packaging equipment. The additional assets required are being provided by the Polish partners. When fully developed, the joint venture operation in Poland will be capable of producing 50,000 tons of nails per year.

The activities reviewed above are all part of a three year program, reviewed first with shareholders at the last annual meeting, aimed at deploying valuable but financially underperforming assets so as to maximize financial returns. Excellent progress has been made toward this objective.

In last year's annual report, note was made that several of the Company's operating units were located on potentially extremely valuable real estate. Since that time, the decision has been made to sell a prime redevelopment site in Metropolitan Toronto previously used by the ArrowHead operation. It covers some 40 acres and is located less than ½ of a mile from Lake Ontario.

Currently, consideration is being given as to what is the most appropriate use for the 125 acres on which Atlantic Steel's Atlanta Works is located. The property is situated close to the rapidly expanding Atlanta city core and is bounded by one of the city's main expressways. The relocation of steelmaking from that facility to Cartersville, Georgia, to be completed within a few months, will result in a large part of the acreage being under utilized. This will make it feasible to consider the relocation of the remaining production operations and, while no decision has been reached, the sale of this very valuable property is an option that will be reviewed.

Apart from the above, your Company also has properties, predominantly land, at other locations which are surplus to its needs. Their sale is expected to occur over the next 18 months and should result in proceeds of approximately $50 million.

Elsewhere in this report, there are more detailed reviews of the operating businesses. A consistent theme in each of them is a dedication to continued technical advances to maintain leadership for productivity, quality and customer service.

In steelmaking, emphasis has continued to be placed on increasing the proportion of total capacity utilized to produce special chemistry and premium grades. At L'Orignal, submerged tapping was introduced. At Cartersville, an ultra high power eccentric bottom tapping fur-

nace was installed and started up in early 1990. These new state-of-the-art facilities markedly reduce slag carryover and, thus, produce premium steels more precisely and more economically. At Alton, Illinois, Laclede completed modernization of a key section of its tubular products facility.

In the operations producing downstream steel products from hot rolled wire rods, which include the Wire and Fastener Groups and the Wire Ropes, Cables and Strand Group, productivity and tonnages remained high for virtually all units. The Paper Machine Clothing Group capitalized on its industry leading commitment to quality and captured a significant portion of the market created by new paper machine start-ups. Ingersoll Machine and Tool expanded its axle manufacturing capacity. Also in early 1990, it completed installation and running-in of a high volume rotary transfer system which produces high quality diesel engine water pump components and achieved a major gain in terms of efficiency. At Canron, manufacturing cost reduction was a priority in all units.

In addition to productivity and quality, one other objective is a high priority item for all Ivaco operating units. This is the safeguarding and protection of the environment.

Currently, feasibility studies are underway to examine the potential for the use of new technology to treat steelmaking flue dust and render it non-hazardous. Early indications suggest that recovery of valuable materials, principally prime western zinc, will make this environmentally beneficial operation completely cost effective.

Subsequent to year end, the Company published the details of its previously announced dividend reinvestment plan. The dollar amount of the dividend remains unchanged while the flexibility of the program gives shareholders the option of taking dividends in cash or shares or a combination of both. It has been designed to be mutually advantageous to both shareholders and the Company. For shareholders, it offers potential to increase their holdings in the Company at a 10% discount to market price without paying commission or other charges and, in some instances, to defer part of the otherwise applicable income tax.

The outlook for 1990 is for satisfactory performance in steelmaking and paper machine clothing; continued pricing weakness in wire, wire products and fastener markets; continued excellent results for specialty high carbon wire products; and improved results at Canron.

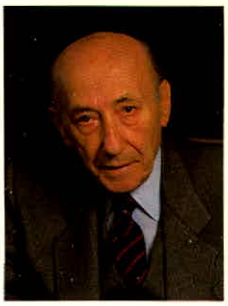
We would like to take this opportunity to thank all of the Company's employees whose continued dedication and efforts throughout the year are greatly appreciated.

On behalf of the Board of Directors:

Isin Ivanier
Chairman

Paul Ivanier
President and
Chief Executive
Officer

THE BOARD OF DIRECTORS

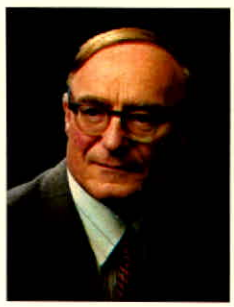


Isin Ivanier
Chairman of the Company

Paul Ivanier
President and Chief Executive Officer of the Company

Sydney Ivanier
Senior Vice-President of the Company

Michael Herling
Senior Vice-President of the Company

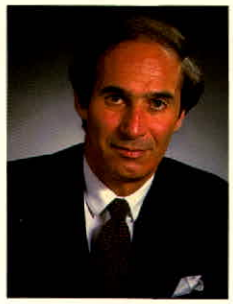


John Loveridge
Chairman, Ingersoll Machine and Tool Company, Limited

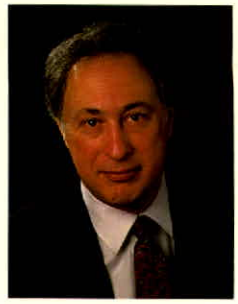
Donald G. Lawson
Chairman, Moss, Lawson & Co. Limited

H.B. McNally, Q.C.
Partner, Byers Casgrain

M.R. Cairns
President, Niagara Lockport Industries Inc.



Albert A. Kassab
Vice-President and Chief Financial Officer of the Company



George Goldstein
Vice-President of the Company

SALES DISTRIBUTION

1989

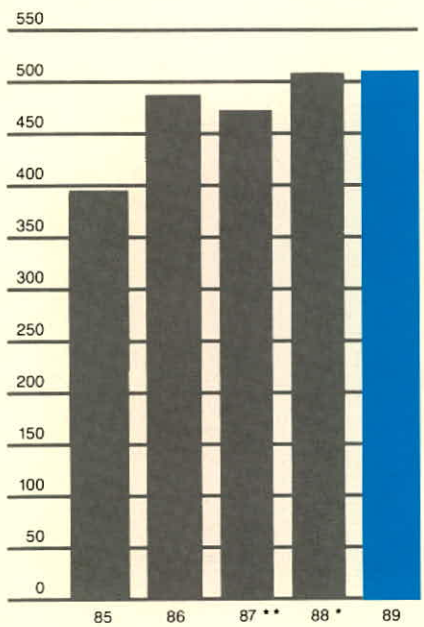
1988

FIXED ASSETS DISTRIBUTION

1989

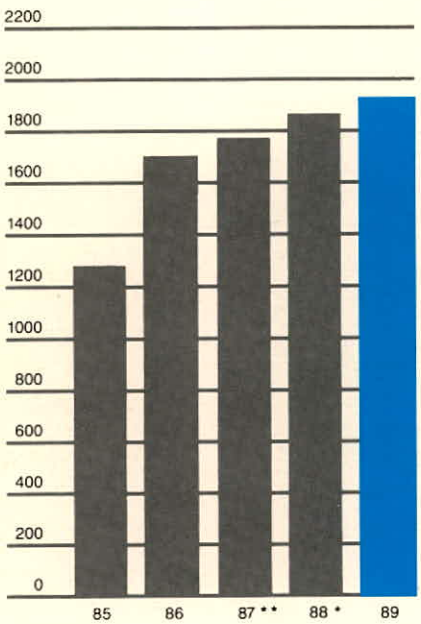
WORKING CAPITAL

(millions of dollars)



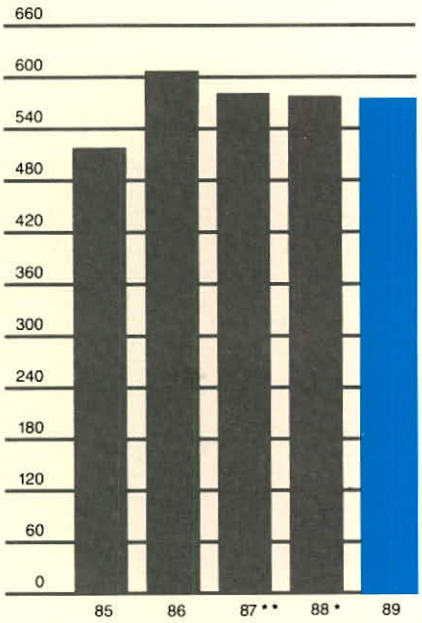
TOTAL ASSETS

(millions of dollars)



SHAREHOLDERS' EQUITY

(millions of dollars)



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**1987 RESULTS HAVE BEEN RESTATED TO REFLECT THE PRIOR YEAR'S ADJUSTMENTS.

STEELMAKING

Ivaco's steelmaking group achieved satisfactory operating performance in 1989 despite the generalized problems of material cost increases and some softening of markets which affected the entire North American industry.

Production remained near or above record levels at most of the Company's steelmaking and rolling mill units and the percentage of premium and special quality grades produced continued to rise.

With the installation of a new and advanced technology steelmaking furnace at Cartersville, Georgia, completed during the first quarter of 1990, the Company now has substantially more than 2 million tons of steelmaking and rolling capacity. As a result of advances made by Laclede Steel at Alton, Illinois, Ivaco is more than 80% continuous cast. The Company also remains North America's largest producer of hot rolled wire rods with production running in excess of 1 million tons per year.

Ivaco has highly modern and efficient steelmaking and rolling mill complexes. All of them are 100% electric furnace operations. They are:

— Ivaco Rolling Mills at L'Orignal, Ontario dedicated specifically to steel billets and hot rolled wire rods.

— Atlantic Steel at Atlanta and Cartersville, Georgia, producing merchant and special quality bar stock, hot rolled wire rods and wire.

— Laclede Steel, 51%-owned, has its melting and rolling facilities at Alton, Illinois, and produces a wide variety of alloy steels, tubular products, special quality bars, hot rolled wire rods and wire.

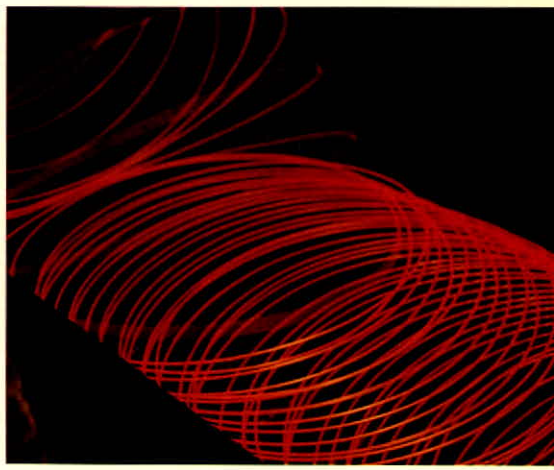
Despite very competitive pricing conditions, 1990 is expected to be a satisfactory year for your Company's Steelmaking Group.

IVACO ROLLING MILLS

Ivaco Rolling Mills had an excellent year in 1989. New production records were established at both the steel plant and rolling mill and significant technology advances were implemented or underway during the year.

The complex is an extremely efficient producer of both billets and wire rods because it has specialized in one specific range of products: hot rolled wire rods, predominantly in premium and special chemistry grades.

The steel plant has two high performance electric furnaces, both equipped with submerged tap holes and a ladle furnace to provide more precise metallurgical control and improve productivity. It is 100% continuous cast.



Hot rolled wire rod leaves the coiling head for controlled cooling at L'Orignal.

4-strand continuous caster at L'Orignal.

The submerged tap hole provides significant quality benefits in addition to cost advantages. It reduces the carryover of undesirable furnace slag to the ladle metallurgy furnace, thus making it considerably more efficient and enabling production of more sophisticated grades of steel.

From an economic viewpoint, the resulting cleaner and more metallurgically precise steel reduces the quantity of costly alloy materials required to produce the premium grades.

A full year's experience using the ladle metallurgy furnace has confirmed the cost savings and productivity and quality benefits anticipated for this project.

Another extremely significant undertaking during the year was the development of continuous cast aluminum killed steel. Ivaco Rolling Mills is one of the few mini mills anywhere to achieve this major quality enhancing process successfully. This technology produces a metallurgically clean, fine grained steel, properties so important to ductile steels.

Many of the 120 grades of steel produced had successfully utilized the aluminum killed practice by year end. The mill is continuing to produce aluminum killed steels and the quantities produced now approach full-production levels. Ivaco Rolling Mills now offers both aluminum killed and silicon killed steels to its customers.

