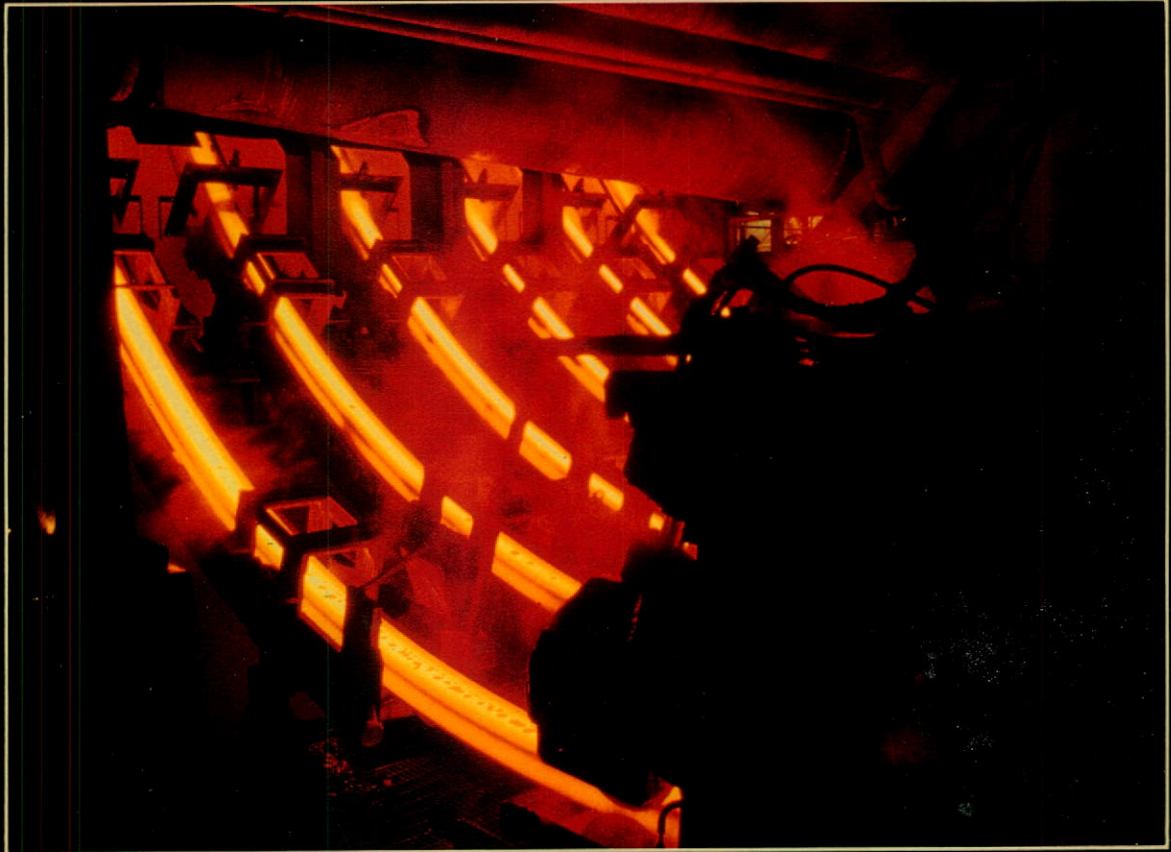




I V A C O I N C .



A N N U A L

R E P O R T

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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 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 and fittings and railway track maintenance equipment. It fabricates and erects structural steel in both Canada and the U.S.

Ivaco has 52 plants of which 31 are in Canada, 20 are in the United States and 1 in Australia. It employs approximately 9,000 people.

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ANNUAL MEETING

The annual meeting of the Company will be held on May 23, 1991 at 10:00 a.m. in the Oval Room of the Ritz-Carlton Hotel, Montréal, Québec.

COVER

This six-strand continuous billet caster was transferred from Atlanta to Cartersville, Georgia and has been refurbished, upgraded and returned to high productivity service. Combined with the previously installed four-strand continuous caster, the Cartersville casting facility now consists of 10 strands and produces five sizes of high quality billets.

Pour recevoir un exemplaire de la version française de ce rapport, veuillez écrire à Ivaco Inc., Place Mercantile, 770 rue Sherbrooke ouest, Montréal (Québec) Canada H3A 1G1.

FINANCIAL HIGHLIGHTS

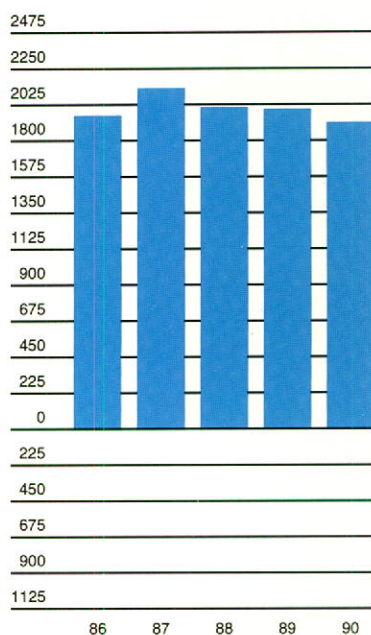
THOUSANDS OF DOLLARS EXCEPT PER SHARE AMOUNTS

	1990*	1989*
Sales	\$1,899,842	\$2,001,074
Earnings from operations	\$ 74,718	\$ 115,858
Earnings from continuing operations before income taxes and other items	\$ 9,030	\$ 57,113
Earnings from continuing operations	\$ 5,257	\$ 28,245
Net earnings	\$ 16,966	\$ 12,851
Earnings (loss) per share		
Continuing operations	\$ (0.87)	\$ 0.29
Loss per share	\$ (0.25)	\$ (0.55)
Working capital	\$ 251,400	\$ 485,727
Net additions to fixed assets	\$ 39,590	\$ 68,037

* The operations of Niagara Lockport have been reflected as discontinued for 1990 and the 1989 figures have been reclassified accordingly.

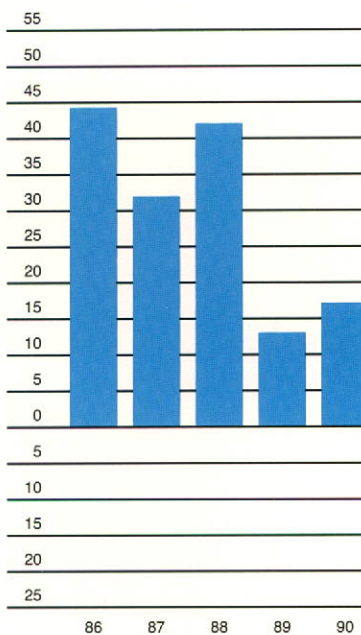
SALES*

(millions of dollars)



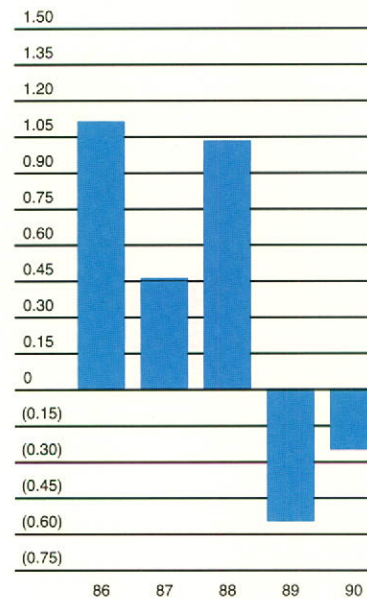
NET EARNINGS

(millions of dollars)



EARNINGS (LOSS) PER SHARE**

\$1.65



* The operations of Niagara Lockport have been reflected as discontinued for 1990 and the 1989 figures have been reclassified accordingly.

** After deducting dividends on preferred shares.

TO OUR SHAREHOLDERS



Isin Ivanier
Chairman



Paul Ivanier
President and Chief Executive Officer

March 6, 1991

Your Company faced progressively deteriorating economic conditions throughout most of 1990 and the effect of the North American recession reached major proportions in the fourth quarter of the year.

Notwithstanding the difficult conditions, Ivaco achieved some far reaching and positive objectives in 1990. Among these was the reduction of \$195 million of long-term liabilities. Another significant achievement was the maintenance of high levels of pro-

duction at virtually all plants throughout the year in the face of severe declines in overall demand for product.

By the end of 1990, Ivaco was approximately halfway through the time period assigned to a sweeping three year program which has as its objective the improvement of the Company's financial position, the reduction of debt and the improvement of returns to shareholders. It is aimed at reinforcing success and redeploying valuable but

financially underperforming assets and divesting those parts of the business which may be more valuable to third parties.

Some very significant progress in this program was recorded in 1990. The highlights were:

- Successful assumption of 100% ownership of Canron Inc.
- Successful divestiture of the Niagara Lockport paper machine clothing unit.
- The deconsolidation of Laclede Steel.

The achievement of 100% ownership of Canron was realized on a friendly, co-operative and mutually beneficial basis. Ivaco had been a 79% owner of Canron when the offer was made. The proposed arrangement, which had a cost of approximately \$46 million, was subject to an evaluation of the offer by an independent major investment dealer and was also approved unanimously by an Independent Committee of Canron's Board of Directors in addition, of course, to the approval of the full Board. It is worthy to note that the Independent Committee reached its conclusions based, at least in part, on a fairness opinion by another major investment dealer.

During the four year period when Ivaco was a part owner of Canron, excellent working relationships developed between the managements of both companies. Full ownership by Ivaco allows for even more effective co-ordination and the optimum utilization of the assets of both companies.

The sale of the Niagara Lockport operations was for \$85 million cash and the assumption by the purchaser of Niagara Lockport's debt. The net effect of the transaction was a reduction of long-term debt by some

\$130 million and the realization of a gain, before tax, of about \$27.5 million.

The divestiture was of significant benefit because it will improve earnings on an on-going basis through a reduction of interest costs which were greater than Niagara's earnings contribution to Ivaco.

The deconsolidation of Laclede Steel occurred late in the year. While it involved a relatively minor financial transaction, the effect more clearly acknowledges, on Ivaco's financial statements, the reality that Laclede is a separate publicly traded enterprise.

Ivaco now holds a 49.9% equity interest in Laclede and has stated that as long as it holds less than 50%, it will not seek majority representation on Laclede's Board and that it will account for its investment using the equity method.

The effect of deconsolidation will have a minimal impact on net earnings and shareholders' equity. On the other hand, it has further reduced Ivaco's long-term liabilities and lowered the level of working capital. It will have the effect in 1991 of reducing reported revenues since Laclede's sales will no longer be consolidated with those of your Company. In 1990 Laclede reported sales of U.S. \$287.3 million.

Meanwhile, it should be clearly stated that Ivaco has great confidence in the future of Laclede and is pleased to be in a position to share in the expectation of continued growth and success.

As mentioned earlier, as part of the three year program we are continuing to look at divesting some parts of Ivaco's business which might be more valuable to others and yet at the same time would result in a significant benefit to your Company.

One area of the program to enhance financial performance has yet to achieve its desired objective. This is the disposal, at advantageous prices, of several parcels of extremely valuable real estate which are surplus to the Company's long-term manufacturing strategies.

One of these properties is a 40 acre prime redevelopment site in Metropolitan Toronto which is less than ½ of a mile from a scenic section of Lake Ontario.

