1991 IVACO INC. ANNUAL REPORT

IVACO

CONTENTS

ANNUAL MEETING

The annual meeting of the Company will be held on May 28, 1992 at 10:00 a.m. at the Ritz-Carlton Hotel, Montréal, Québec.

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HEAD OFFICE

Place Mercantile
770 rue Sherbrooke ouest
Montréal (Québec) Canada
H3A 1G1
Tel: (514) 288-4545
Fax: (514) 284-9429

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FINANCIAL HIGHLIGHTS

THOUSANDS OF DOLLARS EXCEPT PER SHARE AMOUNTS

	1991	1990*
Sales	**$ 1,286,967**	$ 1,868,483
Operating earnings	**$ 40,975**	$ 126,093
Earnings (loss) from continuing operations	**$ (52,153)**	$ 7,247
Net earnings (loss)	**$ (59,396)**	$ 16,966
Earnings (loss) per share**		
Continuing operations	**$ (3.50)**	$ (0.76)
Loss per share	**$ (3.86)**	$ (0.25)
Working capital	**$ 170,102**	$ 251,400
Net additions to fixed assets	**$ 24,659**	$ 39,590

* The reported amounts for 1990 include Cdn. $314 million sales of Laclede Steel which was deconsolidated as of December 1, 1990. Laclede's sales are not included in the 1991 amounts. Also 1990 sales and earnings from continuing operations have been restated for operations discontinued in 1991.

** Per share amounts are calculated after preferred share dividends.

COMPANY PROFILE

Ivaco is a steel producer with annual steelmaking 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, nails, fasteners, wire ropes, high carbon prestressed strand, forgings and precision machined components.

Ivaco is also a substantial producer of plastic pipe and related products and fabricates and erects structural steel in both Canada and the U.S.

Ivaco has 49 plants of which 28 are in Canada, 20 are in the United States and 1 in Australia. It employs approximately 7,800 people.

To Our Shareholders

March 16 1992

No question about it, 1991 was an extremely difficult year. The net loss of $59.4 million, which includes some operations now discontinued, was the worst in your Company's history.

The recession's effect on the marketplace resulted in abnormally low demand and drastically weakened pricing for nearly all of the Company's products through virtually all of the year.

It was a year in which your Company's managers were tested as never before.

However, there were some positive effects stemming from the manner in which Ivaco coped with the recession. The benefits from these actions will become evident as conditions improve slowly in 1992 and, most particularly, thereafter.

The positive side to the effects of the recession was the extremely successful Company-wide initiative to cut costs. Steps taken in 1991 to reduce costs have become fully operative. As 1992 develops, these initiatives are expected to achieve savings of some $40 million per year. Among the business units most successful in their cost reduction programs were the Wire Group and the Steelmaking Group, each of which had major losses in 1991.

Perhaps some of the key indications as to the success of the Company wide program to conserve cash are the consequences of reduced working capital and other cost savings. The Company was able to generate internally approximately $75 million of cash through these means and as a result has been able to maintain its debt at levels similar to those of 1990.

In last year's annual report, reference was made to a three year program in which attention would be given to divesting some parts of Ivaco's businesses, particularly those non core units which might be substantially more valuable to others. To date, this three year program has made positive progress. For example, divestiture on advantageous terms has been achieved for several of the Company's non core business units. The largest of these was the sale of the Niagara Lockport paper machine clothing unit, the net effect of which was a reduction of long term debt of some $130 million and the realization of a gain, before tax, of about $27.5 million. In addition, several of Canron's diverse and smaller units have been sold to new owners. The units divested included the concrete pressure pipe business, the iron pipe and the ingot mold units and the mechanical division. It should be noted that the Company remains dedicated to divesting other non core businesses and entering into joint ventures with third parties.

Two additional significant moves have recently been taken toward these objectives. The Company's wholly owned Canron unit has announced that (i) it has signed a memorandum of understanding to combine its plastic pipe business with that of Scepter Manufacturing Ltd. of Toronto and that (ii) it is at an advanced stage of discussion with Harsco Corp. of Camp Hill, Pennsylvania, which may lead to Harsco acquiring Canron's Tamper operations.