The adjacent rod mill at L'Orignal achieved a major and long standing objective during the year by increasing its proportion of premium quality rods to a rate approximating two-thirds of its entire production. These premium quality steels include cold heading, welding, high carbon, premium low carbon, and high-strength-low-alloy grades.

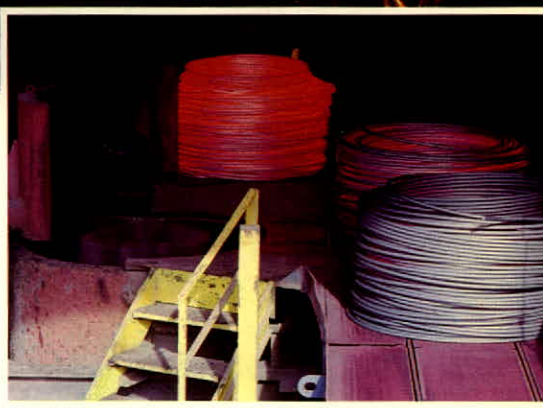
Each of these premium grades is designed for specific and, generally, extremely demanding downstream applications. For example, high carbon rod is the raw material for spring wire, rope wire, tire bead wire and tire cord; cold heading rod is used by the fastener industry; premium grade low carbon rod is used for deep drawing applications such as very fine wire; and the low alloy rods end up in such products as welding material or some grades of fasteners.

The successful development of markets for premium grades of hot rolled wire rods is closely tied to a strong and consistent attention to quality. In addition to the usual quality control and laboratory testing procedures, Ivaco Rolling Mills has been an industry leader in applying quality-oriented technologies in the mill. Some of these include computerized control of the billet reheat furnace to optimize billet temperatures, automated rod surface defect detectors, electronic gauges which monitor the rod profile at the no-twist finishing stands to ensure that precise size tolerances are

met, and a fully automated tracking and recording system which establishes the history of every coil from the melt shop's billet to finished product.

The L'Orignal rod mill has been designed with substantially greater capacity than its adjoining melt shop in order that large quantities of special quality purchased billets can be rolled. More than 200,000 tons of billets made from high purity pig iron, acquired under a long term contract with Q.I.T. Inc. of Sorel, Québec, were processed during the year. The resulting hot rolled wire rods attract premium pricing from cold heading and spring steel customers.

Special Bar Quality (SBQ) billet enters the descaling stands after leaving the reheat furnace.



Finished SBQ steel, in coil form, at completion of the rolling process.

ATLANTIC STEEL

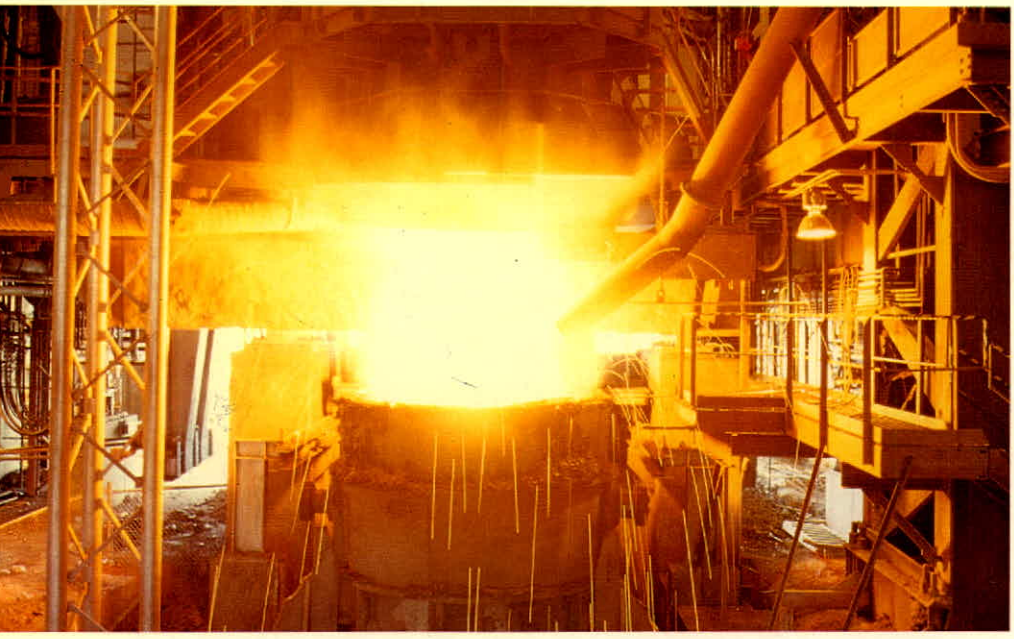
Atlantic Steel produced near record volumes in 1989 at its two mills in Georgia while, simultaneously, expanding the more modern one at Cartersville where all of Atlantic's steelmaking will be concentrated later this year.

As announced earlier, the relatively new Cartersville mill is being expanded by the installation of an ultra-high power eccentric bottom tapping furnace and the revamp, upgrade, and relocation of a six-strand continuous caster from Atlanta. When completed this summer, the project will cost some U.S. $25 million.

The new advanced technology furnace at Cartersville went on stream during the first quarter of 1990. The bottom tapping feature on the new furnace virtually eliminates the inclusion of slag when the heat is tapped for transfer to the ladle metallurgy furnace. This feature not only improves steel quality but also reduces cost.

In addition, the furnace has a very highly automated system for the charging of alloy materials, an important feature in light of the Company's long standing program to increase significantly the proportion of premium and special chemistry grades produced.

The Cartersville facility will be world class in terms of efficiency, productivity, quality and versatility. Its highly efficient state-of-the-art ladle metallurgy furnace was installed in late 1988 and thus



Atlantic Steel's new eccentric bottom tapping furnace, at Cartersville features automated alloy charging.

employs the most advanced technology. This complex is also 100% continuous cast.

In addition, an oxygen and nitrogen producing facility has been built on site to supply those gasses to the steelmaking complex. The facility incorporates state-of-the-art design for purity and cost effectiveness.

Another significant support facility being installed this year is a portal crane scrap handling operation. Scrap will be received, stored in control piles, and marshalled into charging buckets by two portal cranes covering an area 242 feet by 1200 feet.

The charging buckets will be weighed and recorded through a computerized system before being transported by pallet carriers into the melt shop. The system will be the first of its kind in North America. It has been successfully employed in two world class steel mills in Europe.

When fully operational, the Cartersville steelmaking and rolling mill complex will be one of the world's finest and will allow the company to increase its production of premium grades of steel by a substantial margin at very competitive costs.

The Atlanta facility will continue to operate following the transfer of all steelmaking to Cartersville. It has two efficient rolling mills which will be supplied by billets shipped from Cartersville, some 50 miles away.

During the past year Atlantic modified the last finishing stand on its Atlanta bar mill to improve dimensional control of sections, critical particularly for Special Bar Quality (SBQ) material.

Excellent progress was made during the year in developing markets for SBQ steels and high carbon hot rolled wire rods. Among other new markets established for SBQ products are the trailer manufacturing industry which consumes high strength steel flats, and the producers of bearing blocks and hand tools who utilize critical alloy grades of high strength steels.

Continued success in the production of high carbon wire rods during the year solidified Atlantic's ability to supply manufacturers of tire bead and prestressed concrete strand. Both require very high quality rod.

LACLEDE STEEL

Laclede delivered the third best year in its history in 1989 by maintaining high levels of steel production at Alton, Illinois, along with achievement of excellent growth at several of its downstream operations.

Laclede is an important U.S. producer of alloy and other premium grades of steel. It operates two high capacity electric furnaces and a substantial proportion of its steel output is continuous cast.

A steelmaking capacity increase will be realized later this year following the installation of a second ladle crane. By eliminating delays in the melt shop, it will allow higher rates of productivity to be realized which will help both to increase tonnage and reduce the cost per ton produced. Installation is planned to be completed early in the third quarter.

Early in 1990 Laclede completed the modernization of the reheat furnace which feeds hot billets to the 22" rolling mill which produces skelp for tubular products. This has expanded production capacity to provide feedstock for pipe production at both the Alton and Benwood, West Virginia plants.

Continuous weld pipe has long been a major product for Laclede. With the acquisition in 1988 of a CBW pipe finishing facility at Benwood and the purchase of an ERW tubing mill for that plant in 1989, a major new market for electric weld pipe has been established. This is for the fast growing fire protection sprinkler market. Production of fire sprinkler tubing began early in 1990 and significant orders have already been booked.

Hex bundles of schedule 10 ERW tubing at Laclede's Benwood, West Virginia plant.

Laclede's wire manufacturing operation at Memphis, Tennessee began successful operation of new heat treating furnaces during 1989. The expanded facility has been instrumental in building new markets for cold heading quality wire and significant growth is anticipated in 1990.

Production of oil tempered spring wire at Freemont, Indiana, remained high throughout the year. Laclede is the largest producer in North America of this important product and studies are underway at present to evaluate proposals for further modernization and expansion.

Laclede Chain at Maryville, Missouri enjoyed another good year in 1989. An important contributor to the success of the chain operation was the contribution to marketing made by its Portland Tire Chain Division which was acquired in late 1988.

Galvanized wire mesh is readied for shipments.

WIRE, WIRE PRODUCTS AND NAILS

Ivaco is a major North American producer of wire, wire products and nails. Its manufacturing plants are strategically located to cover the entire Eastern Seaboard and the industrial heartland of the United States.

The Company is a substantial consumer of hot rolled wire rods and a significant supplier of virtually all of the major grades and types of wire and many of its main derivative products. The comprehensive product mix incorporates a vast array of sizes, grades and finishes for both wire and nails and includes a full range of both low and high carbon wires.

Ivaco has maintained a consistent emphasis on volume production to achieve industry leadership for product availability, service and price competitiveness while at the same time achieving exacting standards for quality. As a result it is obtaining high levels of volume throughout its broad range of industrial grade material and, simultaneously, building strong supplier positions within the most technologically demanding market niches such as those for cold heading wire, roping wire, tire cord wire and prestressed concrete strand wire. Of course, quality annealing and galvanizing are undertaken.

One of the most significant activities of the year was the comprehensive reorganization of the Sivaco Wire Group. It involved the consolidation of production to fewer locations which were expanded and modernized. By the end of 1990 it is expected that the Sivaco Wire Group will have increased its tonnage capacity by some 15% and achieved significant cost reductions.

The Marieville plant has been expanded significantly and among the additions to capacity are a substantial number of wire drawing machines, new annealing furnaces, and the addition of a modernized galvanizing line for heavy zinc coatings.

The Chambly manufacturing plant has achieved substantial growth, partly through the transfer of production machinery for wire drawing, collated nails, welded wire fabric, and fencing. Demand for collated nails continues to expand as more and more industrial users convert to the use of pneumatic nailing machines.

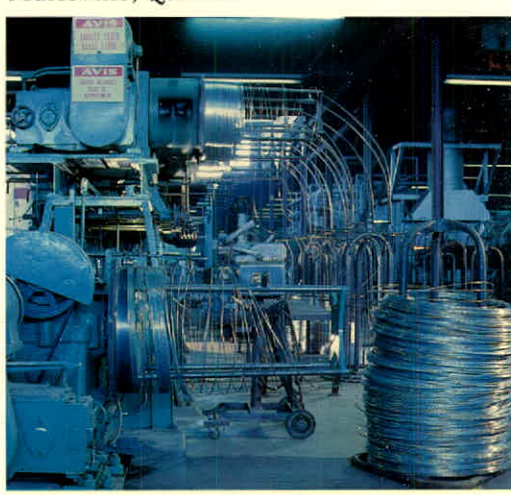
The Sivaco New York Division at Tonawanda was also expanded during the year by the addition of wire drawing and annealing furnaces.

National Wire, with headquarters at Baltimore, increased its production tonnage within its five plant operations during the year.

The wire rolling line, installed at Newnan, Georgia last year has received excellent market response and a second unit will be installed at Baltimore later this year. The rolling process, relatively new to North America but well established in Europe, rolls a positive deformation as well as smooth wire from low carbon wire or rod and offers both economic and technical benefits to some applications for engineered structural mesh.

The outlook is for continued pricing pressures for wire, wire products and nails.

Wire manufacturing at Marieville, Québec.



FASTENERS

The Company is one of the world's largest producers of cold forged standard bolts and nuts and is also a major manufacturer of specialty fasteners. It manufactures at four locations: standard bolts and nuts at Marieville, Québec; a broad range of specialty fasteners at Ingersoll, Ontario; specialty nuts at Toronto; and fastener and other product coatings and platings at Beloeil, Québec.