Another is the 125 acre site occupied by the Atlanta works of Atlantic Steel. The relocation last year of steelmaking from Atlanta to nearby Cartersville, Georgia and the awarding of the 1996 Olympic Games to Atlanta makes it appropriate to undertake an in-depth analysis of the optimum future use of the property. It is a highly desirable location close to, and in the path of, the expanding high rise downtown core of the city.

In addition to these two very high profile properties, Ivaco has assets, predominantly land, at other locations which are surplus to its manufacturing needs and which are believed to have a combined value in the range of \$50 million under normal market conditions.

It is recognized that the current recession has had some of its most severe impacts on large scale land development projects. So it is with more forbearance than surprise that the Company recognizes that the achievement of advantageous returns from its portfolio of high value real estate may be later rather than sooner. The conversion of this extremely valuable land portfolio to more financially effective assets may take longer to achieve than originally expected. Nevertheless, the Company is confident that the return to more buoyant economic conditions, now on the distant horizon, will result in the

sale of these lands at significant benefit to your Company.

In terms of operations, nearly all of Ivaco's manufacturing units achieved high levels of productivity through the year.

The Ivaco Rolling Mills complex produced record tonnage in 1990 at both the steelmaking and rolling mill plants and high standards of productivity were reached. Currently more than 65% of production is in the premium quality and special chemistry grades. Of particular interest, Ivaco Rolling Mills extended its production of aluminum killed steel during the year and the market response for the fine grain, more ductile steel has been excellent.

Atlantic Steel completed the consolidation of steelmaking at its expanded and modernized facility at Cartersville, Georgia during the year. The Cartersville facility is now world class and is capable of producing a significantly greater tonnage of steel, a higher proportion of premium grades, and at lower cost than was feasible at Atlantic's previous two separate facilities.

Laclede Steel continued its comprehensive modernization program through the past year and made excellent progress for the reduction of costs through gains in productivity. One major project now underway is the construction of a High Temperature Metal Recovery plant. It has major environmental importance because it removes hazardous components from electric furnace dust and captures valuable materials for recycling.

Most of the Company's business units which produce their products from hot rolled wire rods encountered difficult conditions during 1990. The exceptions were Florida Wire and Cable and 50% owned Amercord which utilize premium grades of

high carbon hot rolled rods to supply prestressed concrete strand, tire cord and tire bead. In terms of technical sophistication, these are among the most demanding of products derived from wire rods and the Company's recognized leadership continues to prove beneficial.

Elsewhere, however, demand from the automotive, construction and natural resource industries adversely affected both demand and pricing for much of the Company's output of wire, wire products, nails, fasteners and wire rope. On the bright side, continued gains were made at most plants in the long standing program to evolve the product mix from commodity grades to premium quality, specialized and other higher margin products.

At Canron, the recession resulted in reduced performance for the plastic pipe and precision machined parts units but the structural steel fabrication and erection units and the railway maintenance operations all performed well.

In 1990, Ivaco took two significant steps to benefit shareholders. The first of these was to establish flexible dividend and dividend reinvestment plans and the second was an offer to the holders of the Series 1 and Series 3 Convertible Second Preferred shares.

The changes to the common share dividend plan give shareholders the option of taking dividends in cash or in Class A shares or a combination of both. Similarly, the dividend reinvestment plan gives preferred shareholders the right to reinvest their dividends in Class A shares. One major benefit for shareholders who decide to participate in one of these plans for additional Class A shares is that the shares are issued at a 10% discount to market.

The offer to holders of Series 1 and Series 3 Second Preferred shares came about because the conversion privileges attached to these shares were about to expire and the common share price at the time would not make conversion beneficial to the holders. The Company believed that it would be proper, and in the interest of all shareholders, to compensate the holders of these preferred shares for the termination of the original conversion privileges.

Accordingly, an offer was made permitting enhanced conversion privileges on the basis of 1.71 (instead of 1.33) Class A Subordinate Voting shares for each Series 1 Convertible Second Preferred share and 1.78 (instead of 1.39) Class A Subordinate Voting shares for each Series 3 Convertible Second Preferred share.

The substantial reduction in long-term debt which was achieved in 1990 has strengthened your Company's financial position significantly and thus facilitates Ivaco's ability to cope with the current recession and to move aggressively to consolidate its recent market share gains when conditions return to normal.

The completion of the steelmaking upgrade at Cartersville and the deconsolidation of Laclede have reduced the traditional bookings of expenditures for fixed assets associated with the Company's emphasis on productivity improvements. Accordingly, net additions to fixed assets were \$39.6 million for the year, a substantial reduction from last year's \$68 million.

The Company remains distressed concerning what it considers an unjustifiably high Canadian dollar which in part is caused by still unrealistically high levels of interest rates in comparison with those in the United

States. The inappropriate level of the dollar and high interest rates have already been instrumental, in part, toward the requirement for a downward adjustment in production, particularly at the Canadian wire and steel-making operations. This adjustment to balance inventories with reduced demand for products does, however, result in commensurate savings in operating costs. During 1990, the Sivaco Wire Group recorded the largest annual loss in its entire history and these problems are continuing. It should be noted that these losses were less severe than they would have been if the comprehensive restructuring program begun two years ago had not been completed. Continued emphasis is being given to rationalize the product lines and reduce costs and we are exploring several alternative means which would make the Sivaco Wire Group an effective business.

The outlook for the first quarter, and probably at least another quarter, is for continuation of the depressed markets for steel and steel products experienced during the fourth quarter. It is still too early to predict the length of the current recession but the

Company is confident it will regain prosperity rapidly as conditions return to normal.

Meanwhile, however, the Board of Directors has reviewed the policy for the payment of dividends to the holders of Class A and Class B common shares. They have decided, given the severity of the recession and the uncertainties prevailing in the current business climate, to reduce the quarterly dividend on Class A Subordinate Voting shares from 16 cents to 8 cents and on the Class B Voting shares from 13½ cents to 6¾ cents. This change will take effect with the payment of the regular quarterly dividend which is payable on April 30, 1991.

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



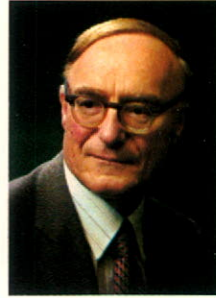
Paul Ivanier
President and
Chief Executive
Officer of the
Company



Sydney Ivanier
Senior
Vice-President of
the Company



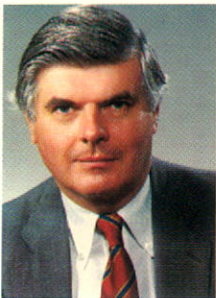
Michael Herling
Senior
Vice-President of
the Company



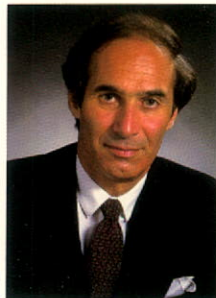
John Loveridge
Director
of the Company



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



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

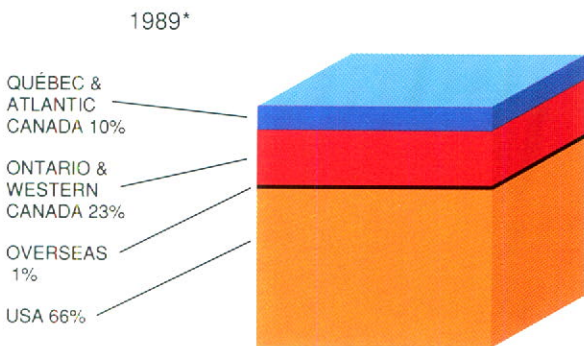
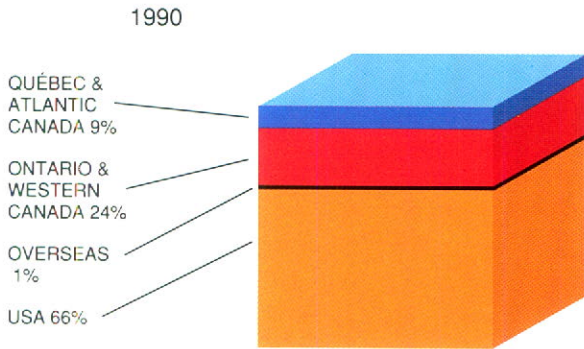


Albert A. Kassab
Vice-President and
Chief Financial
Officer of
the Company

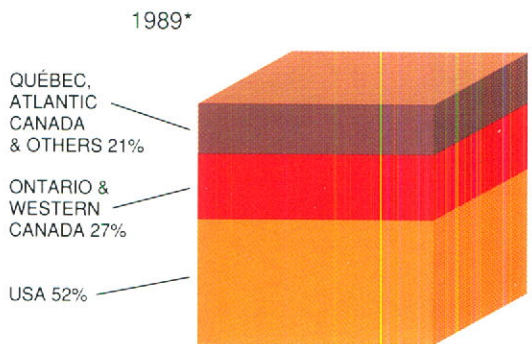
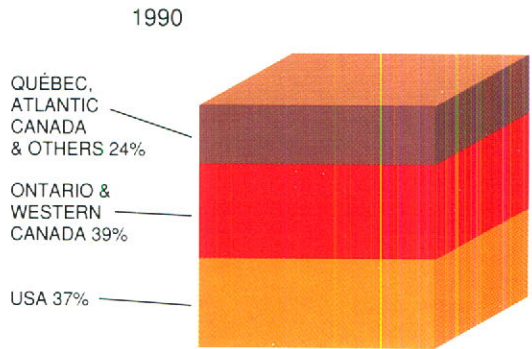


George Goldstein
Vice-President of
the Company

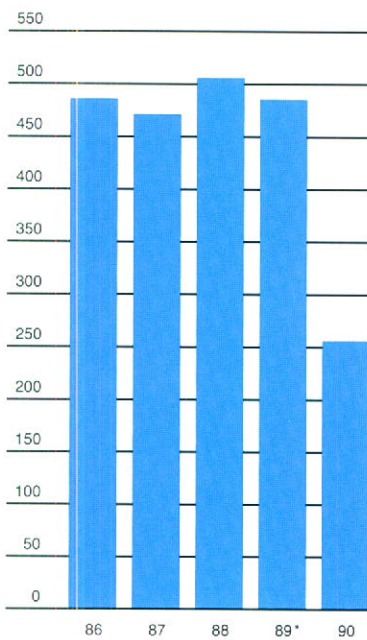
SALES DISTRIBUTION



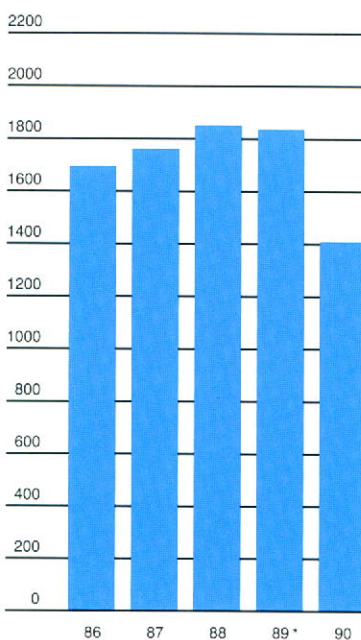
FIXED ASSETS DISTRIBUTION



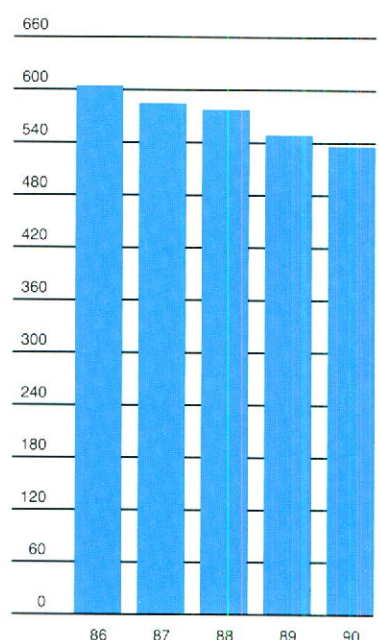
WORKING CAPITAL
(millions of dollars)



TOTAL ASSETS
(millions of dollars)



SHAREHOLDERS' EQUITY
(millions of dollars)



* 1989 figures have been restated to reflect discontinued operations.