The Company continues to study the potential for synergistic combinations, as anticipated by the Scepter-Canron plastic pipe agreement, and other beneficial divestitures as the sale of Tamper is expected to achieve. The Company is currently working on other opportunities, including divestitures and joint ventures. When finalized these transactions will also contribute to a significant reduction of debt.

Shareholders are aware, of course, that conditions pertaining to disposal of real estate in North America did not improve in 1991. It is for this reason that your Company embarked on measures to complete its three year program without counting on the disposal of real estate.

Ivaco continues to own 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. 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.

The eventual disposal of this excess real estate, when achieved, could further substantially decrease long term debt much beyond the amount contemplated in the three year plan.

Fortunately, your Company is capable of deferring the conversions of these properties into cash until economic conditions and the large scale land development industry return to more normal levels.

In terms of operations, Ivaco's manufacturing units uniformly continued to stress productivity, cost reduction, and the long standing commitment to evolve the product mix to contain even higher proportions of premium grade, higher margin products.

Within the Steelmaking Group, the challenges were met effectively.

At Ivaco Rolling Mills for example, some innovative and creative moves were made which will affect productivity beneficially and permanently. The alternate cycling pattern of the two electric furnaces was changed so that one furnace would remain idle during peak power periods. The changed cycling of furnaces was achieved in such an effective way that output of 95% of the previous record production was accomplished, power costs were reduced dramatically, and meaningful labor savings were made. Further productivity increases are planned for 1992.

Ivaco Rolling Mills is one of the few steelmaking complexes in North America capable of producing aluminum killed steel in an electric furnace and continuous billet casting facility. A major expansion of production of this premium product occurred in 1991 and will increase again in 1992.

Atlantic Steel's new ultra high powered melting furnace, at Cartersville, Georgia, is designed to help replace and increase capacity resulting from the transfer of steelmaking from Atlanta. It is an extremely sophisticated facility which will permit Atlantic to accelerate its proportion of premium grades, particularly high carbon wire rods and special alloy quality steels.

Laclede Steel, 49.8% owned by Ivaco, has reported that its fourth quarter of 1991 was profitable and that it anticipates improved operating results for 1992.

One very significant event occurred late in the year. Laclede has been able to lease, at advantageous terms, the rolling mill, pipe manufacturing and finishing facilities of the Fairless Works of United States Steel near Philadelphia, Pennsylvania. As a result, Laclede is now the only producer in the U.S. which makes a full line of continuous butt-weld standard pipe and which produces its own steel.

During 1991, the Wire Group recorded the largest annual loss in its entire history. However, cost reductions of a major nature have been put in place and continued emphasis is being given to reducing the proportion of commodity grade products while increasing the proportion of premium grade products. It is a very great pleasure to be able to report that the measures taken to reduce costs and to also "sell smarter" should drastically reduce the Wire Group's loss in 1992.

The Company's business units which comprise the Fastener Group and the Wire Ropes, Cable and Strand Group coped effectively and well during the difficult market conditions encountered in 1991.

A major restructuring is under way at Canron as noted earlier via reference to the joint venture of their plastic pipe unit and the Tamper ownership change. The remaining businesses managed directly by Canron consist of the fabrication and erection of structural steel and the precision machined components and forgings of Ingersoll Machine and Tool.

Among the many and Company wide steps taken to conserve cash in 1991 was the reluctant decision to omit payment of dividends on the two classes of common shares and four series of the Second Preferred Shares. The dividends payable on the Second Preferred shares Series 1, Series 2, Series 3, and Series 4 Exchangeable Second Preferred shares are cumulative.

The decision in the fall of 1991 to omit these dividends was taken only after exhaustive analysis of the prospective length and extent of the recession. It reflected the consensus of the Board of Directors that some indefinite period of difficult economic conditions continued to lie ahead. Unfortunately this view has proven correct.

In retrospect this decision can be seen as both appropriate and prudent. It goes without saying that those dividend payments which were omitted will be resumed at the earliest date possible, consistent with preserving a prudent level of financial strength.

The dividends on the Series C, Series D, and Series E Preferred shares were paid as scheduled and the retraction of the Series E Preferred shares was completed on schedule.

Before looking briefly at the outlook for the future, it remains necessary to note once again the unfortunate and fundamentally counter-productive policies of the Government of Canada as they pertain to the relative levels of the Canadian dollar and Canadian interest rates.