The Marieville operation is one of the world's largest fastener manufacturing facilities and is equipped with technologically advanced high speed boltmakers and nutformers. Supporting plant equipment includes: chemical descaling of rods, for which a major modernization and expansion was completed during the past year; computer controlled heat treating and annealing furnaces; automated packing equipment; environmental controls: and, one of the world's largest fastener warehouses.

Quick response to customer orders and just-in-time delivery are made possible by a large inventory of a full range of standard bolts and nuts, strategically located in 10 warehouses across Canada and 6 warehousing facilities in the United States.

At Ingersoll, new automated packaging equipment was installed during the year to improve shipping efficiencies. Ingersoll Fasteners produces almost all of its product from low alloy and other premium grades of hot rolled wire rods. It concentrates on speciality products for which metallurgical and other requirements are extraordinarily onerous. It is a segment of the fastener market which requires high levels of customer service, often characterized by innovative engineering to dedicated design solutions to customer problems.

Some significant new product lines introduced during the past year included hot forged flange nuts and hot forged struck slotted nuts for the truck manufacturing industry.

The specialized nut manufacturing facility at Toronto performed satisfactorily during the year despite softening demand, primarily from the automotive market.

The Beloeil unit provides electroplating, zinc phosphate and hot dip galvanizing services for the Fastener Group as well as for other Ivaco companies. During the past year, its state-of-the-art fully automated zinc barrel plating line achieved full production, with excellent quality.

For the past year, the Fastener Group has been operating in a difficult and competitive market environment. The outlook is for continuation of this trend during 1990.

A cold forged bolt passes one of the many quality control tests required before shipment.

Heat treating furnaces at the Infasco Marieville plant.

A newly commissioned galvanizing line at Florida Wire and Cable.

Zinc coated steel wire moves at high speed to the cooling tower.

WIRE ROPES, CABLES AND STRAND

Ivaco has three extremely successful units which produce technically demanding products from wire drawn from high carbon hot rolled wire rods.

Wrights Canadian Ropes is one of Canada's leading manufacturers of wire ropes for the marine, forestry, mining, petroleum and construction industries.

It is a very high quality producer with a long and consistent history of undertaking specialized engineering services to provide custom designed ropes and cables to solve individual customer problems.

It had an excellent year in 1989. Demand remained satisfactory in its home territory of British Columbia and in Central and Eastern Canada. Demand from the forestry industry in the U.S. Northwest moderated during the year but shows indication of strengthening in 1990.

Currently, Wrights is completing a 20,000 square foot building addition at Richmond, B.C. which will permit higher standards of efficiency within the existing plant, and at the same time, increase stranding capacity by some 40%. The extra capacity is expected to strengthen Wrights' marketing capability significantly because it will allow the Company to offer markedly shorter lead times for the large portion of its business which is bid based.

Florida Wire and Cable, with headquarters at Jacksonville, Florida reported an exceptional year in 1989 by setting new production and earnings records at each major operating unit.

Florida Wire and Cable is the largest producer in North America of prestressed concrete (PC) strand and guy strand for the utility industries. In addition, it has developed a relatively small but very fast growing business of distributing poleline hardware to the U.S. electric and telecommunications industries.

Production and sales of PC strand increased satisfactorily during the year. Guy strand sales were extremely strong, requiring a substantial increase in production of galvanized wire. The proprietary epoxy coated line of PC strand maintained stable deliveries through the year pending an expected strong upturn in demand when the Federal Highway Administration approves the product for routine use. This is now expected during 1990.

Two major expansions were initiated during the year for completion in early 1990.

The Sanderson, Florida plant is being expanded to provide 25,000 tons per year of new PC strand capacity, including wire drawing, stranding and stress relieving.

At Jacksonville, an advanced technology wire galvanizing line was installed late in the year and achieved successful start-up in January of 1990.

Florida Wire and Cable's 50%-owned Amercord Inc. is one of the leading producers of tire cord and tire bead used in the manufacture of auto and truck tires.

Amercord's expansion and modernization program saw full implementation of significant technology changes in diffusion plating, wet wire drawing, and bunching technology. Programs currently underway will enable Amercord to increase tire cord production 15% by 1991.

Tire makers around the world are moving steadily toward use of larger proportions of high tensile product and Amercord is strategically positioned to deliver this premium priced, premium quality material.

The outlook for all three units in the Wire Ropes, Cables and Strand Group for 1990 is excellent.

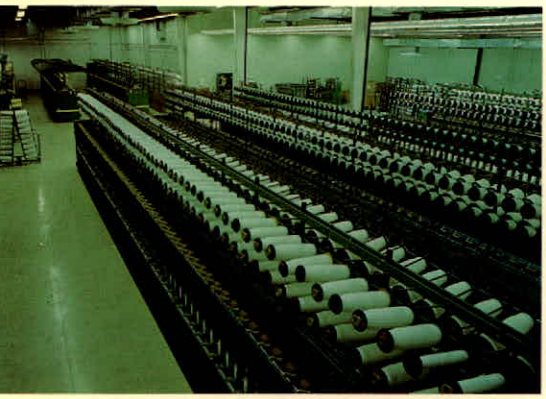
PAPER MACHINE CLOTHING

Niagara Lockport had an excellent year in 1989. Both sales and earnings reached new records.

The Company is one of North America's largest producers of paper machine clothing. Clothing is the custom engineered forming, pressing, and drying medium which transforms the pulp slurry into finished paper. There are three basic types of clothing: the forming fabrics where the low solid concentration pulp slurry is deposited and the sheet is initially formed, the press felt which acts as a pressing medium by removing water away from the compressed sheet, and the dryer fabric which evaporates water from the sheet through controlled conduction and connection of hot air.

All clothing is custom engineered for each position of the paper machine. This makes the industry extraordinarily sensitive to high standards of customer service, product quality and the development of rapid application of innovative technologies — all areas in which Niagara Lockport excels. This leadership was demonstrated dramatically during the past year as a very large number of new paper machines were put into production and Niagara Lockport obtained a major share of the new start-up business.

One explanation for this success is that the Company uses sophisticated Statistical Process Control techniques, combined with comprehensive employee involvement activities, to maintain a constant sensitivity to product



Newly expanded yarn preparation facilities at Starkville.

quality. The result has been achievement of an environment where pride of workmanship knows no obstacles within the Company and markedly enhanced customer satisfaction outside of it.

Each of the five manufacturing centers achieved excellent results during the year and each successfully undertook expansion programs.

At Quincy, Florida, production of forming fabrics reached a new high during the year as a result of substantial gains in U.S. market share. Also, plans were completed for an expansion of operations at Quincy to incorporate the manufacture of dryer felts. The first looms were installed late in the year and dryer felt production began early in 1990.

At Starkville, Mississippi, a U.S. $15 million expansion which will increase capacity by some 40% neared completion by year end.

Among the major new additions to capacity during the year were (i) a new technology finishing machine; (ii) an additional new generation needle loom; (iii) substantially expanded yarn preparation; and (iv) the most technically advanced heavy duty weaving loom made.

The newly installed finishing machine, the third at Starkville, features a number of major engineering advancements. The finishing machine, which stretches and dries the press felts, applies even heat distribution of up to 500 degrees Fahrenheit to both sides of the felt during processing to provide the most consistent and reproducible product possible. This new technology allows the press felts to be stabilized and dried evenly over a 500" width with minimum temperature differential.

The new needle loom in Starkville represents the newest advancements in both quality and productivity and allows Niagara Lockport to enter the new decade with expanded capacity and resultant customer service.

The forming fabric plant at Trois Rivières, Québec, improved its market share during the year and maintained its strong export sales operation. Capacity was increased by the addition of new looms.

Press felt manufacturing in Canada is conducted at Warwick, Québec which is following up last year's fine performance with a major expansion program in 1990. This expansion will include one of the most technically advanced needle looms in North America.

The Ayers operation at Lachute, Québec specializes in dryer fabrics and carrier rope. It has grown substantially since acquisition 3 years ago and is running at capacity.

In addition to strong domestic demand in both the U.S. and Canada, export activity remained high. Particularly gratifying was the opening of significant markets in Latin America during the year.

The outlook for the current year remains positive.

PRECISION MACHINED COMPONENTS, AXLES AND FORGINGS

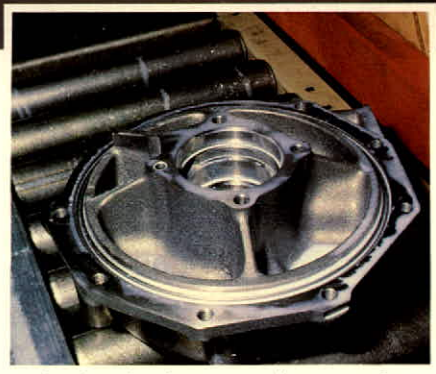
Ingersoll Machine and Tool, at Ingersoll, Ontario, is one of Canada's leading manufacturers of precision machined components. It specializes in production of engine components, axles and other truck and trailer parts, and defence products. Its P.C. Drop Forgings subsidiary, at nearby Port Colborne, Ontario makes steel forgings, many of which are custom designed for further machining at Ingersoll.

Demand from the truck transportation and heavy industrial machinery industries slowed during the year with the result that revenues were somewhat lower than the strong performance achieved the previous year.

A new axle manufacturing facility was completed late in the year which has increased capacity and markedly improved efficiency. Axles are a major product for Ingersoll and the highly efficient new facility will result in substantially improved delivery capability and is, therefore, expected to achieve very positive response.

The Company makes a broad range of standard and specialty trailer axles. Among the specialty products are drop center axles which add to Ingersoll's trailer market potential, particularly in the U.S. Other major specialty axle products are self steering axles. These have particular application in mountainous areas and usage is increasing steadily in Western Canada and the U.S.

Newly installed rotary transfer system for the machining of engine water pumps at Ingersoll.



The finished part at the completion of the automated machining process.

Early in 1990, Ingersoll completed the running-in of a technologically sophisticated high volume rotary transfer system for the machining of diesel engine water pump components. Not only will it greatly improve quality, but it will reduce machining costs.

Defence products recorded reduced volume in the first half of the year and then increased satisfactorily as the year progressed. Production is expected to remain high throughout 1990.

C-900 plastic water pressure pipe being tested prior to shipment.

CANRON

Ivaco's 79%-owned Canron Inc. undertook a comprehensive restructuring during the year with the result that it has sharpened the focus on its main businesses and strengthened its financial condition significantly.

The businesses are in two main segments:

— The Construction Segment, comprising steel fabrication, erection and construction services and the plastic pipe business; and,

— The Machinery and Equipment Segment, incorporating the design, manufacture and contracting of railway track maintenance equipment.

Among the divestitures and rationalizations were the sale of the iron pipe business, the Mechanical Division, the U.S. plastic pipe business, and the Hyprescon concrete pressure pipe business — the closing of which will take place in 1990. The result of these actions has been a substantial increase in Canron's cash position at the end of the year.

Canron is a leading manufacturer of plastic pipe and fittings in Canada. It has 10 plants, strategically located across the country, and is a major supplier to municipal, industrial, utility, residential and irrigation markets.

The Company is making excellent progress in building positive market response for its proprietary Perma-Loc™ pipe. This large diameter, high strength, lightweight pipe is an attractive replacement, from both engineering and economic perspectives, for conventional water and sewer materials. The market for this product is expected to grow strongly during the coming decade as municipalities address their obsolete and physically deteriorated water and sewer systems. One example of a marketing success, in 1989, is that the City of Montreal recently installed Perma-Loc™ for the first time.

The outlook is for somewhat reduced demand from the residential sector and continued growth and improved market share in the municipal sector with resulting acceptable levels of sales and earnings.

Canron is a major fabricator and erector of structural steel. It has six plants serving Canada, the U.S. and international markets. The fabricating plants are in Ontario, New York, Alberta, British Columbia and Oregon.

In Eastern Canada, Canron operated at full capacity throughout the year and entered 1990 with a substantial order backlog. Among the major contracts completed during the year were Terminal 3 at Toronto's Lester B. Pearson Airport and significant renovation and rehabilitation work at large industrial installations at Sudbury and Hamilton.

In the Northeastern U.S., Canron's major project was the completion of steel work for the Swiss Bank Tower in New York City. Throughout the year the market remained ex-

tremely competitive and there was an absence of major projects which negatively affected the results of the Conklin plant. Currently, however, the outlook is positive with a number of large contracts booked for completion in 1990.