THE IVACO GROUP

Steelmaking

Ivaco's Steelmaking Group consists of three separate steelmaking and rolling mill complexes. All of them are technologically advanced and continuous modernization has achieved industry leading standards for quality and productivity.

Each of the three complexes combines steelmaking with sufficient rolling capacity to process the total production from the adjoining melt shop. Each of the three steelmaking units is 100% electric furnace equipped and, company-wide, Ivaco is more than 80% continuous cast.

Steelmaking and rolling mill capacity exceeds 2 million tons.

Production at all three complexes approached or surpassed their previous individual production records during 1990 despite reduced demand for steel products throughout most of North America.

Of the three facilities, one is in Canada and two are in the United States. They are:

- Ivaco Rolling Mills is located at L'Orignal, Ontario. The steelmaking section is designed to produce predominantly premium grade steel billets and the rolling mill makes hot rolled wire rods exclusively.
- Atlantic Steel has a steelmaking and rolling facility at Cartersville, Georgia and additional rolling and further downstream steel manufacturing at Atlanta.
- 49.9%-owned Laclede Steel has steelmaking and rolling operations at Alton, Illinois and substantial wire, pipe and chain plants at Alton, Illinois; Benwood, West Virginia; Maryville, Missouri; Memphis, Tennessee and Fremont, Indiana.

Ivaco Rolling Mills

The Ivaco Rolling Mills complex produced record tonnage in 1990 at both the steelmaking and rolling mill plants. The high utilization of capacity achieved, combined with continued successful fine tuning to the production processes, resulted in very high standards of productivity being reached. This mitigated, to some extent, the pricing pressures which the industry faced during the year.

The complex is an extremely efficient producer of steel billets and of wire rods. The entire steel output of the plant is rolled into hot rolled wire rods at the adjacent rolling mill which has rolling capacity significantly greater than the steelmaking capacity. This has been designed to accommodate more than 200,000 tons of special quality purchased billets. These are made from high purity pig iron acquired under a long term contract with Q.I.T. Inc.

This specialization in a single range of products has resulted in Ivaco Rolling Mills developing exceptional levels for both productivity and quality. Currently, for example, more than 65% of production is in the premium quality and special chemistry grades which warrant premium pricing from the users of cold heading, spring steel and other comparable, more demanding products.

Both the melt shop and the rolling mill placed added emphasis on two previously established major initiatives during the year. One is related to the Company's long standing commitment to energy conservation and the other to the development to mature status of a comprehensive and system-wide training, safety training, skills development and management training program.

Energy conservation and energy efficiency have always had a high priority, reflecting the fact that the complex has one of the highest electricity demands in Eastern Ontario. Late in 1990, Ontario Hydro singled out Ivaco Rolling Mills for commendation in this area. Ontario Hydro has nominated the facility for the Canadian Electrical Association's prestigious annual Energy Efficient Industrial Awards. In its press release announcing the nomination, Ontario Hydro cited Ivaco Rolling Mills "smart" power demand system to control the load of the entire complex and a number of other initiatives ranging from use of heat pumps to lighting applications, and the commitment to energy efficient equipment.

Early in 1989, an important new dimension was added to Ivaco Rolling Mills' many training programs: formation of a task force, in conjunction with Atlantic Steel, to improve and monitor safe working practices from an operational point of view.

1990 was the first full year for this comprehensive program and the results have been substantially ahead of expectations.

These "people" programs have had a major and positive impact on the operation by improving productivity, reducing absenteeism, and lowering the frequency and severity of accidents. It is expected that the excellent results achieved during the first full year of the program's operation in 1990 will be extended even further this year and beyond.

In terms of technical achievements, Ivaco Rolling Mills continued during the year to emphasize projects oriented to product quality.

The complex has embarked on an ambitious Total Quality Management (TQM) Program. The facility has set a target of meeting or exceeding quality standards set by the Canadian Standards Association, in Canada, and the International Standards Organization, in Europe. This will put Ivaco Rolling Mills in the forefront of quality management for all its products.

The steelmaking unit significantly extended its production of aluminum killed steel in 1990. It is one of the only mills in North America to make this premium quality steel in an electric furnace and continuous billet casting facility. The aluminum killed process utilizes aluminum as a deoxidising agent and results in a fine grain, more ductile steel and thus benefits the downstream manufacturer. This characteristic is particularly relevant to the producers of specialty fasteners and users of other more difficult forming operations.

Refinements to upgrade quality of hot rolled wire rods was also the principal emphasis at the rolling mill.

This twin strand high speed mill is a highly efficient facility with no-twist finishing and controlled cooling beds. Improvements to the reheat furnace controls, rod profile gauges, surface defect detectors, and other control installations all contributed to meaningful advances in quality output.

Atlantic Steel

Atlantic Steel completed several significant steps during the year in consolidating its steelmaking operations in the Cartersville facility.

Installation and start-up of the new ultra-high power eccentric bottom tapping (EBT) melting furnace was completed in January. This 22-foot diameter furnace complements the 18-foot diameter melting furnace that was already in place and the new ladle metalurgy furnace that was installed in late 1988.

The EBT furnace features an oxy-fuel burner system, a furnace lime injection system, a water-cooled oxygen lance system and a completely automated alloy and flux system for ladle additions. The eccentric bottom tapping design allows extremely fast tapping and affords quality improvements by virtually eliminating the inclusion of slag when the heat of steel is tapped for transfer to the ladle furnace.

The split six-strand continuous billet caster that was newly installed in the Atlanta plant in 1980 was removed and reinstalled in Cartersville during the year as a single six-strand unit. This move was made three strands at a time in order to minimize disruptions to steel production. The first three strands were restarted in September and the second three strands in November.

During the process of moving the caster, it was completely refurbished and upgraded to take advantage of technology improvements that were developed during the 1980's. With the removal of its second three strands in October, all steelmaking in the Atlanta plant was permanently shut down.

The total Cartersville casting facility, with the inclusion of the existing four-strand

caster, now consists of 10 strands and produces five different sizes of billets in a wide variety of grades for use in Atlantic's three rolling mills.

A new portal crane scrap handling system that is the first of its kind in North America was also placed into operation during the year. Patterned after two successful similar installations in Europe, the system utilizes two gantry cranes operating over a 240 × 1,200 foot area for marshalling and loading scrap. It includes a computerized system for weighing and recording the scrap before the charging buckets are taken by motorized pallet carriers to the melt shop.

The total melt shop consolidation project also included the construction of an on-site high purity cryogenic oxygen and nitrogen generating facility and particular attention was paid to environmental concerns, both inside and outside the melt shop. Final portions of the project, such as completing ladle preheat facilities and installing an additional billet yard crane, were wrapped up during January, 1991.

This world class facility has the capability of producing a significantly greater amount of steel at a lower cost than was feasible at Atlantic's two separate melting and casting facilities. Of equal importance is the capability to increase the amount of higher quality steels that can be produced and sold.

To enhance its ability to succeed in the pursuit of higher quality products and to improve efficiency and performance in general, Atlantic Steel has also begun a Total Quality Management program.

Total Quality Management encompasses everything Atlantic does: cost reduction,

product quality, customer focus, organizational effectiveness, productivity, marketing, earnings improvement and individual involvement. As noted elsewhere in this report, Atlantic Steel is a participant with Ivaco Rolling Mills in a senior level task force to report on and improve operational safety. This task force consists of a senior member of management from each of the two companies.

The task force has toured the Atlantic and Ivaco Rolling Mills plants in addition to other steel mills, and it interviewed operating crews and consultants. Its recommendations were oriented to safety equipment, materials control, personnel circulation, and to the broad range of equipment and practices unique to steelmaking and rolling mills.

A task force recommendation that follow-up audits be undertaken regularly was unanimously adopted by both companies.

It is gratifying to report that the International Loss Control Institute has recently audited Atlantic Steel's safety program and has given it the prestigious "5 Star" standard within its safety rating system.

During 1990, Atlantic's total volume was down slightly from 1989, and the proportion of high quality products was held steady, awaiting completion of the melt shop consolidation. Entering 1991, the Company is facing the uncertainties of weak economic conditions, but it is also poised to continue growth in the higher quality portion of its product line. Some particular areas that are targeted during the year are the cold heading market and further inroads into the high carbon rod market, as well as the special quality bar market in general.

Laclede Steel

Laclede Steel delivered its eighth consecutive year of profitable operations in 1990 despite the slowdown in demand from automotive and general manufacturing sectors.

Steelmaking and rolling mills are at Alton, Illinois. This complex is equipped with two high capacity electric furnaces in which it produces a large volume of alloy and other premium grades of steel. A substantial proportion of its output is continuous cast.

A comprehensive modernization of steelmaking facilities has been underway at Alton for several years as part of an overall strategic plan to reduce costs through gains in productivity.

Prior to 1990, the continuous casting unit was refurbished and rebuilt and oxy-fuel burners were installed on the furnaces.

In 1990, new electric controls were installed on the electric furnaces and a second ladle crane was added. The new furnace controls have already had a considerable and beneficial effect on electrode consumption and refractory costs. The increased ladle crane capacity has reduced delays in the melt shop and improved productivity. Perhaps more importantly, the augmented ladle crane system is a vital component to any future programs for additional modernization and capacity expansion of steelmaking.

Another major project which was initiated in 1990 and which has significant strategic importance is the construction of a High Temperature Metal Recovery plant. Construction of this US \$25 million facility was well advanced by year end. It remains on schedule and initial testing of the system is expected soon.

This metal recovery plant has major environmental importance. It is designed to process electric furnace dust to remove any hazardous components and capture any valuable materials for recycling. In addition to making it much easier and less costly to dispose of electric furnace dust, the plant is expected to pay for itself through the value received from recovered metals, particularly zinc.

Early in 1990, work was completed for the modernization of the reheat furnace which feeds billets to the rolling mill which produces skelp for tubular products.

Laclede is an important producer of steel pipe. It has pipe plants at both Alton, Illinois and Benwood, West Virginia. In addition to its traditional pipe products such as oil field goods and pipe for utility and other markets, the Company began production early in 1990 of electric welded tubing. The Benwood plant is now producing significant quantities for the structural market.

Another of the Company's major products is oil tempered spring wire. It is the largest producer of this product in North America. Plants are at Alton, Illinois and Freemont, Indiana. Currently plans are being evaluated for a substantial expansion at Freemont. The additional capacity will be oriented predominantly to increase production of premium quality grades.

Operations at the Company's wire mill at Memphis, Tennessee continued to grow during the year. This facility has successfully run in new heat treating furnaces and other capacity expansions begun in 1989. Laclede Chain has its production facility at Maryville, Missouri and markets steel chain and accessories throughout most of the United States.