In Western Canada, Canron benefitted from the first full year of operations following the acquisition of the Great West Steel Division of GWIL Industries Inc. All plants operated at full capacity throughout the year. Major projects included hospital, pulp mill, energy and shopping center structures. Economic activity is expected to remain buoyant in 1990 and the outlook is favorable.

In the Western U.S., Canron maintained a high level of activity in 1989 with expectations for 1990 of continued good market conditions.

Tamper Corp. sells and contracts railway track maintenance equipment to railroads around the world from its manufacturing facilities in the U.S. and Australia and its sales and service locations in Canada and the U.K.

Manufacturing volume increased substantially during the year, particularly as a result of successful marketing internationally.

A major new product was developed during the year. It embodies the latest technology to maintain railway track surface quality and alignment at very high speed. It is called the Continuous Action Reciprocal Tamper (CART) and the first unit is already in service in Australia. It will be introduced to the North American market later this year.

The outlook for Tamper is positive with increased sales from the domestic contracting business and higher international volume anticipated.

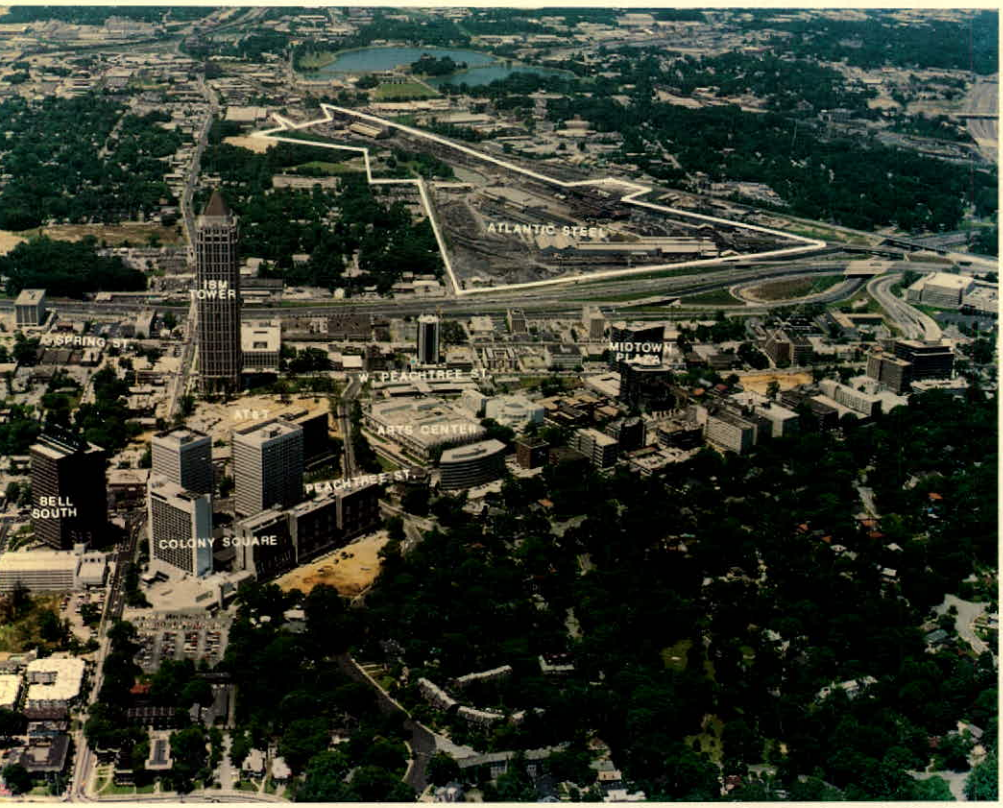
DOCAP

This major national distributor of industrial and automotive products, two-thirds owned by Ivaco, had a good year in 1989. It increased its product range substantially during the year which now consists of some 24,000 different products which are distributed through its warehouses across Canada.

During the past year, Docap continued its successful diversification program which is aimed at increasing its range of product supply to a broad spectrum of industrial and automotive customers. In 1990, Docap anticipates the introduction of several significant new product lines including specialty fasteners and industrial and agricultural accessories.

The outlook is for a good year in 1990.

Steelwork fabricated and erected by Canron at Terminal 3 of Lester B. Pearson International Airport.



Atlantic Steel's 125 acre property is in the direct path of Atlanta's high rise expansion thrust.

This prime 40 acre site in Toronto is close to Lake Ontario.

REAL ESTATE

As noted in last year's annual report, Ivaco has several operating units that are located in or near major urban centers. Some of these offer extremely attractive potential for real estate development.

Most notable of these are Atlantic Steel's Atlanta Works, which cover some 125 acres close to the city core and the ArrowHead Metals plant which occupies 40 acres in Metropolitan Toronto.

While no decision has been reached with respect to the Atlanta Works, the relocation of steelmaking to nearby Cartersville has resulted in the advisability of analyzing the optimum future use of the property. This analytic process has begun, sensitive that the city's high rise downtown core is expanding rapidly toward the property.

At Toronto, manufacturing has already halted at the 40 acre ArrowHead site and the property has been listed for sale. Its proximity to Lake Ontario and to excellent transportation makes the property a prime redevelopment area.

In addition to the ArrowHead and Atlanta properties, Ivaco has properties, predominantly land, at other locations which are surplus to its needs. Their sale is expected to occur over the next 18 months and should result in proceeds to the Company of approximately $50 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

1989 compared to 1988:

(The 1988 figures have been restated on a basis comparable to 1989.)

Sales of $2.08 billion in 1989 were 3.5% higher than the $2.01 billion achieved in 1988; earnings from continuing operations were $36.9 million, a decrease of $18.7 million or 33.6% compared to $55.6 million in 1988.

The stronger Canadian dollar in relation to the U.S. dollar together with higher rates of interest, had an overall adverse effect on 1989 after tax earnings, when compared to 1988, of approximately $12.1 million ($0.67 per share).

During 1989, the Company reported losses associated with the relocation and discontinuance of businesses amounting to $4.3 million ($0.23 per share) and recorded substantial one time extraordinary charges of $19.8 million ($1.08 per share) in connection with such relocation and discontinuance.

The Company's steelmaking operations were running at or near capacity throughout the year. However, the effects of higher scrap and other raw material costs reduced their contribution to overall operating earnings.

Demand for the Company's wire, wire products and fasteners remained relatively strong during the year, but severe pricing pressures, particularly in the United States existed throughout the year. The rationalization of the Sivaco Wire Group is proceeding and is expected to be completed by the end of 1990.

In the Paper Machine Clothing Group, sales and operating income were higher in 1989 compared with 1988. It achieved excellent results during the year and in addition, was able to increase its respective share of the market.

In the Precision Machined Components business, demand from the truck transportation and heavy industrial machinery industries slowed during the year with the result that 1989 sales were lower and operating income was substantially lower than the exceptionally strong performance achieved in 1988.

Sales and operating income for the Wire Ropes, Cables and Strand businesses were higher in 1989 compared to 1988. The plants were operating at capacity throughout the year and in the case of Florida Wire and Cable, new production records were achieved. In order to meet these increased demands, expansion plans were undertaken during the year.

Canron's Plastic Pipe sales were lower in 1989 compared with 1988 due to the reduced level of housing starts in Eastern Canada. Despite this drop in sales volume, operating income increased through improvements in manufacturing costs and a reduction in resin prices.

In Canron's Steel Fabrication and Service business, sales increased by 39% in 1989 to $251 million. This growth was the result of the full year benefit of the acquisition of Great West Steel combined with a buoyant economy in Western Canada. The activity level for the other parts of this business segment were similar to 1988. Operating income increased in 1989 as a result of higher volume and the reduction of certain costs.

Canron's Railway Track Maintenance Equipment business recorded improved results over 1988. While sales were up only 7%, operating income grew by 240%. These improvements are attributed to successes in the international market, growth in the domestic contracting business and manufacturing cost reductions through improved efficiency and higher activity.

1988 compared to 1987:

Sales of $2.2 billion in 1988 were 4.8% higher than the $2.1 billion achieved in 1987; earnings from operations were $51.5 million, an increase of $10 million or 24% compared to $41.5 million in 1987. The Company achieved these improved results despite the significantly adverse effects of the stronger Canadian dollar and higher interest rates, which had an adverse effect on 1988 after tax earnings of $23.4 million ($1.27 per share). Earnings before extraordinary items were $43.8 million in 1988 compared with $38.3 million in the previous year.

During 1988, the decision was taken to relocate within the Sivaco Wire Group, production from three manufacturing operations to three other existing facilities. In addition, Canron's Ingot Mould Foundry, St. Thomas Foundry and Leominster Plant, were also divested or discontinued and their results have been reported as loss from discontinued operations. A provision for costs associated with the relocation and discontinuance of operations was offset by a gain on sale of assets previously segregated as discontinued operations, and were reported as extraordinary items.

The overall strong demand for steel continued throughout 1988. As a result, the steelmaking facilities achieved new records. Furthermore, the company was able to sustain or improve upon selling prices and pass on the higher raw material and steelmaking costs which occurred during the final half of the year.

1988 was a year where there were severe pricing pressures for producers of wire and wire products.

The Fastener Group, despite the severe pricing pressures in the market place, recorded strong sales and satisfactory operating income in 1988 compared to 1987. This was achieved through high levels of production and improved quality.

The Paper Machine Clothing Group had an excellent year in 1988 in relation to 1987, both in sales and operating income. There was an increase of capacity by papermakers during the year and Niagara Lockport was able to capture a significant portion of this start-up business.

Ingersoll Machine and Tool and its separate forging unit had a good year in 1988.

The specialty steels businesses, consisting of Wire Ropes, Cables and Strand recorded a good performance in 1988. Demand was strong as a result of new product developments and increased market share.

Canron's Plastic Pipe business operated all plants in 1988 at near capacity levels to meet the demands of the strong Canadian housing market. These operating levels were achieved despite a worldwide shortage of plastic resins.

The Steel Fabrication and Service business experienced a drop in volume in 1988 from the very high level in 1987 reflecting a decline in the Eastern Canadian market from the busy years of 1986 and 1987.

Tamper Corp.'s sales in 1988 were slightly higher than 1987 despite lower spending by the North American railroads on new maintenance-of-way equipment.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The Company finished 1989 in a strong cash position of $66.0 million compared to $3.4 million at the end of 1988. The high cash balance is principally attributable to funds derived from the sale of discontinued businesses. Despite lower earnings, operating activities generated cash of $92.7 million, up from a restated $48.6 million in 1988. This improvement is principally as a result of lower inventories in 1989 compared to 1988 due to the sale of discontinued operations and the rationalization programs undertaken at the beginning of the year.

At December 31, 1989, the Company had $488.9 million in working capital, and a ratio of current assets to current liabilities of 2.06 to 1. Working capital at the end of 1988 was $505.9 million and the ratio of current assets to current liabilities was 2.09 to 1.

Investments and other assets increased by $27.6 million to $90.1 million as of December 31, 1989. This increase resulted from the reclassification of assets associated with those businesses or operations that have been discontinued during 1989.

Net additions to fixed assets in 1989 totaled $68.0 million compared with $89.8 million in the previous year.

The most significant capital expenditure of 1989 was at Atlantic Steel's Cartersville facility. This project, budgeted at U.S. $25 million, includes the installation of an ultra-high power eccentric bottom tapping furnace and the revamp, upgrade, and relocation of a six-strand continuous caster from Atlanta. The balance of 1989's capital expenditures were part of an overall plant modernization and improved quality program undertaken in previous years.

During 1989, the ArrowHead Metals operation was closed and the manufacturing equipment sold. In addition, ArrowHead's facility located in Toronto, as well as a parcel of land owned by Canron and located on Clayson Road in North York, have been listed for sale.

No decision has yet been reached with respect to Atlantic Steel's Atlanta property, but the relocation of steelmaking to nearby Cartersville has resulted in an analysis of the optimum future use of the property.

No significant business acquisitions were undertaken in 1989.

At December 31, 1989, long-term liabilities amounted to $550.6 million compared to $508.2 million in 1988. The ratio of long-term liabilities to Shareholders' Equity was 50:50 compared to 47:53 at December 31, 1988.

It is anticipated that Ivaco's 1990 cash requirements within the ordinary course of business, including capital expenditures, dividends and debt repayments, will be met through internally generated funds and existing lines of credit.

In early 1990, the Company announced its stock dividend and dividend reinvestment plan which gives shareholders the option of taking dividends in cash or shares, issued at a 10% discount to market price, or a combination of both. This is a further step in the Company's three year program to strengthen its financial position by conserving cash.

OUTLOOK FOR 1990

The outlook for 1990 is for satisfactory performance in steelmaking and paper machine clothing; continued pricing weakness in wire, wire products and fastener markets; and, continued excellent results for specialty high carbon wire products.

Canron's Plastic Pipe business expects the level of Canadian housing starts in 1990 to be lower than in 1989 but still at a level which will support satisfactory operating results. The Steel Fabrication and Service business will enter 1990 with a higher backlog than in 1989. The Railway Track Maintenance business should see further enhanced results in 1990 due to increased international sales, expanded contracting business and the full year benefit of cost reduction actions taken in 1989.

Capital expenditures for 1990 are expected to be lower than 1989 and will be limited to routine upgrades.

CONSOLIDATED STATEMENTS OF EARNINGS

YEARS ENDED DECEMBER 31	Thousands of dollars 1989	1988 (Note 11)
Net sales	**$2,086,830**	$ 2,013,283
Cost of sales and operating expenses	**1,900,273**	1,796,451
Depreciation and amortization	**56,115**	56,879
	1,956,388	1,853,330
Earnings from operations	**130,442**	159,953
Interest on long-term liabilities	**53,448**	46,953
Other interest	**13,489**	11,082
Investment income	**(7,649)**	(6,335)
	59,288	51,700
Earnings from continuing operations before income taxes and other items	**71,154**	108,253
Provision for income taxes (Note 10)		
Current	**20,642**	13,924
Deferred	**5,653**	27,624
	26,295	41,548
Earnings from continuing operations before other items	**44,859**	66,705
Minority interest	**7,939**	11,150
Earnings from continuing operations	**36,920**	55,555
Loss from discontinued operations (Note 11)	**(4,266)**	(11,762)
Earnings before extraordinary items	**32,654**	43,793
Extraordinary items (Note 12)	**(19,803)**	(1,877)
Net earnings	**$ 12,851**	$ 41,916
Earnings (loss) per share		
Continuing operations	**$0.76**	$1.77
Discontinued operations	**(0.23)**	(0.64)
Before extraordinary items	**0.53**	1.13
Extraordinary items	**(1.08)**	(0.10)
Earnings (loss) per share	**($0.55)**	$1.03

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Thousands of dollars

AS AT DECEMBER 31		1989	1988 (Note 13)
Current assets	Cash	**$ 66,408**	$ 3,389
	Accounts receivable	**272,158**	283,599
	Inventories (Note 2)	**600,266**	668,595
	Prepaid expenses	**12,999**	14,629
	Total current assets	**951,831**	970,212
Current liabilities	Bank indebtedness, partly secured	**116,489**	103,140
	Accounts payable and accrued liabilities		
	Trade and other	**292,818**	321,306
	Directors	**5,780**	4,720
	Income taxes	**7,160**	2,060
	Current maturities of long-term liabilities	**32,551**	27,689
	Deferred income taxes	**8,166**	5,354
	Total current liabilities	**462,964**	464,269
Working capital		**488,867**	505,943
	Portfolio investments (Note 3)	**117,303**	117,303
	Investments and other assets (Note 4)	**90,124**	62,550
	Fixed assets (Note 5)	**685,084**	703,874
Total investment		**1,381,378**	1,389,670
	Deduct		
	Long-term liabilities (Note 6)	**550,622**	508,166
	Exchangeable debentures (Notes 3 and 7)	**95,235**	95,235
	Accrued costs of pension plans (Note 8)	**7,951**	16,882
	Deferred income taxes	**82,302**	95,932
	Minority interests	**97,095**	96,125
		833,205	812,340
Shareholders' equity		**$ 548,173**	$ 577,330
Represented by	Capital stock (Note 9)	**$ 431,453**	$ 432,817
	Retained earnings	**124,073**	145,175
	Cumulative translation adjustment	**(7,353)**	(662)
		$ 548,173	$ 577,330

On behalf of the Board

ISIN IVANIER, Director PAUL IVANIER, Director

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

YEARS ENDED DECEMBER 31		Thousands of dollars 1989	1988 (Note 11)
Operating activities	Operations		
	Earnings from continuing operations	**$ 36,920**	$ 55,555
	Depreciation and amortization	**56,115**	56,879
	Deferred income taxes	**5,653**	27,624
	Minority interest	**7,939**	11,150
	Other items	**(940)**	(1,229)
	Working capital provided from operations	**105,687**	149,979
	Increase in non-cash working capital items	**(3,871)**	(93,873)
	Other items	**(9,091)**	(7,478)
	Cash provided by operating activities	**92,725**	48,628
Cumulative translation adjustment		**(8,623)**	(12,029)
Financing activities	Dividends	**(34,013)**	(34,069)
	Additional long-term liabilities	**94,303**	113,023
	Repayment of long-term liabilities	**(38,017)**	(27,869)
	Other items	**(4,151)**	(3,453)
	Cash provided by financing activities	**18,122**	47,632
Investing activities	Net additions to fixed assets	**(68,037)**	(89,772)
	Business acquisitions (Note 14)	**—**	(12,144)
	Secured note and mortgage receivable	**(11,007)**	(12,879)
	Discontinued operations	**28,070**	(24,696)
	Other items	**(1,580)**	2,183
	Cash used in investing activities	**(52,554)**	(137,308)
Bank indebtedness, net of cash	Decrease (increase) in bank indebtedness	**49,670**	(53,077)
	Balance at beginning of year	**(99,751)**	(46,674)
	Balance at end of year	**$ (50,081)**	$ (99,751)

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

YEARS ENDED DECEMBER 31	Thousands of dollars 1989	1988
Balance at beginning of year, as restated (Note 13)	**$ 145,175**	$ 137,285
Add		
Net earnings	**12,851**	41,916
Gain on purchase of preferred shares	**60**	43
	158,086	179,244
Deduct		
Preferred dividends	**23,010**	23,073
Dividends on Class A and Class B shares	**11,003**	10,996
	34,013	34,069
Balance at end of year	**$ 124,073**	$ 145,175

AUDITORS' REPORT

The Shareholders,
Ivaco Inc.

We have examined the consolidated statements of financial position of Ivaco Inc. as at December 31, 1989 and 1988 and the consolidated statements of earnings, retained earnings and changes in financial position for the years then ended. Our examinations were 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, 1989 and 1988 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis.

Montréal, Québec
February 28, 1990.

Touche Ross & Co.
Chartered Accountants

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1989 and 1988

1. Significant Accounting Policies

The Company follows accounting principles generally accepted in Canada in the preparation of its consolidated financial statements.

Basis of Consolidation

The consolidated financial statements include the accounts of Ivaco Inc. and its subsidiaries. The excess of cost over net assets at the dates of acquisition is allocated to fixed assets and is being depreciated over the estimated useful lives of the respective fixed assets.

Investments in businesses in which the Company has a 20% to 50% ownership interest are carried on the equity method of accounting. The differences between the underlying book value of net assets at the dates of acquisition and the purchase price are being amortized over the estimated useful lives of the investees' fixed assets.

Foreign Exchange Translation

Foreign Operations

Assets and liabilities of foreign operations are translated into Canadian dollars at year-end exchange rates. Cumulative gains and losses on translation are deferred and included as a separate component of shareholders' equity. Income and expenses are translated at average exchange rates prevailing during the year.

Canadian Operations

Foreign assets and liabilities of Canadian operations are translated into Canadian dollars at year-end exchange rates. Gains and losses are included in the determination of net earnings except for unrealized translation gains and losses on long-term liabilities which are deferred and are amortized over the remaining lives of the related items. Income and expenses are translated at average exchange rates prevailing during the year.

Inventories

Inventories are stated at the lower of cost (determined substantially on the first-in, first-out method) and net realizable value. Work-in-progress related to contracts for the fabrication and erection of structural steel is valued at costs incurred to date less progress billings and is included as a component of semi-finished inventories.

Fixed Assets and Depreciation

Fixed assets are stated at cost after deducting related investment tax credits and government grants. Interest costs related to major capital expenditures are capitalized during the period of construction. Depreciation is computed principally on the straight-line method over the estimated useful lives of the respective assets as follows:

Buildings	40 years
Steelmaking and rolling mill equipment	25 years
Manufacturing equipment	15 years

Deferred Preproduction and Development Costs

Certain costs relating to the start-up of new facilities and major plant additions, incurred prior to the commencement of commercial production, are deferred and amortized over periods of up to five years.

1. Significant Accounting Policies *(Continued)*

Research and development expenditures are expensed as incurred with the exception of costs related to the development of new products, processes and systems to the extent that their recovery can be reasonably assured. Deferred development costs are amortized on commencement of operation or commercial production over appropriate future periods.

Earnings (loss) per share

Earnings (loss) per Class A and Class B share are calculated after deducting dividends on preferred shares and second preferred shares using the weighted average number of shares outstanding during the year. Fully diluted earnings (loss) per Class A and Class B share are calculated assuming conversion of second preferred shares and assuming stock options had been exercised at the beginning of the year.

2. Inventories

	Thousands of dollars	
	1989	1988
Finished and semi-finished*	**$ 298,254**	$ 355,565
Raw materials and supplies	**302,012**	313,030
Total inventories	**$ 600,266**	$ 668,595

*Includes costs to date of uncompleted contracts for the fabrication and erection of structural steel of $43,176 (1988 — $75,953) less progress billings of $39,086 (1988 — $56,037).

3. Portfolio Investments

Pursuant to the terms of trust agreements, the Company pledged 2,976,095 common shares of Dofasco Inc. to secure the exchange privileges attached to the 9.5% exchangeable debentures and 3,000,000 common shares of Dofasco to secure the exchange privileges attaching to the $2.72 cumulative redeemable exchangeable second preferred shares, Series 4.

4. Investments and Other Assets

	Thousands of dollars	
	1989	1988
Net assets of discontinued operations	**$ 39,167**	$ 13,092
Investment in non-consolidated companies, at equity	**14,596**	14,484
Deferred preproduction and development costs and other deferred charges, less amortization	**10,749**	11,335
Deferred financing costs, less amortization	**5,599**	6,283
Deferred translation adjustment, less amortization	**(3,766)**	(4,110)
Secured note and mortgage receivable	**11,007**	12,879
Other items	**12,772**	8,587
Total investments and other assets	**$ 90,124**	$ 62,550

5. Fixed Assets

	Thousands of dollars	
	1989	1988
Land	**$ 31,780**	$ 33,208
Buildings	**183,790**	195,121
Machinery and equipment	**964,006**	1,002,457
	1,179,576	1,230,786
Less: Accumulated depreciation	**494,492**	526,912
Total fixed assets	**$ 685,084**	$ 703,874

6. Long-term Liabilities

	Thousands of dollars	
	1989	1988
Secured		
Debentures maturing to 1994		
Series A at 11.74% ($7.3 million U.S.; 1988 — $9.4 million U.S.)	**$ 8,458**	$ 11,210
Series B at 12.48%	**5,800**	7,500
Series E at 9.25%	**4,185**	4,435
Series F at 13.875%	**11,700**	14,220
Industrial Revenue Bonds principally at 8.9% maturing to 2001 ($15.5 million U.S.; 1988 — $17 million U.S.)	**17,961**	20,285
Mortgages principally at 10.6% maturing to 2000 of which $2.5 million are in U.S. funds (1988 — $2.9 million U.S.)	**11,710**	12,678
Revolving bank loans maturing to 1998 of which $40 million are in U.S. funds (1988 — $49.7 million U.S.)*/**	**53,085**	66,978
Bank loan maturing to 1995**	**48,000**	50,000
Unsecured		
Revolving bank loans maturing to 1998 of which $133.8 million are in U.S. funds (1988 — $83.2 million U.S.)*/**	**246,830**	192,012
Bank loans maturing to 1997 of which $46.6 million are in U.S. funds (1988 — $49.8 million U.S.)**	**70,866**	59,807
Notes principally at 8.4% maturing to 2001 ($30.2 million U.S.; 1988 — $33.1 million U.S.)	**35,035**	39,465
Others principally at 11.1% maturing to 1999 of which $31.8 million are in U.S. funds (1988 — $20.3 million U.S.)	**69,543**	57,265
	583,173	535,855
Less current maturities	**32,551**	27,689
Total long-term liabilities	**$550,622**	$508,166

Required payments of long-term liabilities excluding revolving bank loans, over the next five years, are as follows: $32.6 million in 1990; $53.4 million in 1991; $56.2 million in 1992; $34.8 million in 1993; and $28.6 million in 1994.