The outlook for your Company's steel-making business is for continued severe competitive pressures and softening of market demand in 1991.

Wire, Wire Products and Nails

Ivaco's wire, wire products and nail operations faced difficult conditions in 1990. Demand from the construction and automotive industries and from finished product manufacturers dropped substantially during the year. The natural consequences were severe price erosions for a large segment of the product line which more than offset the benefits of the cost reduction programs implemented during the year.

The Company is a major producer of wire and related products. Its plants are strategically located to achieve economic deliveries to every major market of the continent's Eastern Seaboard and the industrial heartland in both Canada and the U.S.

Operations are conducted by two separate units. They are the Sivaco Wire Group with headquarters at Marieville, Québec and National Wire Products, with headquarters at Baltimore, Maryland.

The manufacturing plants of the Sivaco Wire Group are in Marieville and Chambly, Québec; Tonawanda, New York and a modern rod processing plant is located in Ingersoll, Ontario.

The Marieville plant is a world class facility producing a comprehensive range of high, medium and low carbon bright and galvanized wire, cold heading wire, welded wire fabric, and virtually all sizes and finishes of nails. This plant features numerous high speed wire drawing machines, sophisticated annealing furnaces and advanced technology galvanizing lines, including one for the application of heavy zinc coating.

The modernization of the Chambly plant was completed in 1990 and now produces a complete range of fence and collated nail

products, as well as pvc coated wire and fine welded wire fabric. This production facility is supported by large distribution centers in Montréal, Toronto and Warrenton, Virginia.

The Tonawanda facility is strategically located in New York State and offers a broad range of high quality wire products, primarily in the cold heading area. This plant, and a sister plant in Ingersoll, Ontario, both offer rod cleaning, coating and heat treating services to a demanding market.

The Sivaco Wire Group implemented cost reduction programs during 1990 and further significant rationalization plans were made to be implemented in 1991. These will determine, amongst other things, which value added products will be emphasized for the longer term. For example, the Company is now supplying armoring wire, a technically demanding and premium quality product, to the undersea communications cable industry and will stress new product development requiring these high standards of technical sophistication.

National Wire is a major producer of welded wire fabric in sheets and rolls used as light and medium reinforcing steel in concrete structures. It is also a leading U.S. manufacturer of galvanized wire that is used in many different industries, in addition to providing galvanized wire for internal consumption in the manufacture of its masonry wire reinforcing products. The Company's marketing area includes the eastern United States from the Mississippi River to the Atlantic Ocean. Manufacturing facilities are located in Baltimore, Maryland; Newnan, Georgia; Tampa, Florida; and Toledo, Ohio.

In order to offset the adverse economic conditions caused by reduced construction activity during 1990, National Wire embarked on an extensive internal restructuring program designed to improve plant productivity and reduce operating costs. Further rationalization of production levels may be implemented in 1991 due to the recessionary trends in the economy. However, the implementation of these planned actions will position the Company for future growth when economic recovery occurs and they will help to minimize the effect of current adverse pricing pressures and reduced product demand.

High speed cold rolling lines installed in its Baltimore and Newnan facilities during the past two years continue to assure National Wire's position as a low cost producer of wire. This production benefit is particularly important since wire costs are an integral part of the overall production cost in all areas of National Wire's wire mesh products.

The objective for the wire business in both Canada and the United States in the year ahead will be to continue to reduce costs and expand its emphasis on value added products.

Fasteners

Ivaco's Fastener Group is one of the world's largest manufacturers of cold forged standard bolts and nuts and, in addition, is a major producer of specialty fasteners.

It has manufacturing operations at four locations in Canada, 16 large-scale warehouses across North America, and a vigorous and successful export distribution program.

The manufacturing facilities are:

- Infasco at Marieville, Québec, one of the largest facilities in the world for the production of standard bolts and nuts;
- Galvano at Beloeil, Québec, which undertakes value added electro-galvanizing and hot dip galvanizing of fasteners and nails;
- Ingersoll Fasteners at Ingersoll, Ontario, a major manufacturer of custom designed and specialty fasteners;
- Infasco Nut at Toronto, Ontario, which makes a wide variety of standard and specialty nuts.

The Infasco division emphasizes large scale production runs on highly automated high speed boltmakers and nutformers, in conjunction with modern support equipment, some of which has been designed internally and re-engineered. It is strongly oriented to productivity and quality programs which begin in a modern facility for the chemical descaling of rods and continue through to automated packaging which includes a newly installed computerized labelling system. In between, product is processed through computer controlled heat treating and annealing furnaces. Sophisticated environmental protection controls are in place throughout the huge complex.

A major, and significant, part of the operation consists of one of the world's largest fastener warehouses at Marieville which draws from its huge inventory to provide industry leading delivery services to primary customers and to Infasco's network of warehouses and distributors.

In 1990, the plant environment was enhanced by continuation of an existing program to extend installation of noise and smoke protection devices on cold forging equipment and the implementation of an ecologically efficient new cleaning and drying system for bolts and nuts.

The product line was extended by the addition of tension control structural bolts.

Productivity advancements include:

- start-up for a computerized drawing program for the tooling department;
- improved flexibility and speed of tooling set-ups; and,
- start-up of highly efficient new nut tapping equipment designed and built by Infasco.

The Galvano division, located close to Marieville, is a highly specialized unit established to provide premium quality zinc barrel electroplating, zinc phosphating, and hot dip galvanizing for fasteners and other products made by Ivaco companies. Its fully automatic zinc barrel plating line was installed in 1989 and is now operating at full efficiency. The line features continuous analysis of cleaning, pickling and plating baths, and precise control of weight and current density for each plating cell. These features, normally found only on electroplating lines specializing in exotic finishes, are instrumental in

maintaining the integrity and ductility of high grade alloy steel fasteners as they proceed through the coating process.

The Ingersoll Fasteners unit is dedicated to specialty fastener products. These products require extraordinarily precise metallurgical and other quality criteria and are generally produced from alloy and other premium grades of hot rolled wire rods.

Ingersoll is a substantial supplier to the automotive, transportation, heavy machinery and processing industries. It has been approved as a fastener supplier to Cami Automotive, a joint venture between General Motors and Suzuki, and also to a large number of other original equipment manufacturers (OEM) throughout North America.

During 1990, Ingersoll Fasteners vigorously and successfully campaigned to replace declining orders from the automotive sector. It was particularly effective in increasing shipments of B7 studs to the oil and petrochemical industry and to garner increased sales of other specialty fasteners to distributors across North America.

Sales of nuts by Infasco Nut to the automotive sector are down as a result of the declining market share of the North American auto makers. However, it has been given the opportunity to supply locknuts to the automotive assembly divisions.

Locknuts, flange nuts and other types of special nuts are now being offered to distributor customers.

The outlook for the Fastener Group is for continuation of recession-caused reduction in overall demand for product along with its associated erosion of pricing.

Wire Ropes, Cables and Strand

It proposes to deal with this situation with enhanced customer service and a full commitment to maintain market share and continued cost reduction practices.

Docap

Docap is an important national distributor of industrial and automotive products and is now under the umbrella of the Fastener Group.

It distributes some 24,000 different products from seven warehouses which cover Canada from Halifax to Vancouver.

1990 was a profitable year in which major progress was made in developing its diversification program oriented to higher penetration of the industrial market. This added breadth of operations resulted in satisfactory sales levels despite the general erosion of demand caused by the recession.

Two major new product lines were introduced by Docap during the year. The first was a line of stainless steel fasteners which has proven to be extremely successful. The second, introduced late in the year, incorporates a broad range of chain and chain accessories.

The outlook for Docap remains positive.

Wire ropes, cables and strand are precision engineered, premium quality products that are manufactured from wire drawn from high carbon hot rolled wire rods.

Ivaco has three successful units which operate in those technically demanding areas. They are: Wrights Canadian Ropes, of Vancouver, which is one of Canada's leading manufacturers of wire ropes for the marine, forestry, mining, petroleum and construction industries; Florida Wire and Cable, of Jacksonville, Florida, which produces prestressed concrete strand for construction and guy strand for utilities; and 50%-owned Americord, of Lumber City, Georgia, which produces tire cord and tire bead.

Wrights began to experience the effects of the recession early in 1990, particularly in Eastern Canada. As the year advanced, the slowdown became apparent in Western Canada in marine, logging, construction and general industrial operations. During the last quarter of the year, oil and gas exploration activity in the prairie provinces began to expand.

During the year, Wrights completed an expansion and reorganization of its manufacturing and service facilities at Richmond, B.C. This included a 20,000 sq. ft. expansion of its covered area. The expansion will enable the Company to achieve greater efficiency in its operations at higher levels of activity. This will greatly improve service and response to customers' requirements. Additional manufacturing capacity will enable the Company to reach out for new markets.

The difficult market conditions for the industry are expected to persist during 1991.

Florida Wire and Cable had an excellent year in 1990. It achieved record sales and record earnings for the third consecutive year.

The Company manufactures at two locations: Jacksonville and Sanderson, both in Florida. At Jacksonville, production includes prestressed (PC) strand, coated strand, and galvanized wire and guy strand. Distribution of pole line hardware to utilities, a rapidly growing business, is also operated out of Jacksonville. The Sanderson operation specializes in PC strand and it completed a major expansion during the year, adding some 25,000 tons per year of stranding capacity along with all the related wire drawing and stress relieving equipment required.

The market for the Company's proprietary epoxy coated line of PC strand is developing satisfactorily. This premium product was specified for major bridges in Iowa and Spain, among other markets, during the year and acceptance by senior engineering authorities continues to grow.

In PC strand, Florida Wire and Cable remains the largest producer in North America and this position was reinforced substantially during the year by the assignment of full time marketing people to expand export sales. Important markets have been penetrated in Latin America and Europe. One substantial order has been won for a project in Turkey.

The domestic market for PC strand is basically strong with continued demand for infrastructure rebuilding and new projects. These include highway and bridge programs, railroad upgrades and growth, parking garages, airports, water and sewage treatment plants and earthquake reinforcement

programs. However, the slowdown in the economy combined with the Mid East instability have put many projects on hold and funds normally available for government supported programs as well as commercial projects are being delayed or diverted.

Fully stocked warehouses are maintained at five locations throughout the country to provide rapid response to customer needs.

The guy strand side of the business also remained strong in the past year. This specialty galvanized strand is sold to telephone companies, cable TV operators, and electric utilities. Specific marketing teams and tactics are developed for each, thus ensuring high levels of customer service.

One marketing innovation introduced during the year was the organization and use of a network of manufacturers agents to service the large number of small utilities in the United States. This is producing excellent results.

The start-up of an advanced technology wire galvanizing line at Jacksonville early in 1990 has facilitated penetration of the market for aluminum conductor steel reinforced (ACSR) cable. The new galvanizing line permits the deposit of heavy zinc coating to exacting quality standards on the high carbon steel wire which supports and protects the conductor core. This new product offers excellent potential.

Guy strand operations were restructured during the year to achieve substantial economies and increased productivity. One of the key steps was the moving of the equipment from Oakland City, Indiana to Jacksonville.

Although it does not expect to achieve record results, Florida Wire and Cable is expected to have a satisfactory year in 1991.

Florida Wire and Cable holds the Company's 50% interest in Amercord Inc. Amercord is located at Lumber City, Georgia, and it is a leading producer of tire cord and tire bead. These products are used in the manufacture of auto and truck tires.

In 1990, Amercord delivered record shipments of both tire cord and tire bead. While severe pricing pressures occurred toward mid year, the Company's programs to increase efficiency and productivity resulted in improved earnings despite the adverse conditions.

One significant factor in the year was the strong customer response to Amercord's sustained program to upgrade equipment and skills to deliver high tensile product. Demand for this premium quality, premium priced material increased substantially in 1990 and the Company is exceptionally well positioned to continue increasing the proportion of high tensile material within the total product mix.

Excellent progress was made in 1990 for the establishment of new customers among major tire makers while simultaneously expanding volume with existing accounts. It was particularly gratifying that one of America's largest tire makers awarded Amercord its Outstanding Performance Award during the year.

The outlook is for expanded sales, continued improvement in operating efficiency, and increased earnings in 1991.

Canron

Canron is a diversified enterprise which combines manufacturing of plastic pipe, fabricating and erecting structural steel, manufacture and contracting of railway track maintenance equipment, and, as of 1990, incorporating the activities of Ingersoll Machine and Tool. Canron became a wholly-owned subsidiary of Ivaco in 1990 through the acquisition of the shares previously held by the public.

As noted in last year's annual report, the Company's concrete pressure pipe business was targeted for divestiture in 1990 and this was accomplished on schedule.

The following reviews operations of each of the business units.

Plastic Pipe

The Company is a leading manufacturer of plastic pipe and fittings in Canada. It is a major supplier of pipe to municipal, industrial, utility, residential and agricultural markets.

To ensure that capacity for high levels of customer service exists, and to achieve optimum delivery economics to all major markets, plastic pipe is manufactured at nine plants located strategically from coast to coast.

The year was a difficult one for the plastic pipe industry, reflecting the generally anaemic economy and the substantial reduction in housing starts which occurred. As a result, one underutilized plant was closed.

Notwithstanding the difficult market conditions, there was continued progress made in building market acceptance for the Company's proprietary Perma-Loc (TM) pipe.

Perma-Loc (TM) is a large diameter pipe that combines high strength and light weight. It is, both technically and economically, advantageous for conventional sanitary and storm sewer applications. Engineered lighter weight pipe such as Perma-Loc (TM) and ribbed pipe is the way of the future.

In the second quarter of 1991, Canron will begin to manufacture and market under license Ultra Rib (TM) pipe. This is a ribbed gasket fitted sewer pipe which offers high performance because of its design which results in enhanced stiffness, combined with lighter weight. Its performance, ease of installation and superior joint design will lead to ready market acceptance.

The outlook in housing starts in 1991 is for the lowest level of activity in the last decade. It will be a difficult year for the plastic pipe industry.

Structural Steel

Canron is a major fabricator and erector of structural steel in both Canada and the U.S. Its fabricating plants are in both countries and they are advantageously placed to serve the major eastern and western regions of the continent.

In the East, both Canadian and U.S. plants achieved good loading through the year. Some high profile jobs in Canada included the completion of steel for the Cadillac Fairview tower at the Eaton Centre in Toronto and major industrial facilities for Ford at Oakville, Dofasco at Hamilton, and Inco at Sudbury.

One current high profile project is the fabrication and erection of steel for the Galleria and Heritage Square, adjacent to the

BCE Place in downtown Toronto. This remarkable structure has been designed by the architects to employ the steelwork as a monumental piece of sculpture and thus requiring meticulous detailing and fabrication by Canron.

In the U.S., the Company fabricated and erected steel for the refurbishment of executive boxes at Madison Square Garden, for structures at De Hostos College, in New York City and for a major resource recovery center in Philadelphia. Currently, the Company is supplying and erecting steel for a terminal at New York's LaGuardia Airport.

In the West, conditions were favorable during the first half of the year but some softness developed thereafter, particularly in Canada. Included among the major projects in Western Canada were a series of buildings for Howe Sound Pulp and Paper and a major extension for the Vancouver General Hospital. In the Western U.S., the Company completed the erection of steel for Great American Plaza, the largest high rise in San Diego, and also completed fabrication and erection of steel for three buildings for Boeing in the Northwest.

In 1991, the Company will transfer the fabrication facilities from its former site near downtown Vancouver to a new efficient plant nearby at Annacis Island which will specialize in light to medium structural work. The former plant has been sold to the City of Vancouver and the steel service center operations were moved to the Company's New Westminster, B.C. plant. The outlook for steel fabrication and erection is for reduced performance in 1991.

Tamper

Tamper Corp. had an excellent year in 1990.

The Company designs, manufactures and sells advanced railway track maintenance equipment to railroads around the world and performs contract track maintenance.

Tamper manufactures in the U.S. and Australia and maintains sales and service operations in other countries and has a jointly owned facility in India.

Demand for Tamper's equipment continues to increase in the international market. During the past year, sales of major concrete tie laying systems and other equipment were made to India, Pacific Rim countries and the British Isles. In addition, the Company continues to expand its contracting services to the major railroads in North America.

The contracting of railway tie replacement has become a major growth business in North America. Tamper has patented and proprietary technology which offers automated and highly efficient replacement of wooden railroad ties with concrete ties which provide longer life and better maintenance efficiency.

Market response continues to be extremely positive toward the newly developed Continuous Action Reciprocal Tamper (CART). This employs the latest technology to maintain railway track surface quality and alignment at very high speed. It is working satisfactorily in Australia and will begin service in the U.S. later this year.

Several new products included a new generation of tamping machines and a series of specialty machines associated with railroad tie renewal. Additional major new products will be introduced in 1991.

The outlook is for a good year in 1991.

Ingersoll Machine and Tool

Canon assumed responsibility for Ingersoll Machine and Tool (IMT) during 1990.

The year was similar to 1989 with lower market demand for axles, machined components and forgings being offset by increased sales of defense products.

IMT manufactures precision machined components. These include diesel engine water-pumps, truck trailer axles, and defense projectiles. The Company's P.C. Drop Forgings unit makes steel forgings which are machined at IMT and supplied to a wide range of customers in the agricultural, automotive, military and oil industries in both the U.S.A. and Canada.

Ingersoll Machine and Tool is responding vigorously to the effects of the recession on product demand. It is restructuring operations to reduce overhead and lower manufacturing costs and it has launched a vigorous and systematic campaign to identify and penetrate new markets.

Preliminary indications are that both Asia and Latin America offer meaningful potential markets for axles.

One positive benefit has already been realized through the successful cost reduction program introduced last year. IMT is achieving excellent economics from its newly installed high volume rotary transfer system which performs automated machining of diesel engine water pump components for the Caterpillar company.

The outlook is for a continuation of the trend experienced in 1990.

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

1990 compared to 1989:

(The 1989 figures have been restated on a basis comparable to 1990)

The Company reported net earnings of \$17.0 million on sales of \$1.9 billion for 1990, up from net earnings of \$12.9 million on sales of \$2.0 billion for 1989; earnings from continuing operations were \$5.3 million compared to \$28.3 million in 1989, a decrease of \$23.0 million.

The stronger Canadian dollar, in relation to the U.S. dollar and higher rates of interest, had an overall adverse effect on 1990 after tax earnings, when compared to 1989, of approximately \$3.5 million (\$0.18 per share).

During 1990, the Company disposed of fixed assets and investments and realized gains before tax of \$7.7 million.

Also during 1990, the Company recorded a gain of \$27.5 million, less applicable taxes of \$11.7 million, on the sale of its Niagara Lockport paper machine clothing unit. This net gain together with other net gains and losses associated with the discontinuance of other businesses amounts to \$11.7 million (\$0.62 per share) and have been shown as gain (loss) from discontinued operations.

The Company's steelmaking operations were running at or near capacity during 1990 and were able to increase the proportion of premium quality steels within their total output despite the reduced demand for steel products throughout most of North America. However, due to severe competitive pressures, the Company was unable to improve upon selling prices or pass on higher raw material and steelmaking costs which occurred throughout the year. This resulted in substantially lower earnings for 1990 compared to those achieved in the previous year.

Sales volumes for the Company's wire, wire products and fasteners remained at similar levels to those for the same period last year, despite the continuation of severe pricing pressures. Losses within the Wire Group were significantly greater than those of the previous year while earnings for the Fastener Group were lower than in 1989.

The Wire Ropes, Cables and Strand businesses enjoyed an excellent year although their sales and earnings were down marginally from the records achieved in 1989.

Sales and operating income in Canron's Plastic Pipe business were significantly lower in 1990 than in 1989 due to the reduced level of housing starts and increased competitive pressures that significantly lowered selling prices for the last six months of the year.

Volume in Canron's Steel Fabrication, Erection & Construction Services business was higher in 1990. This increase occurred principally in the U.S. operations but was diminished by a reduction in the Western Canada activity. Operating income of this business was significantly more than the 1989 level due to a return to profitability of the two U.S. operations.

Sales in Canron's Railway Track Maintenance Equipment business were higher in 1990 compared to 1989. Despite the volume increase, the operating income of the business remained at the same level as in 1989 due to the unfavorable results of a large order in the contracting business.

In Canron's Precision Machined Components business, sales remained approximately the same in 1990 compared with 1989 while earnings were lower.

1989 compared to 1988:

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 compared to \$55.6 million in 1988, a decrease of \$18.7 million or 33.6%.

The stronger Canadian dollar, in relation to the U.S. dollar and 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.

Sales and earnings 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 levels 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.

In the Precision Machined Components business, demand from the truck transportation and heavy industrial machinery industries slowed dur-

ing the year with the result that 1989 sales were lower and earnings were substantially lower than the exceptionally strong performance achieved in 1988.

In the Paper Machine Clothing Group, which was disposed of during 1990, sales and earnings were higher in 1989 compared to 1988. It achieved excellent results during the year and, in addition, was able to increase its respective share of the market.

FINANCIAL CONDITIONS, LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operating activities was \$78.6 million in 1990 compared with a restated \$79.4 million in 1989. Working capital provided from continuing operations was \$50.9 million down from a restated \$92.4 million in 1989 due principally to lower earnings from continuing operations. This decline was offset by a decrease in non-cash working capital items of \$29.8 million which for the most part were a result of lower inventory levels.

Working capital at December 31, 1990 was \$251.4 million compared to \$485.7 million in 1989. This decline can be attributed to the deconsolidation of Laclede Steel Company, the sale of Niagara Lockport and the purchase of minority shares of Canron. The working capital ratio of 1.68 to 1 compares with 2.04 to 1 a year earlier.

Investments at equity were \$79.3 million, an increase of \$64.7 million from the previous year. This increase reflects the reduction in the Company's investment in Laclede Steel from 51% to 49.9% and the corresponding change in the manner of carrying this investment to the equity method. The assets and liabilities of Laclede are no longer consolidated with those of the Company resulting in a reduction of working capital by \$100.3 million and a reduction of long-term liabilities by \$59.5 million.

Net additions to fixed assets in 1990 totaled \$39.6 million — down 41.8% from the \$68.0 million recorded in the previous year.

Again, as in 1989, the most significant capital expenditure was at Atlantic Steel's Cartersville fa-

cility. The project, which was completed in late 1990, includes the installation of an ultra high power eccentric bottom tapping furnace and the revamp, upgrade and relocation of the six-strand continuous caster from Atlanta. The remaining capital expenditures were made to complete modernization programs undertaken in previous years and to maintain plant efficiency.