* Revolving bank loans for the most part extend for periods of 3 years and are extendible annually for a further year. The amount unpaid at the end of the revolving period becomes payable over additional periods of up to 6 years. Assuming these revolving loans are not extended beyond the revolving period, the required payments over the next five years would be as follows:

Nil in 1990; Nil in 1991; $46.8 million in 1992; $38.9 million in 1993; and $39.0 million in 1994.

** The revolving bank loans and bank loans bear interest generally at the lower of prime rates, bankers' acceptance rates, domestic fixed rates or U.S. dollar LIBOR rates. The Company has negotiated fixed rates of interest averaging 9.46% on $129.5 million of such debt for periods of up to seven years. The remainder of this debt aggregating $289.3 million bears interest at an average floating rate of 10.75% at December 31, 1989. The Company may negotiate fixed rates of interest on such debt for periods of up to 7 years.

7. Exchangeable Debentures

The exchangeable debentures which are exchangeable, at the option of the holders, for 2,976,095 common shares of Dofasco Inc. bear interest at 9.5% per annum to April 15, 1990 and after April 15, 1990 at a semi-annual rate equal to the sum of (i) the cash dividends paid by Dofasco per Dofasco common share during the six calendar months immediately preceding the interest payment date divided by $32.00, expressed as a percentage and (ii) 2.5%.

8. Pensions and Accrued Costs of Pension Plans

The Company and its subsidiaries have pension plans covering substantially all employees. The majority of the plans are defined benefit plans. The following is based on information at December 31:

	Thousands of dollars	
	1989	1988
Actuarial present value of accrued pension obligations	**$ 362,673**	$ 364,536
Less: Market value of pension fund assets	**(275,640)**	(283,526)
Accrued costs of pension plans and other amounts recorded in consolidated statement of financial position	**(36,074)**	(37,608)
Net unrecorded pension obligations	**$ 50,959**	$ 43,402

Pension expense for 1989 was $21.8 million (1988 — $19.2 million).

9. Capital Stock

Authorized

An unlimited number of preferred shares issuable in series, second preferred shares issuable in series, subordinated non-voting preferred shares, Class A subordinate voting shares (Class A shares) and Class B voting shares (Class B shares) — all without par value.

Issued and outstanding

	Number of shares		Thousands of dollars	
	1989	1988	**1989**	1988
Preferred shares				
$4.425 Series C	**183,550**	195,550	**$ 9,178**	$ 9,778
$2.50 Series D	**654,735**	675,235	**16,368**	16,880
$2.40 Series E	**800,580**	817,680	**20,015**	20,442
			45,561	47,100
Convertible second preferred shares				
$2.00 Series 1	**1,846,762**	1,846,762	**46,169**	46,169
$2.00 Series 2	**1,930,114**	1,930,114	**48,253**	48,253
$2.25 Series 3	**1,200,000**	1,200,000	**30,000**	30,000
			124,422	124,422
Exchangeable second preferred shares				
$2.72 Series 4 (Note 3)	**3,000,000**	3,000,000	**96,000**	96,000
Class A shares	**11,317,744**	11,299,750	**146,708**	146,532
Class B shares	**7,060,058**	7,060,358	**18,762**	18,763
			165,470	165,295
Total capital stock			**$431,453**	$432,817

Preferred Shares

The preferred shares are non-voting and each series of preferred shares ranks equally with all other series of preferred shares and ahead of the second preferred shares, subordinated non-voting preferred shares and Class A and Class B shares.

Series C

The $4.425 Series C cumulative redeemable preferred shares may be purchased by the Company on the open market at prices not exceeding the applicable redemption price. The Company may redeem Series C preferred shares at $50.38 per share to July 1, 1990, and thereafter at $50 per share. The Company will make all reasonable efforts to purchase 3,000 shares for cancellation on the open market in each calendar quarter at prices not exceeding $50 per share. During the year, 12,000 such shares were purchased and cancelled.

9. Capital Stock *(Continued)*

Series D

The $2.50 Series D cumulative redeemable preferred shares may be purchased by the Company on the open market at prices not exceeding the applicable redemption price. The Company may redeem Series D preferred shares at $25.75 per share to October 1, 1990, decreasing by $0.25 for each year commencing thereafter up to and including October 1, 1992 and thereafter at $25 per share. On October 1, 1992 the Company will purchase for redemption at $25 per share, all shares tendered at the option of each holder. The Company will make all reasonable efforts to purchase 7,200 shares for cancellation on the open market in each calendar quarter at prices not exceeding $25 per share. During the year, 20,500 such shares were purchased and cancelled.

Series E

The $2.40 Series E cumulative redeemable preferred shares may be purchased by the Company on the open market at prices not exceeding $26.50 per share prior to October 1, 1991, and thereafter at prices not exceeding the applicable redemption price. The Company may redeem Series E preferred shares on or after October 1, 1991 at $26.50 per share in the first year, decreasing by $0.25 each year commencing thereafter up to and including September 30, 1997, and thereafter at $25 per share. On October 1, 1991 the Company will purchase for redemption at $25 per share, at the option of each holder, 425,000 shares less the number of shares previously redeemed or purchased. On October 1, 1997 the Company will purchase for redemption all shares tendered at $25 per share. The Company will make all reasonable efforts to purchase 4,250 shares for cancellation on the open market in each calendar quarter to September 30, 1991, and 8,500 shares in each quarter thereafter at prices not exceeding $25 per share. During the year, 17,100 such shares were purchased and cancelled.

Convertible Second Preferred Shares

The second preferred shares are non-voting and each series of second preferred shares ranks equally with all other series of second preferred shares and after the preferred shares and ahead of the subordinated non-voting preferred shares and the Class A and Class B shares.

Series 1

The $2.00 Series 1 cumulative redeemable second preferred shares are convertible at the option of the holder on or before August 15, 1990 into 1⅓ Class A shares for each Series 1 second preferred share. The Company may redeem Series 1 second preferred shares prior to August 15, 1990 at $25.75 per share, reducing by $0.25 for each year thereafter until August 15, 1992, and thereafter at $25 per share, provided the market price of the Class A shares is greater than $23.43 at that time. The Company will make all reasonable efforts to purchase 18,467 shares for cancellation on the open market in each calendar quarter, commencing with the quarter beginning October 1, 1990 at prices not exceeding $25 per share.

Series 2

The $2.00 Series 2 cumulative redeemable second preferred shares are convertible at the option of the holder on or before December 18, 1990 into 1⅓ Class A shares for each Series 2 second preferred share. The Company may redeem Series 2 second preferred shares prior to December 18, 1990 at $25.75 per share, reducing by $0.25 each year thereafter until December 18, 1992 and thereafter at $25 per share, provided the market price of the Class A shares is greater than $23.43 at that time. The Company will make all reasonable efforts to purchase 19,301 shares for cancellation on the open market in each calendar quarter, commencing with the quarter beginning January 1, 1991 at prices not exceeding $25 per share.

9. Capital Stock *(Continued)*

Series 3

The $2.25 Series 3 cumulative redeemable second preferred shares are convertible at the option of the holder on or before August 15, 1990 into 1.39 Class A shares for each Series 3 second preferred share. The Company may redeem Series 3 second preferred shares prior to August 15, 1990 at $26.00 per share, reducing by $0.25 for each year thereafter until August 15, 1993 and thereafter at $25 per share, provided the market price of the Class A shares is greater than $22.47 at that time. The Company will make all reasonable efforts to purchase 12,000 shares for cancellation on the open market in each calendar quarter, commencing with the quarter beginning January 1, 1991 at prices not exceeding $25 per share.

Exchangeable Second Preferred Shares, Series 4

The $2.72 Series 4 cumulative redeemable exchangeable second preferred shares are exchangeable, at the option of the holder, into one common share of Dofasco Inc. for each Series 4 exchangeable second preferred share. Dividends after April 15, 1990, will be determined by applying to $32.00 a quarterly rate equal to the sum of (i) the cash dividends paid by Dofasco per common share of Dofasco during the three calendar months immediately preceding the dividend payment date divided by $32.00 expressed as a percentage, and (ii) 1%. The Company may redeem Series 4 exchangeable second preferred shares after April 14, 1990 at $33.50 per share and after April 14, 1995 at $32.00 per share, provided the market price of Dofasco common shares is greater than $40.00 at that time.

Class A Subordinate Voting and Class B Voting Shares

The Class A subordinate voting shares (Class A shares) carry one vote per share and the Class B voting shares (Class B shares) carry ten votes per share. The Class A shares have a dividend rate equal to 120% of any dividend declared on the Class B shares.

The Class A shares and the Class B shares are treated equally in the event of liquidation or in any subdivision or consolidation of either class. In the event an acquisition offer is made to holders of Class B shares and at least 50% of the Class B shares are tendered in acceptance of the offer and a similar offer is not made to holders of Class A shares, then each Class A share will for purposes of the offer be deemed to have been converted into a Class B share in order that the Class A shares will be treated equally with the Class B shares.

The Class B shares may be converted into an equal number of Class A shares at any time.

The following transactions occurred in the Class A shares and the Class B shares:

	Number of shares		Thousands of dollars	
	Class A	Class B	Class A	Class B
Balance at December 31, 1987	11,296,116	7,062,658	$146,510	$18,771
Conversion from:				
Class B to Class A	2,300	(2,300)	8	(8)
Issued for cash under Employees'				
Stock Option Plan	1,334	—	14	—
Balance at December 31, 1988	11,299,750	7,060,358	$146,532	$18,763
Conversion from:				
Class B to Class A	300	(300)	1	(1)
Issued for cash under Employees'				
Stock Option Plan	17,694	—	175	—
Balance at December 31, 1989	11,317,744	7,060,058	$146,708	$18,762

Stock options

At December 31, 1989, options for 702,540 (1988 — 734,400) Class A shares granted under the employees' stock option plan were outstanding at $10.00 per share.

10. Income Taxes

	1989	1988
Combined basic federal and provincial income tax rate	**41.4%**	44.0%
Income tax adjustments resulting from:		
Canadian manufacturing and processing credits	**(.9)**	(1.9)
Differences between Canadian and foreign tax rates	**(1.5)**	(2.8)
Items not subject to tax and other items	**(2.0)**	(.9)
Effective income tax rate	**37.0%**	38.4%

Certain U.S. subsidiaries of Canron Inc. have unused income tax losses pertaining to prior years of approximately $38.5 million (U.S. $33.2 million) which may be applied against future years' taxable income. These losses, for which no benefits have been recognized in the accounts, expire from 1997 to 2004.

11. Loss from Discontinued Operations

During 1989, certain operations of the Sivaco Wire Group and Canron's Iron Pipe, U.S. Plastic Pipe, Hyprescon Concrete Pipe and Mechanical divisions were discontinued. The results of their operations for the period prior to the date of determination to discontinue have been shown as Loss from Discontinued Operations. Losses associated with their discontinuance and relocation of operations subsequent to the date of determination are included in Extraordinary Items. The amounts shown are after deducting applicable income taxes and minority interest.

The 1988 comparative figures contained in the Consolidated Statements of Earnings and Changes in Financial Position have been restated on a basis comparable to 1989.

12. Extra-ordinary Items

	Thousands of dollars	
	1989	1988
Loss associated with the discontinuance and relocation of operations subsequent to the date of determination to discontinue, after deducting income taxes of $9,892 (1988 — $6,545) and minority interest of $1,990 (1988 — $1,644)	**($19,803)**	($12,258)
Gain on sale of assets, previously segregated as discontinued operations, after deducting income taxes of $4,189 and minority interest of $2,759	—	10,381
Net extraordinary items	**($19,803)**	($ 1,877)

13. Prior Years' Adjustment

During 1989, the Company corrected its method of measuring the inventory quantities at certain of its locations. The resulting adjustments amounting to $1.6 million (net of income taxes) have been accounted for as prior period adjustments and charged to the appropriate years. Accordingly, the Consolidated Statements of Financial Position have been restated to reflect this change.

14. Business Acquisitions

During 1988, Canron Inc. acquired the structural steel and joist assets and operations of Great West Steel for a total cash consideration of $10.7 million allocated $4.7 million to working capital and $6.0 million to fixed assets.

During 1988, the Company acquired a masonry products company in Birmingham, Alabama for a total cash consideration of $1.4 million.

15. Transactions with Related Parties

From time to time the Company borrows short-term funds from directors who are senior officers of the Company and makes drawings available to them, all at prime interest rates. At no time during the year have drawings by these persons exceeded the short-term funds loaned by them to the Company.