During the year, the Company signed an agreement with Coldwell Banker to market the Atlantic Steel property in Atlanta, Georgia. The property consists of 125 acres in an area that is undergoing major commercial development near downtown Atlanta. In addition to the Atlanta property, the Company has a number of other parcels of valuable real estate, which are in excess of the Company's needs.

In May 1990 the Company acquired the minority interest of Canron Inc. for \$45.8 million.

In October 1990, the Company sold its Niagara Lockport paper machine clothing units for \$85.0 million cash. Including the assumption of debt by the purchaser, long-term liabilities were reduced by \$130.0 million as a result of this transaction.

Long-term liabilities amounted to \$355.7 million at December 31, 1990 compared to \$550.6 million in 1989 as a result of the previously mentioned sale of Niagara Lockport and deconsolidation of Laclede Steel. The ratio of long-term liabilities to Shareholders' Equity was 40:60 compared to 50:50 at December 31, 1989.

In early 1990, the Company announced its new flexible dividend policy and dividend reinvestment plan which gives common shareholders the option of taking dividends in cash or shares or a combination of both. Similarly, preferred shareholders may reinvest their dividends in Class A subordinate voting (Class A) shares. Shares issued under either of these plans are issued at a 10% discount to market price. Approximately 521 thousand new Class A shares were issued under these plans during the year.

In August 1990, the Company made offers to the holders of the Series 1 and Series 3 Convertible Second Preferred Shares permitting enhanced

conversion privileges on the basis of 1.71 (instead of 1.33) Class A shares for each Series 1 Convertible Second Preferred Share and 1.78 (instead of 1.39) Class A shares for each Series 3 Convertible Second Preferred Share. Approximately 1.1 million new Class A shares were issued as a result of these offers.

In early 1991, the Company announced a reduction of the quarterly dividend on Class A shares from 16 cents to 8 cents and on the Class B shares from 13¹/₃ cents to 6²/₃ cents. This change will take effect with the payment of the regular quarterly dividend which is payable on April 30, 1991.

It is anticipated that Ivaco's 1991 cash requirements within the ordinary course of business, including capital expenditures, dividends, debt repayments and other capital payments, will be met through internally generated funds and existing lines of credit.

OUTLOOK FOR 1991

The outlook for 1991 for steel and steel products is for a continuation of depressed markets in the first quarter and probably at least another quarter. In Canron's Plastic Pipe business, due to the low level of housing starts forecast for 1991, the volume is expected to be lower than in 1990. Canron's Steel Fabrication, Erection & Construction Services business has entered 1991 with a substantially lower backlog than in 1990. The Railway Track Maintenance Equipment business should enjoy improved results in 1991. It is still too early to predict the length of the current recession but the Company is confident it will regain prosperity as conditions return to normal.

Overall sales in 1991 will be reduced as a result of the change which took place in late 1990 with respect to the Company's investment in Laclede Steel, which since December 1, 1990 is being carried under the equity method. As a result, Laclede's sales will no longer be included with those of the Company. In 1990, Laclede reported sales of U.S. \$287.3 million.

Capital expenditures for 1991 are expected to be at approximately the same level as in 1990.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31		Thousands of dollars	
		1990	1989
Current assets	Cash	\$ 5,374	\$ 66,408
	Accounts receivable	190,979	272,158
	Inventories (Note 2)	414,167	600,266
	Prepaid expenses	10,181	12,999
	Total current assets	620,701	951,831
Current liabilities	Bank indebtedness, partly secured	116,926	116,489
	Accounts payable and accrued liabilities		
	Trade and other	208,601	295,958
	Directors	2,672	5,780
	Income taxes	1,751	7,160
	Current maturities of long-term liabilities	34,262	32,551
	Deferred income taxes	5,089	8,166
	Total current liabilities	369,301	466,104
Working capital		251,400	485,727
	Portfolio investments (Note 3)	117,291	117,303
	Investments at equity (Note 4)	79,291	14,596
	Fixed assets (Note 5)	532,959	685,084
	Other assets (Note 6)	61,521	69,407
Total investment		1,042,462	1,372,117
	Deduct		
	Long-term liabilities (Note 9)	355,674	550,622
	Exchangeable debentures (Notes 3 and 7)	95,231	95,235
	Accrued costs of pension plans (Note 8)	3,879	4,811
	Deferred income taxes	48,817	76,181
	Minority interests	3,359	97,095
		506,960	823,944
Shareholders' equity		\$ 535,502	\$ 548,173
Represented by	Capital stock (Note 10)	\$ 433,140	\$ 431,453
	Retained earnings	107,836	124,073
	Cumulative translation adjustment	(5,474)	(7,353)
		\$ 535,502	\$ 548,173

See accompanying notes to consolidated financial statements.

On behalf of the Board

PAUL IVANIER, Director

ALBERT A. KASSAB, Director

CONSOLIDATED STATEMENTS OF EARNINGS

	Thousands of dollars	
YEARS ENDED DECEMBER 31	1990	1989
Net sales	\$1,899,842	\$ 2,001,074
Cost of sales and operating expenses	1,776,717	1,833,440
Depreciation and amortization	56,153	51,776
Gains on disposal of fixed assets and investments	(7,746)	—
	1,825,124	1,885,216
Earnings from operations	74,718	115,858
Interest on long-term liabilities	60,612	54,478
Other interest	12,725	11,916
Investment income	(7,649)	(7,649)
	65,688	58,745
Earnings from continuing operations before income taxes and other items	9,030	57,113
Provision for (recovery of) income taxes (Note 11)		
Current	12,601	15,574
Deferred	(13,604)	5,355
	(1,003)	20,929
Earnings from continuing operations before other items	10,033	36,184
Minority interest	4,776	7,939
Earnings from continuing operations	5,257	28,245
Gain (loss) from discontinued operations (Note 12)	11,709	(15,394)
Net earnings	\$ 16,966	\$ 12,851
Earnings (loss) per share		
Continuing operations	\$(0.87)	\$ 0.29
Loss per share	\$(0.25)	\$(0.55)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

		Thousands of dollars	
YEARS ENDED DECEMBER 31		1990	1989
Operating activities	Operations		
	Earnings from continuing operations	\$ 5,257	\$ 28,245
	Depreciation and amortization	56,153	51,776
	Deferred income taxes	(13,604)	5,355
	Minority interest	4,776	7,939
	Other items	(1,724)	(940)
	Working capital provided from operations	50,858	92,375
	Decrease (increase) in non-cash working capital items	29,782	(3,871)
	Other items	(2,027)	(9,091)
	Cash provided by operating activities	78,613	79,413
Cumulative translation adjustment		16	(8,623)
Financing activities	Dividends	(32,979)	(34,013)
	Additional long-term liabilities	39,713	94,303
	Repayment of long-term liabilities	(120,891)	(38,017)
	Other items	(2,010)	(4,151)
	Cash (used in) provided by financing activities	(116,167)	18,122
Investing activities	Net additions to fixed assets	(39,590)	(68,037)
	Acquisition of minority interest in Canron Inc.	(45,877)	—
	Disposal of Niagara Lockport and effect of deconsolidation of Laclede Steel Company (Notes 4 and 12)		
	Working capital	144,440	—
	Non-current assets and liabilities	65,288	—
	Long-term liabilities	(111,901)	—
	Net gain on disposal of Niagara Lockport	15,786	—
	Increase in investments at equity	(64,302)	—
	Discontinued operations	442	41,382
	Other items	11,781	(12,587)
	Cash used in investing activities	(23,933)	(39,242)
Bank indebtedness, net of cash	(Increase) decrease in bank indebtedness	(61,471)	49,670
	Balance at beginning of year	(50,081)	(99,751)
	Balance at end of year	\$(111,552)	\$ (50,081)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

		Thousands of dollars	
YEARS ENDED DECEMBER 31		1990	1989
	Balance at beginning of year	\$ 124,073	\$ 145,175
	Add		
	Net earnings	16,966	12,851
	Gain on purchase of preferred shares	521	60
		141,560	158,086
	Deduct		
	Preferred dividends	21,699	23,010
	Dividends on Class A and Class B shares	11,280	11,003
	Costs related to conversion of Series 1 and Series 3 Second Preferred shares into Class A shares	745	—
		33,724	34,013
	Balance at end of year	\$ 107,836	\$ 124,073

See accompanying notes to consolidated financial statements.

AUDITORS' REPORT

The Shareholders,
Ivaco Inc.

We have audited the consolidated statements of financial position of Ivaco Inc. as at December 31, 1990 and 1989 and the consolidated statements of earnings, retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1990 and 1989 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.

Montréal, Québec
March 1, 1991.

Deloitte & Touche
Chartered Accountants

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1990 and 1989

- 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 divided by the weighted average number of shares outstanding during the year. The weighted average number of shares outstanding was 19,005,856 (1989 — 18,377,520). Fully diluted earnings (loss) per Class A and Class B share are calculated assuming stock options had been exercised at the beginning of the year.

2. Inventories

	Thousands of dollars	
	1990	1989
Finished and semi-finished*	\$ 207,016	\$ 301,739
Raw materials and supplies	207,151	298,527
Total inventories	\$ 414,167	\$ 600,266

*Includes costs to date of uncompleted contracts for the fabrication and erection of structural steel of \$35,775 (1989 — \$43,176) less progress billings of \$29,677 (1989 — \$39,086).

3. Portfolio Investments

Pursuant to the terms of trust agreements, 2,975,970 common shares of Dofasco Inc. have been pledged to secure the exchange privileges attached to the exchangeable debentures and 2,999,700 common shares of Dofasco have been pledged to secure the exchange privileges attached to the exchangeable second preferred shares, Series 4.

4. Investments at Equity

	Thousands of dollars		
	Laclede Steel Company	Others	Total
Carrying value, December 31, 1988	\$ —	\$14,484	\$14,484
Decrease in investments	—	(1,055)	(1,055)
Share of net earnings	—	1,890	1,890
Dividends received	—	(468)	(468)
Other	—	(255)	(255)
Carrying value, December 31, 1989	—	14,596	14,596
Carrying value of Laclede Steel, December 1, 1990*	64,302	—	64,302
Decrease in investments	—	(295)	(295)
Share of net earnings*	309	1,222	1,531
Dividends received	—	(436)	(436)
Other	(403)	(4)	(407)
Carrying value, December 31, 1990	\$64,208	\$15,083	\$79,291
Share of Equity, December 31, 1990	\$68,230	\$14,406	\$82,636

*Effective December 1, 1990, the Company reduced its investment in Laclede Steel Company from 51% to 49.9%. Accordingly, this investment is now being carried on the equity method and the assets and liabilities of Laclede are no longer being consolidated with those of the Company. The results of Laclede's operations have been consolidated for the eleven month period prior to December 1, 1990 and for all of 1989.

5. Fixed Assets	Thousands of dollars	
	1990	1989
Land	\$ 29,477	\$ 31,780
Buildings	160,246	183,790
Machinery and equipment	718,502	964,006
	908,225	1,179,576
Less: Accumulated depreciation	375,266	494,492
Total fixed assets	\$532,959	\$ 685,084

6. Other Assets	Thousands of dollars	
	1990	1989
Net assets of discontinued operations, primarily real estate	\$ 32,590	\$ 33,046
Deferred preproduction and development costs and other deferred charges, less amortization	18,005	10,749
Deferred financing costs, less amortization	4,631	5,599
Deferred translation adjustment, less amortization	(2,740)	(3,766)
Loans to officers at prime interest rates, due in 1994	3,900	—
Secured note and mortgage receivable	—	11,007
Other items	5,135	12,772
Total other assets	\$ 61,521	\$ 69,407

7. **Exchangeable Debentures** The exchangeable debentures are exchangeable at the option of the holders for 2,975,970 common shares of Dofasco Inc. and bear interest 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. **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	
	1990	1989
Actuarial present value of accrued pension obligations	\$ 206,843	\$ 362,673
Less: Market value of pension fund assets	(137,522)	(275,640)
Accrued costs of pension plans and other amounts recorded in Consolidated Statements of Financial Position	(15,075)	(32,934)
Net unrecorded pension obligations	\$ 54,246	\$ 54,099
Pension expense for 1990 was \$22.4 million (1989 — \$21.8 million).		

9. Long-Term Liabilities

	Thousands of dollars	
	1990	1989
Secured		
Debtures maturing to 1994		
Series A at 11.74% (\$5.2 million U.S.; 1989 — \$7.3 million U.S.)	\$ 6,031	\$ 8,458
Series B at 12.48%	4,100	5,800
Series E at 9.25%	2,948	4,185
Series F at 13.875%	9,180	11,700
Industrial Revenue Bonds principally at 8.3% maturing to 2000 (\$8.5 million U.S.; 1989 — \$15.5 million U.S.)	9,917	17,961
Mortgages principally at 11.2% maturing to 2010 of which \$2.3 million are in U.S. funds (1989 — \$2.5 million U.S.)	14,732	11,710
Revolving Bank Loan maturing to 1994*/**	16,915	9,000
Bank Loans maturing to 1996 of which \$40 million are in U.S. funds (1989 — \$40 million U.S.)**	50,466	92,085
Unsecured		
Revolving Bank Loans maturing to 1999 of which \$33.2 million are in U.S. funds (1989 — \$133.8 million U.S.)*/**	131,086	246,830
Bank Term Loans maturing to 1995 of which \$47.9 million are in U.S. funds (1989 — \$46.6 million U.S.)**	67,248	70,866
Notes principally at 8.3% maturing to 1995 (\$13.6 million U.S.; 1989 — \$30.2 million U.S.)	15,821	35,035
Others principally at 11.2% maturing to 1996 of which \$24.1 million are in U.S. funds (1989 — \$31.8 million U.S.)	61,492	69,543
	389,936	583,173
Less current maturities	34,262	32,551
Total long-term liabilities	\$355,674	\$550,622

Required payments of long-term liabilities excluding revolving bank loans, over the next five years, are as follows: \$34.3 million in 1991; \$33.3 million in 1992; \$43.8 million in 1993; \$30.9 million in 1994; and \$21.5 million in 1995.

* Revolving bank loans extend for periods of up to three years and for the most part 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 six years. In addition, the Company has bank term loans that can be refinanced annually from existing credit lines. Assuming these revolving loans are not extended beyond the revolving period and the bank term loans are not refinanced the required payments over the next five years would be as follows:

NIL in 1991; \$43.1 million in 1992; \$46.0 million in 1993; \$17.9 million in 1994; and \$27.2 million in 1995.

** These 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 9.48% on \$120.8 million of such debt for periods of up to seven years. The remainder of this debt aggregating \$144.9 million bears interest at an average floating rate of 10.76% at December 31, 1990. The Company may negotiate fixed rates of interest on such debt for periods of up to seven years.

10. 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	
	1990	1989	1990	1989
Preferred shares				
\$4.425 Series C	171,550	183,550	\$ 8,578	\$ 9,178
\$2.50 Series D	625,935	654,735	15,648	16,368
\$2.40 Series E	783,580	800,580	19,590	20,015
			43,816	45,561
Second preferred shares				
\$2.00 Series 1	1,396,173	1,846,762	34,904	46,169
\$2.00 Series 2	1,929,839	1,930,114	48,246	48,253
\$2.25 Series 3	1,028,652	1,200,000	25,716	30,000
			108,866	124,422
Exchangeable second preferred shares Series 4 (Note 3)	2,999,700	3,000,000	95,990	96,000
Class A shares	12,917,303	11,317,744	165,797	146,708
Class B shares	7,032,958	7,060,058	18,671	18,762
			184,468	165,470
Total capital stock			\$433,140	\$431,453

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 of \$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. During the year, 12,000 (1989 — 12,000) such shares were purchased and cancelled.

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 \$25.50 per share to October 1, 1991, 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, 28,800 (1989 — 20,500) such shares were purchased and cancelled.

**10. Capital
Stock**

(Continued)

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 for 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, 17,000 (1989 — 17,100) such shares were purchased and cancelled.

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 may be purchased by the Company on the open market at prices not exceeding the applicable redemption price. The Company may redeem Series 1 cumulative redeemable second preferred shares at \$25.50 per share to August 15, 1991, decreasing by \$0.25 for each year thereafter until August 15, 1992, and thereafter at \$25 per share. The Company will make all reasonable efforts to purchase 13,961 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. During the year 14,100 (1989 — NIL) such shares were purchased and cancelled and 436,489 shares were converted into 746,388 Class A shares pursuant to their conversion privileges, which expired August, 1990.

Series 2

The \$2.00 Series 2 cumulative redeemable second 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 2 cumulative redeemable second preferred shares at \$25.50 per share to December 18, 1991, decreasing by \$0.25 for each year thereafter until December 18, 1992, and thereafter at \$25 per share. The Company will make all reasonable efforts to purchase 19,298 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. During the year, 275 such shares were converted into 365 Class A shares pursuant to their conversion privileges, which expired December, 1990.

**10. Capital
Stock**

(Continued)

Series 3

The \$2.25 Series 3 cumulative redeemable second 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 3 cumulative redeemable second preferred shares at \$25.75 per share to August 15, 1991 decreasing by \$0.25 for each year thereafter until August 15, 1993, and thereafter at \$25 per share. The Company will make all reasonable efforts to purchase 10,286 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. During the year 171,348 such shares were converted into 304,998 Class A shares pursuant to their conversion privileges, which expired August, 1990.

Series 4 Exchangeable Second Preferred Shares

The 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 are 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 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. During the year 300 such shares were exchanged for 300 common shares of Dofasco.

Common Shares

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 only 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.

10. Capital Stock

(Continued)

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, 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, December 31, 1989	11,317,744	7,060,058	146,708	18,762
Conversion from:				
Class B to Class A	27,100	(27,100)	91	(91)
Series 1 to Class A	746,388	—	10,912	—
Series 2 to Class A	365	—	7	—
Series 3 to Class A	304,998	—	4,284	—
Shares issued under:				
Stock dividend plan	369,310	—	2,776	—
Dividend reinvestment plan	151,398	—	1,019	—
Balance, December 31, 1990	12,917,303	7,032,958	\$165,797	\$18,671

Stock options

At December 31, 1990, options for 773,740 (1989 — 702,540) Class A shares granted under the employees' stock option plan were outstanding at \$7.125 per share.

11. Income Taxes

	1990	1989
Combined basic federal and provincial income tax rate	41.3 %	41.7%
Income tax adjustments resulting from:		
differences between Canadian and foreign tax rates	(2.7)	(1.3)
Items not subject to tax	(23.2)	(6.1)
Losses carried forward	(34.5)	—
Other items	8.0	2.3
Effective income tax rate	(11.1)%	36.6%

Certain U.S. subsidiaries of Canron Inc. have unused and unrecorded income tax losses pertaining to prior years of approximately \$41.6 million (U.S. \$35.9 million) which may be applied against future years' taxable income. These losses expire from 1998 to 2004.

12. Gain (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.

During 1990 the Company sold its Niagara Lockport paper machine clothing unit which together with certain other operations of the Sivaco Wire Group were classified as discontinued.

The results of the above noted operations and the gain on the sale of Niagara Lockport, which together aggregate a gain of \$23,029 (1989 — loss of \$23,200), after deducting applicable income taxes of \$10,856 (1989 — recovery of \$4,600) and minority interest loss of \$464 (1989 — \$3,206), have been shown as gain (loss) from discontinued operations.

13. 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.

14. Comparative Figures The 1989 figures exclude the operations of Niagara Lockport and have been reclassified to conform with the presentation adopted in 1990.

15. 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. However, during the year, the solvency of one of the Corporation's insurers became uncertain. Although this insurance company continues to pay its claims, its ability to make future payments is unclear. The resulting loss, if any, due to the inability of the insurance company to pay, is not likely to exceed \$4 million. This amount may be offset, in whole or in part, from the proceeds of the liquidation of the insurance company. The loss, if any, which may eventually be assessed will be accounted for as a prior period adjustment.

16. 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 1990 of \$317 million (1989 — \$346 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.

16. Segmented Information (Continued)

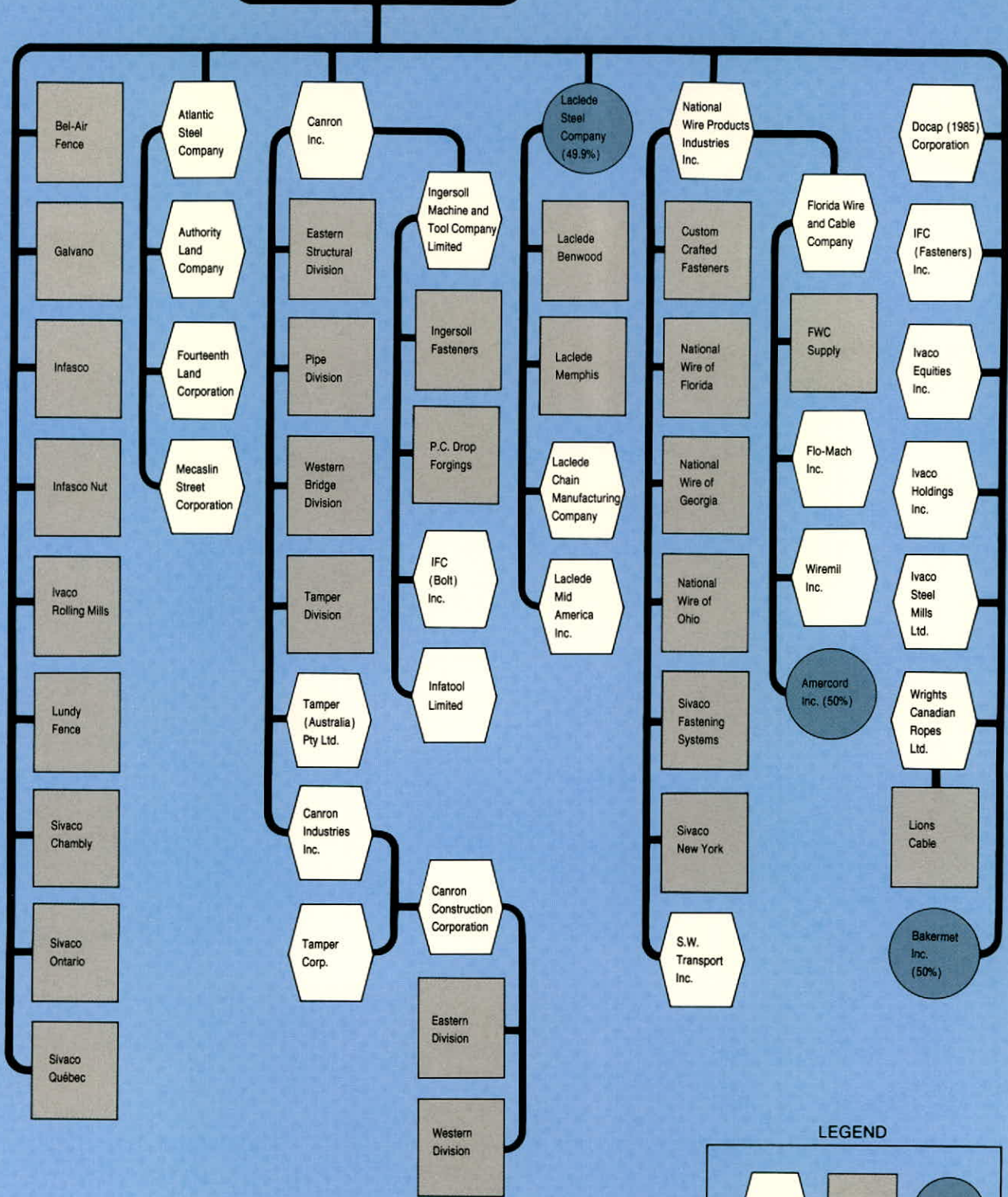
Industry Segment	1990		Thousands of dollars		1989	
	Steel	Plastic Pipe and Fabrication/Erection of Structural Steel	Consolidated	Steel	Plastic Pipe and Fabrication/Erection of Structural Steel	Consolidated
Net sales	\$1,494,345	\$405,497	\$1,899,842	\$1,577,743	\$423,331	\$2,001,074
Earnings from operations	\$ 61,773	\$ 12,945	\$ 74,718	\$ 93,466	\$ 22,392	\$ 115,858
Interest expense			(73,337)			(66,394)
Investment income			7,649			7,649
Earnings from continuing operations before income taxes and other items			9,030			57,113
Income taxes (recovery)			(1,003)			20,929
Earnings from continuing operations before other items			10,033			36,184
Minority interest			(4,776)			(7,939)
Earnings from continuing operations			5,257			28,245
Gain (loss) from discontinued operations			11,709			(15,394)
Net earnings			\$ 16,966			\$ 12,851
Assets identifiable by segment	\$1,192,528	\$219,235	\$1,411,763	\$1,623,090	\$215,131	\$1,838,221
Net additions to fixed assets	\$ 29,870	\$ 9,720	\$ 39,590	\$ 63,746	\$ 4,291	\$ 68,037
Depreciation and amortization	\$ 45,081	\$ 11,072	\$ 56,153	\$ 40,552	\$ 11,224	\$ 51,776