16. Comparative Figures

The 1988 figures have been reclassified to conform with the presentation adopted in 1989.

17. Contingent Liability

On November 28, 1989 during the erection of a building in San Francisco, California, a crane, owned and operated by third parties, fell to the ground causing personal injury, including five deaths, and property damage. The third party operating the crane acted as a subcontractor to Canron Construction Corporation, an indirect wholly-owned U.S. subsidiary of Canron Inc. Lawsuits claiming damages arising from this incident have been filed against several parties including Canron Construction Corporation and additional claims are expected. Canron Construction Corporation has substantial limits of insurance and its insurance carriers have taken over the defense of these claims. It is expected that there will be no significant financial impact on Canron. The loss, if any, which may eventually be assessed will be accounted for as a prior period adjustment.

18. Segmented Information

The Company operates principally in Canada and the United States in two industry segments. The Company operates in its principal line of business and dominant segment as a steel producer and manufacturer of a wide variety of steel products. It also operates as a manufacturer of plastic pipe and fabricator and erector of structural steel.

Transfers between geographic segments are made at fair market value. Canadian sales to outside customers include export sales in 1989 of $350 million (1988 — $380 million) primarily to customers in the United States. Highlighted on the following page is the breakdown of net sales, earnings from operations and identifiable assets by industry and geographic segments.

18. Segmented Information *(Continued)*

Industry Segment (Note 11)

	1989 Thousands of dollars			1988		
	Steel	Plastic Pipe and Fabrication/ Erection of Structural Steel	Consolidated	Steel	Plastic Pipe and Fabrication/ Erection of Structural Steel	Consolidated
Net sales	**$1,663,499**	**$423,331**	**$2,086,830**	$1,652,070	$361,213	$2,013,283
Earnings from operations	**$ 108,050**	**$ 22,392**	**$ 130,442**	$ 149,108	$ 10,845	$ 159,953
Interest expense			**(66,937)**			(58,035)
Investment income			**7,649**			6,335
Earnings from continuing operations before income taxes and other items			**71,154**			108,253
Income taxes			**(26,295)**			(41,548)
Earnings from continuing operations before other items			**44,859**			66,705
Minority interest			**(7,939)**			(11,150)
Earnings from continuing operations			**36,920**			55,555
Loss from discontinued operations			**(4,266)**			(11,762)
Earnings before extraordinary items			**32,654**			43,793
Extraordinary items			**(19,803)**			(1,877)
Net earnings			**$ 12,851**			$ 41,916
Assets identifiable by segment	**$1,629,211**	**$215,131**	**$1,844,342**	$1,641,892	$212,047	$1,853,939
Net additions to fixed assets	**$ 63,746**	**$ 4,291**	**$ 68,037**	$ 68,964	$ 20,808	$ 89,772
Depreciation and amortization	**$ 44,891**	**$ 11,224**	**$ 56,115**	$ 44,177	$ 12,702	$ 56,879

Geographic Segment (Note 11)

	1989 Thousands of dollars			1988		
	Canada	U.S.A.	Consolidated	Canada	U.S.A.	Consolidated
Net sales	**$1,022,503**	**$1,064,327**	**$2,086,830**	$ 991,818	$1,021,465	$2,013,283
Earnings from operations	**$ 78,427**	**$ 52,015**	**$ 130,442**	$ 91,930	$ 68,023	$ 159,953
Interest expense			**(66,937)**			(58,035)
Investment income			**7,649**			6,335
Earnings from continuing operations before income taxes and other items			**71,154**			108,253
Income taxes			**(26,295)**			(41,548)
Earnings from continuing operations before other items			**44,859**			66,705
Minority interest			**(7,939)**			(11,150)
Earnings from continuing operations			**36,920**			55,555
Loss from discontinued operations			**(4,266)**			(11,762)
Earnings before extraordinary items			**32,654**			43,793
Extraordinary items			**(19,803)**			(1,877)
Net earnings			**$ 12,851**			$ 41,916
Assets identifiable by segment	**$1,154,769**	**$ 689,573**	**$1,844,342**	$1,190,027	$ 663,912	$1,853,939

FINANCIAL SUMMARY

MILLIONS OF DOLLARS EXCEPT PER SHARE AMOUNTS

Operating Results		1989	1988*	1987**	1986	1985	1984	1983
Net sales		**$2,086.8**	2,013.3	2,127.8	1,944.8	1,342.7	1,193.9	754.7
Depreciation and amortization		**$ 56.1**	56.9	56.7	56.3	39.5	34.5	27.0
Earnings from operations		**$ 130.4**	160.0	142.0	131.6	99.4	94.8	40.7
Earnings (loss) from continuing operations before income taxes and other items		**$ 71.2**	108.3	89.0	81.7	57.6	54.4	(0.3)
Provision for income taxes		**$ 26.3**	41.5	42.1	32.7	18.3	15.8	(5.9)
Earnings (loss) before other items		**$ 44.9**	66.7	46.9	49.0	39.3	38.6	5.6
Earnings (loss) from continuing operations		**$ 36.9**	55.6	39.9	43.1	35.1	32.3	2.9
Earnings (loss) before extraordinary items		**$ 32.7**	43.8	36.8	43.1	35.1	32.3	0.8
Net earnings (loss)		**$ 12.9**	41.9	31.8	44.1	35.1	33.8	0.8
Earnings (loss) per share								
From continuing operations		**$ 0.76**	1.77	0.91	1.05	1.04	1.53	(0.17)
Before extraordinary items		**$ 0.53**	1.13	0.74	1.05	1.04	1.53	(0.34)
After extraordinary items		**$ (0.55)**	1.03	0.46	1.11	1.04	1.64	(0.34)
Return on sales	%	**0.6**	2.1	1.5	2.3	2.6	2.8	0.1

Financial Position		1989	1988*	1987**	1986	1985	1984	1983
Current assets		**$ 951.8**	970.2	913.4	861.0	623.1	536.0	461.8
Current liabilities		**$ 463.0**	464.3	441.8	374.2	228.1	263.2	191.0
Working capital		**$ 488.9**	505.9	471.6	486.8	395.0	272.8	270.8
Net additions to fixed assets		**$ 68.0**	89.8	88.5	84.4	46.3	39.5	16.6
Total assets		**$1,844.3**	1,853.9	1,764.7	1,698.4	1,281.4	1,117.3	890.0
Long-term liabilities		**$ 550.6**	508.2	449.8	436.0	300.5	350.8	263.4
Exchangeable debentures		**$ 95.2**	95.2	95.2	95.2	95.3	—	—
Shareholders' equity		**$ 548.2**	577.3	582.6	604.1	520.6	366.9	303.3
Dividends		**$ 34.0**	34.1	34.2	33.7	28.4	19.4	10.3
Book value per share		**$ 15.76**	16.91	16.48	16.64	15.01	14.29	13.22

*1988 results have been restated to reflect the effect of operations classified as discontinued in 1989.
**1987 figures have been restated to reflect the prior year's adjustment.

1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970
681.7	718.3	621.9	495.4	265.9	166.8	136.0	103.0	150.7	90.2	53.9	43.2	27.6
23.9	19.6	14.9	11.4	8.0	6.8	6.1	3.6	3.3	2.4	1.5	1.2	0.7
28.7	79.5	67.1	85.3	49.0	21.6	14.4	10.5	40.4	15.3	9.6	7.9	6.5
(25.7)	33.9	41.1	69.0	41.1	14.6	7.2	6.4	37.6	14.2	8.9	7.5	4.6
(15.3)	8.6	12.4	25.4	16.7	4.6	1.6	1.7	16.5	5.8	4.1	3.7	2.3
(10.4)	25.3	28.7	43.6	24.4	10.0	5.6	4.7	21.1	8.4	4.8	3.8	2.3
(9.9)	25.2	28.3	42.7	24.0	9.8	5.4	4.5	20.4	8.1	4.6	3.7	2.2
(9.9)	25.2	28.3	42.7	24.0	9.8	5.4	4.5	20.4	8.1	4.6	3.7	2.2
(9.9)	28.4	28.3	42.7	24.0	9.8	5.4	5.4	20.4	8.1	4.6	3.7	2.1
(1.20)	2.08	2.47	3.98	2.20	0.89	0.52	0.43	2.12	0.87	0.54	0.45	0.34
(1.20)	2.08	2.47	3.98	2.20	0.89	0.52	0.43	2.12	0.87	0.54	0.45	0.34
(1.20)	2.37	2.47	3.98	2.20	0.89	0.52	0.52	2.12	0.87	0.54	0.45	0.33
(1.5)	3.9	4.6	8.6	9.0	5.9	4.0	5.2	13.5	9.0	8.5	8.6	7.6
1982	**1981**	**1980**	**1979**	**1978**	**1977**	**1976**	**1975**	**1974**	**1973**	**1972**	**1971**	**1970**
347.6	335.5	273.7	257.3	131.2	105.9	100.6	88.6	76.8	44.0	35.3	28.1	12.1
204.7	223.3	143.8	147.0	74.1	69.5	69.6	59.5	45.9	25.6	22.2	18.4	7.4
142.9	112.2	129.9	110.3	57.1	36.4	31.0	29.1	30.9	18.4	13.1	9.7	4.7
42.6	60.8	64.2	34.3	27.6	19.7	7.4	16.0	32.4	14.6	6.9	8.3	2.5
740.4	706.3	572.7	483.7	278.5	224.9	203.5	188.0	160.4	102.9	70.2	52.9	24.5
273.4	207.3	187.5	143.2	58.4	30.8	32.2	33.5	29.8	18.6	14.7	7.2	2.2
—	—	—	—	—	—	—	—	—	—	—	—	—
194.9	206.3	187.8	151.7	116.8	95.6	74.2	70.8	67.3	48.1	26.5	21.8	8.9
7.0	9.3	8.4	7.9	5.3	2.6	1.9	1.9	1.7	0.4	0.2	0.2	—
14.25	16.23	14.46	12.61	9.49	7.68	7.04	6.68	6.34	4.37	2.76	2.25	1.40

IVACO ORGANIZATION CHART

ALL SUBSIDIARIES ARE 100% OWNED
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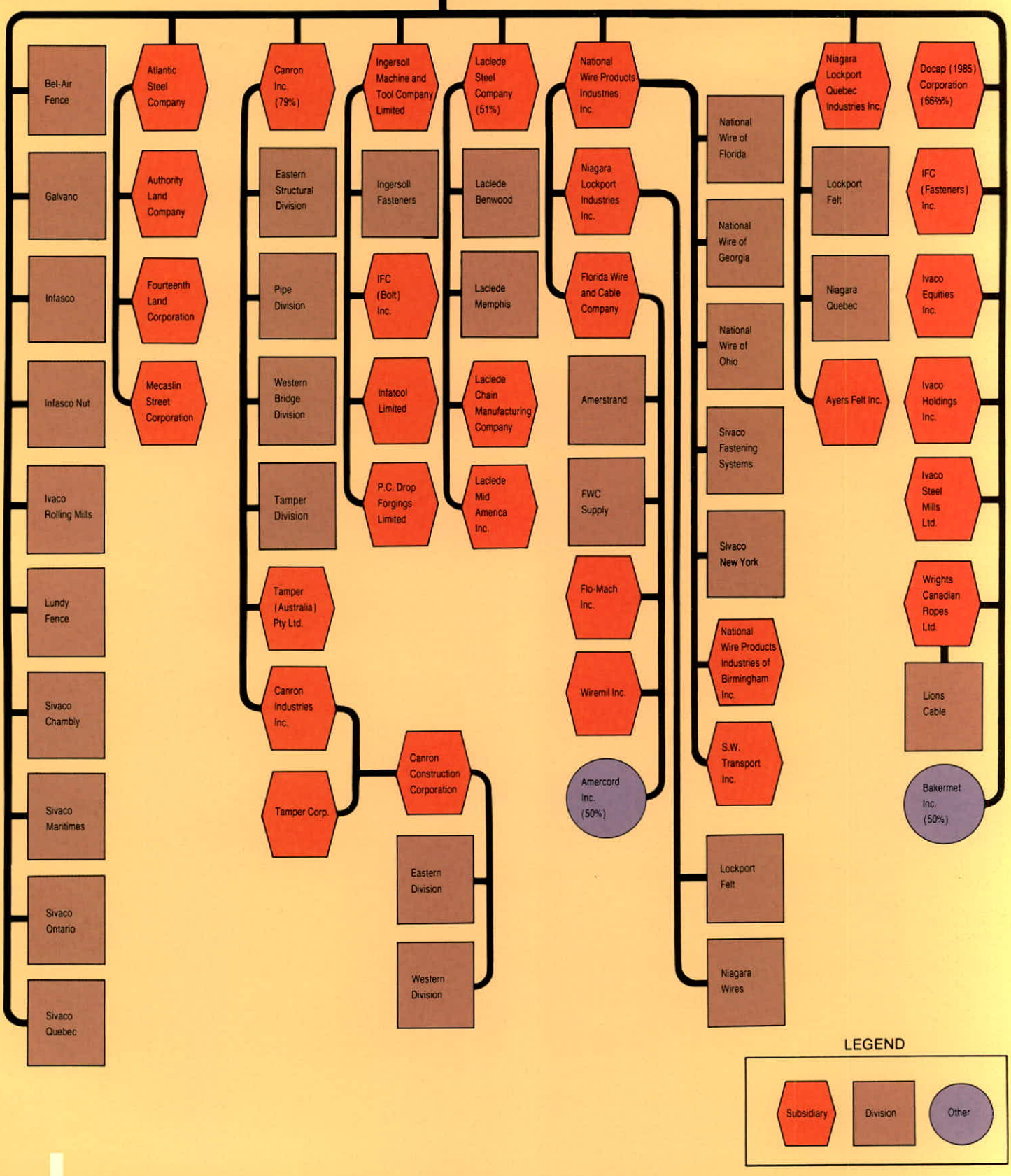

DIRECTORY OF OPERATIONS

Amercord Inc.
Industrial Park
P.O. Box 458
Lumber City, Georgia 31549
912/363-4371
FAX: 912/363-4991
Steel tire cord and tire bead wire

Amerstrand Division
200 County Road South
P.O. Box 38
Oakland City, Indiana 47660
812/749-4102
FAX: 812/749-4764
Guy strand

Atlantic Steel Company
1300 Mecaslin St. N.W.
Atlanta, Georgia 30318
P.O. Box 1714
Atlanta, Georgia 30301
404/897-4500
FAX: 404/897-4623
Billets; hot rolled bars, reinforcing bars and wire rods; and bright, galvanized and annealed wire

Atlantic Steel Company
384 Old Grassdale Road, N.E.
P.O. Box 1069
Cartersville, Georgia 30120
404/382-8420
FAX: 404/382-8420
Billets, hot rolled bars and reinforcing bars

Ayers Felt Inc.
346 rue Hamford
P.O. Box 1000
Lachute, Québec J8H 4K8
514/562-2411
FAX: 514/562-1202
Paper machine clothing — wet felts, dryer fabrics and carrier rope

Bakermet Inc.
2555 Sheffield Road
Ottawa, Ontario K1B 3V6
613/745-7006
FAX: 613/745-0692
Processing of scrap metal

Bel-Air Fence Division
400, rue Deslauriers
St. Laurent, Québec H4N 1V8
514/335-4455
FAX: 514/335-4495

2400, rue Chappe
Ancienne Lorette
Québec, Québec G2E 4W6
418/871-1155
FAX: 418/871-2945
Distribution and installation of fencing products and accessories

Canron Construction Corporation
Eastern Division
P.O. Box A, Shaw Road
Conklin, New York 13748
607/723-4862
FAX: 607/723-4882

Western Division
4600 N.E. 138th Avenue
Portland, Oregon 97230
503/255-8634
FAX: 503/253-3907
Structural steel fabrication and erection and construction services

Canron Eastern Structural Division
100 Disco Road
Rexdale, Ontario M9W 1M1
416/675-6400
FAX: 416/675-6522
Structural steel fabrication and erection and construction services

Canron Pipe Division
1st Floor, Wing 3
Port of Montréal Building
Cité du Havre
Montréal, Québec H3C 3R5
514/861-7221
FAX: 514/876-8747
Plants: St. John's, Newfoundland; Saint John East, New Brunswick; Berthierville, Brossard, and St-Jacques, Québec; North York and Rexdale, Ontario; Langley, British Columbia; Weyburn, Saskatchewan; and Fort Saskatchewan, Alberta
Plastic pipe and fittings

Canron Tamper Division
435 Horner Avenue
Toronto, Ontario M8W 4W3
416/253-1233
FAX: 416/253-0821
Railway maintenance equipment

Canron Great West Steel/ Western Bridge Division
145 West First Avenue
Vancouver, British Columbia
V5Y 1A2
604/874-2311
FAX: 604/872-2229
Plants: Vancouver and New Westminster, British Columbia; and Calgary, Alberta
Structural steel fabrication, open web steel joists; erection and construction services

Docap (1985) Corporation
21 Fasken Drive
Etobicoke, Ontario M9W 5M2
416/675-7571
FAX: 416/675-6787
Distributors of automotive and industrial products

Flo-Mach, Inc.
825 North Lane Avenue
P.O. Box 6835
Jacksonville, Florida 32205
904/781-9224
FAX: 904/783-9649
Wire processing equipment

Florida Wire and Cable Company
825 North Lane Avenue
P.O. Box 6835
Jacksonville, Florida 32205
904/781-9224
FAX: 904/783-9649 or 783-3084
High carbon wire and stranded products

Galvano Division
2620, rue Bernard-Pilon
Beloeil, Québec J3G 4S5
514/464-0547
FAX: 514/464-8553
Electro-galvanizing and hot dip galvanizing of fasteners and nails

I.F.C. (Bolt) Inc.
390 Thomas St.
P.O. Box 40
Ingersoll, Ontario N5C 3K3
519/485-4610
FAX: 519/485-2435
Bolts and nuts

I.F.C. (Fasteners) Inc.
700, rue Ouellette
P.O. Box 970
Marieville, Québec J0L 1J0
514/658-8741
FAX: 514/460-4427
Bolts and nuts

Infasco Division
700, rue Ouellette
P.O. Box 970
Marieville, Québec J0L 1J0
514/658-8741
FAX: 514/460-4427
Bolts, nuts and fastener products

Infasco Nut Division
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Mississauga, Ontario L4T 1G8
416/677-8920
FAX: 416/677-6295
Nuts

Infatool Limited
Ingersoll Street
P.O. Box 40
Ingersoll, Ontario N5C 3K3
519/485-4531
FAX: 519/485-2435
Dies and specialty tooling

Ingersoll Fasteners Division
390 Thomas Street
P.O. Box 40
Ingersoll, Ontario N5C 3K3
519/485-4610
FAX: 519/485-2435
Bolts, nuts and fastener products

Ingersoll Machine and Tool Company, Limited
347 King Street West
P.O. Box 250
Ingersoll, Ontario N5C 3K6
519/485-2210
FAX: 519/485-2163
Precision machined components and axles

Ivaco Rolling Mills Division
P.O. Box 322
L'Orignal, Ontario K0B 1K0
613/675-4671
FAX: 613/675-2714
Hot rolled wire rods and steel billets

Laclede - Benwood
Benwood Industrial Court
8th & McMechen Street
P.O. Box 10
Benwood, West Virginia 26031
304/233-5171
FAX: 304/233-5173
Tubular products

Laclede Chain Manufacturing Company
One Metropolitan Square
211 North Broadway
St. Louis, Missouri 63102
314/425-1540
FAX: 314/425-1538

Plant: 2500 East First Street
P.O. Box 249
Maryville, Missouri 64468
816/562-2160
FAX: 816/562-2743
Chain manufacturing

Laclede - Memphis
1175 Harbor Avenue
P.O. Box 13207
Memphis, Tennessee 38113
901/948-7710
FAX: 901/774-8610
Industrial wire, cold heading, annealed and plating quality wire

Laclede Mid America Inc.
Feather Valley Road
P.O. Box 629
Fremont, Indiana 46737
219/495-5360
FAX: 219/495-2666
Oil tempered wire

Laclede Steel Company
One Metropolitan Square
211 North Broadway
St. Louis, Missouri 63102
314/425-1400
FAX: 314/425-1533

Plant: P.O. Box 2576
Alton, Illinois 62002
618/474-2100
FAX: 618/474-2267
Cold drawn wire, high carbon and oil tempered; A53 continuous welded pipe, A135/A795 & A500 electric resistance weld pipe; hot rolled products, alloy and special quality bars, flat bars, narrow plate, strip, hot rolled wire rods, forging billets, and semi-finished products

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Mississauga, Ontario L5S 1S1
416/671-4694
FAX: 416/671-1648
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National Wire of Florida Division
1314 - 31st Street
Tampa, Florida 33605
813/248-4134
FAX: 813/248-3057
Wire and welded wire fabric

National Wire of Georgia Division
24 Herring Road
Newnan, Georgia 30264
404/253-6333
FAX: 404/253-6333
Wire and welded wire fabric

National Wire of Ohio Division
832 North Lallendorf Road
Toledo, Ohio 43616
419/698-8037
FAX: 419/698-4325
Wire and welded wire fabric

National Wire Products Industries, Inc.
8203 Fischer Road
Baltimore, Maryland 21222
301/477-1700
FAX: 301/388-0770
Wire, galvanized wire and welded wire fabric

National Wire Products Industries of Birmingham, Inc.
1000 - 11th Court West
Birmingham, Alabama 35204
205/252-4727
FAX: 205/322-8251
Masonry wall reinforcement products and masonry accessories

Niagara Lockport Industries Inc.
(Lockport Felt Division)
Highway 12 West
P.O. Box 1067
Starkville, Mississippi 39759
601/323-4064
FAX: 601/324-1400
Paper machine clothing — wet felts

Niagara Lockport Industries Inc.
(Niagara Wires Division)
High Bridge Road
P.O. Box 979
Quincy, Florida 32351
904/627-7141
FAX: 904/627-7184
Paper machine clothing — forming fabrics and dryer fabrics

Niagara Lockport Québec Industries Inc.
(Niagara Québec Division)
2106, rue Bellefeuille
P.O. Box 939
Trois-Rivières, Québec G9A 5K2
819/379-5555
FAX: 819/379-0644
Paper machine clothing — forming fabrics

P.C. Drop Forgings Limited
837 Reuter Road
P.O. Box 100
Port Colborne, Ontario L3K 5V7
416/834-7211
FAX: 416/834-5094
Steel forgings - upset and drop

Sivaco Chambly Division
2000, boul. Industriel
Chambly, Québec J3L 4V2
514/658-9400
FAX: 514/658-3134
Collated nails, welded wire fabric, barbed wire, farm and chain link fencing

Sivaco Fastening Systems
2000, boul. Industriel
Chambly, Québec J3L 4V2
514/658-9400
FAX: 514/658-3143
Distribution of collated nails and pneumatic tools

Sivaco Fastening Systems
Culpeper Industrial Park
Culpeper, Virginia 22701
703/347-2741
FAX: 703/347-5551
Distribution of collated nails and pneumatic tools

Sivaco Maritimes Division
35 Akerley Boulevard
Dartmouth, Nova Scotia B3B 1J7
902/469-7412
FAX: 902/465-3180
Nails

Sivaco New York Division
3937 River Road
P.O. Box 646
Tonawanda, New York 14151-0646
716/874-5681
FAX: 716/874-4440
Wire and wire rod processing

Sivaco Ontario Division
330 Thomas Street
P.O. Box 220
Ingersoll, Ontario N5C 3K5
519/485-4150
FAX: 519/485-3039
Wire rod processing

Sivaco Québec Division
800, rue Ouellette
P.O. Box 940
Marieville, Québec J0L 1J0
514/658-8741
FAX: 514/460-2744
Wire, welded wire fabric, galvanized wire and nails

Tamper (Australia) Pty. Ltd.
4 Strathwyn Street
P.O. Box 287
Strathpine 4500
Queensland, Australia
07/205-6500
FAX: 07/205-7369
Railway maintenance equipment

Tamper Corp.
2401 Edmund Road - Box 20
Cayce-West
Columbia, South Carolina
29171-0020
803/822-9160
FAX: 803/822-8710
Railway maintenance equipment

Wiremil Inc.
1 Wiremil Road
Sanderson, Florida 32087
904/275-2101
FAX: 904/275-2100
High carbon wire and stranded products

Wrights Canadian Ropes Ltd.
2551 #6 Road
Richmond, British Columbia
V6V 1P3
604/273-4941
FAX: 604/273-3803
Wire ropes and cables

PLACE MERCANTILE, 770, RUE SHERBROOKE OUEST
MONTRÉAL (QUÉBEC) CANADA H3A 1G1

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