Geographic Segment	1990		Thousands of dollars		1989	
	Canada	U.S.A.	Consolidated	Canada	U.S.A.	Consolidated
Net sales	\$ 943,482	\$956,360	\$1,899,842	\$ 987,414	\$1,013,660	\$2,001,074
Earnings from operations	\$ 43,633	\$ 31,085	\$ 74,718	\$ 75,026	\$ 40,832	\$ 115,858
Interest expense			(73,337)			(66,394)
Investment income			7,649			7,649
Earnings from continuing operations before income taxes and other items			9,030			57,113
Income taxes (recovery)			(1,003)			20,929
Earnings from continuing operations before other items			10,033			36,184
Minority interest			(4,776)			(7,939)
Earnings from continuing operations			5,257			28,245
Gain (loss) from discontinued operations			11,709			(15,394)
Net earnings			\$ 16,966			\$ 12,851
Assets identifiable by segment	\$1,094,298	\$317,465	\$1,411,763	\$1,148,648	\$ 689,573	\$1,838,221

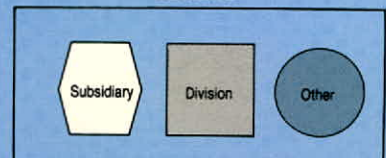
IVACO

ORGANIZATION CHART

100% OWNED UNLESS NOTED OTHERWISE



LEGEND



FINANCIAL SUMMARY

MILLIONS OF DOLLARS EXCEPT PER SHARE AMOUNTS

Operating Results	1990*	1989*	1988	1987	1986	1985	1984
Net sales	\$ 1,899.8	2,001.1	2,013.3	2,127.8	1,944.8	1,342.7	1,193.9
Depreciation and amortization	\$ 56.2	51.8	56.9	56.7	56.3	39.5	34.5
Earnings from operations	\$ 74.7	115.9	160.0	142.0	131.6	99.4	94.8
Earnings (loss) from continuing operations before income taxes and other items	\$ 9.0	57.1	108.3	89.0	81.7	57.6	54.4
Provision for income taxes (recovery)	\$ (1.0)	20.9	41.5	42.1	32.7	18.3	15.8
Earnings (loss) before other items	\$ 10.0	36.2	66.7	46.9	49.0	39.3	38.6
Earnings (loss) from continuing operations	\$ 5.3	28.2	55.6	39.9	43.1	35.1	32.3
Net earnings (loss)	\$ 17.0	12.9	41.9	31.8	44.1	35.1	33.8
Earnings (loss) per share							
Continuing operations	\$ (0.87)	0.29	1.77	0.91	1.05	1.04	1.53
Earnings (loss) per share	\$ (0.25)	(0.55)	1.03	0.46	1.11	1.04	1.64
Return on sales	% 0.9	0.6	2.1	1.5	2.3	2.6	2.8
Financial Position	1990*	1989*	1988	1987	1986	1985	1984
Current assets	\$ 620.7	951.8	970.2	913.4	861.0	623.1	536.0
Current liabilities	\$ 369.3	466.1	464.3	441.8	374.2	228.1	263.2
Working capital	\$ 251.4	485.7	505.9	471.6	486.8	395.0	272.8
Net additions to fixed assets	\$ 39.6	68.0	89.8	88.5	84.4	46.3	39.5
Total assets	\$ 1,411.8	1,838.2	1,853.9	1,764.7	1,698.4	1,281.4	1,117.3
Long-term liabilities	\$ 355.7	550.6	508.2	449.8	436.0	300.5	350.8
Exchangeable debentures	\$ 95.2	95.2	95.2	95.2	95.2	95.3	—
Shareholders' equity	\$ 535.5	548.2	577.3	582.6	604.1	520.6	366.9
Dividends	\$ 33.0	34.0	34.1	34.2	33.7	28.4	19.4
Book value per share	\$ 14.70	15.76	16.91	16.48	16.64	15.01	14.29

* The operations of Niagara Lockport have been reflected as discontinued for 1990 and the 1989 figures have been reclassified accordingly.

1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971
754.7	681.7	718.3	621.9	495.4	265.9	166.8	136.0	103.0	150.7	90.2	53.9	43.2
27.0	23.9	19.6	14.9	11.4	8.0	6.8	6.1	3.6	3.3	2.4	1.5	1.2
40.7	28.7	79.5	67.1	85.3	49.0	21.6	14.4	10.5	40.4	15.3	9.6	7.9
(0.3)	(25.7)	33.9	41.1	69.0	41.1	14.6	7.2	6.4	37.6	14.2	8.9	7.5
(5.9)	(15.3)	8.6	12.4	25.4	16.7	4.6	1.6	1.7	16.5	5.8	4.1	3.7
5.6	(10.4)	25.3	28.7	43.6	24.4	10.0	5.6	4.7	21.1	8.4	4.8	3.8
2.9	(9.9)	25.2	28.3	42.7	24.0	9.8	5.4	4.5	20.4	8.1	4.6	3.7
0.8	(9.9)	28.4	28.3	42.7	24.0	9.8	5.4	5.4	20.4	8.1	4.6	3.7
(0.17)	(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
0.1	(1.5)	3.9	4.6	8.6	9.0	5.9	4.0	5.2	13.5	9.0	8.5	8.6
1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971
461.8	347.6	335.5	273.7	257.3	131.2	105.9	100.6	88.6	76.8	44.0	35.3	28.1
191.0	204.7	223.3	143.8	147.0	74.1	69.5	69.6	59.5	45.9	25.6	22.2	18.4
270.8	142.9	112.2	129.9	110.3	57.1	36.4	31.0	29.1	30.9	18.4	13.1	9.7
16.6	42.6	60.8	64.2	34.3	27.6	19.7	7.4	16.0	32.4	14.6	6.9	8.3
890.0	740.4	706.3	572.7	483.7	278.5	224.9	203.5	188.0	160.4	102.9	70.2	52.9
263.4	273.4	207.3	187.5	143.2	58.4	30.8	32.2	33.5	29.8	18.6	14.7	7.2
—	—	—	—	—	—	—	—	—	—	—	—	—
303.3	194.9	206.3	187.8	151.7	116.8	95.6	74.2	70.8	67.3	48.1	26.5	21.8
10.3	7.0	9.3	8.4	7.9	5.3	2.6	1.9	1.9	1.7	0.4	0.2	0.2
13.22	14.25	16.23	14.46	12.61	9.49	7.68	7.04	6.68	6.34	4.37	2.76	2.25

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

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
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
404/387-3300
FAX: 404/387-3373
Billets, hot rolled bars
and reinforcing bars

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 Inc.

145 King St. West
Suite 202
Toronto, Ontario M5H 1J8
416/364-6600
FAX: 416/364-8277
Corporate Head Office

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; and
Weyburn, Saskatchewan.

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

1168 Derwent Way
New Westminster, British Columbia
V3M 6E9
604/524-4421
FAX: 604/524-4465
Plants: Vancouver and
New Westminster,
British Columbia; and
Calgary, Alberta.

Structural steel fabrication, open
web steel joists; erection
and construction services

Custom Crafted Fasteners Division

406 North Ida St.
P.O. Box 1038
Coats, North Carolina 27521
919/897-6193
FAX: 919/897-6195
Specialty nails and fasteners

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 or 783-3084
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

7283 Torbram Road
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'Original, 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

Lundy Fence Division

1900 Gage Court
Mississauga, Ontario L5S 1S1
416/671-4694
FAX: 416/671-1648
Distribution and installation of
fencing products and accessories

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,
masonry wall reinforcement
products and masonry accessories

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,
masonry wall reinforcement
products

P.C. Drop Forgings Division

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
Division**

2000, boul. Industriel
Chambly, Québec J3L 4V2
514/658-9400
FAX: 514/658-3134
Distribution of collated nails
and pneumatic tools

**Sivaco Fastening Systems
Division**

615 Falmouth St.
Warrenton, Virginia 22186
703/347-2741
FAX: 703/347-5551
Distribution of collated nails
and pneumatic tools

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
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

OFFICERS

ISIN IVANIER
Chairman

PAUL IVANIER
President and
Chief Executive Officer

SYDNEY IVANIER
Senior Vice-President

MICHAEL HERLING
Senior Vice-President

ALBERT A. KASSAB
Vice-President and
Chief Financial Officer

GEORGE GOLDSTEIN
Vice-President

HUGH W. BLAKELY
Treasurer and Corporate
Controller

GUY-PAUL MASSICOTTE
General Counsel and Secretary

MARIE BAILLARGEON
Assistant General Counsel and
Assistant Secretary

HEAD OFFICE

Place Mercantile
770 rue Sherbrooke ouest,
Montréal (Québec) Canada H3A 1G1
Tel: (514) 288-4545
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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



PLACE MERCANTILE, 770, RUE SHERBROOKE OUEST
MONTREAL (QUEBEC) CANADA H3A 1G1