The Company continues to be disadvantaged by the policy of the Government of Canada to maintain the Canadian dollar at unrealistically high levels, principally by keeping interest rates too high for too long. The inevitable result is reduced export potential with resulting lower levels of sales and employment in Canada.

The outlook is for some strengthening of the economy in the second half of 1992. Preliminary signs appear to be already evident that industrial activity is quickening in the U.S. As a result, and because of the steps taken during 1991 to reduce costs, Ivaco anticipates a drastically reduced loss for the year.

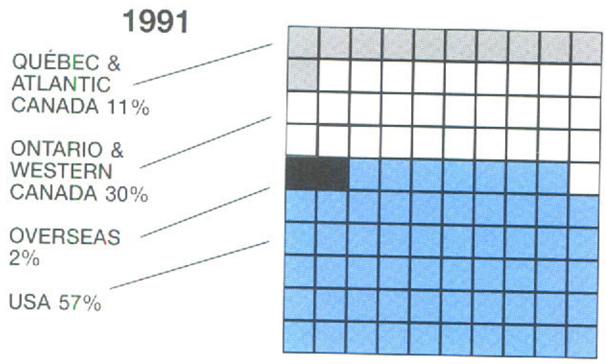
Finally, we would like to express to our employees our appreciation for their hard work during this extremely difficult year. The personal sacrifice which they have made is surely a strong indication of their continued dedication to the Company.

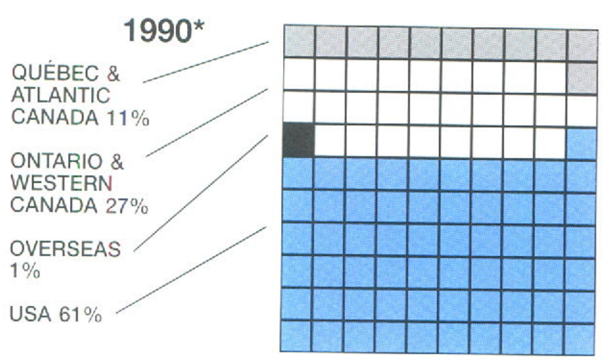
On behalf of the Board of Directors:

ISIN IVANIER
Chairman

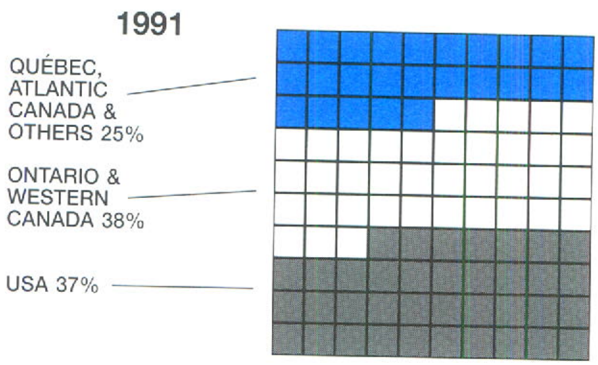
PAUL IVANIER
President and
Chief Executive Officer

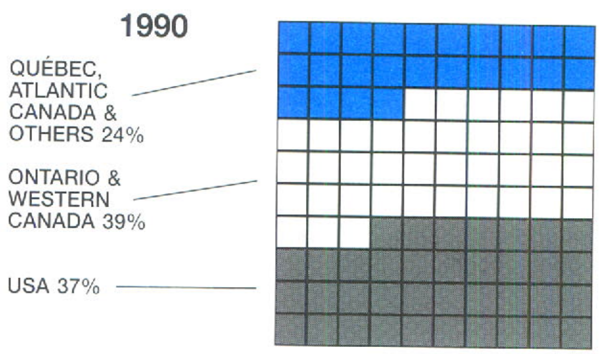
SALES DISTRIBUTION





FIXED ASSETS DISTRIBUTION





*1990 figures have been restated to reflect discontinued operations and to exclude sales of Laclede Steel.

STEELMAKING

In 1991, the steel industries in Canada and the U.S. found themselves engulfed in a major North American recession. As a result, each of the three units in your Company's Steelmaking Group were required to cope with reduced demand, erratic and frequently rising raw material costs, and depressed pricing for their products.

Each of the Company's units dealt effectively with these challenges and, on balance, they appear to have ended the year with their relative competitive positions strengthened considerably.

Ivaco's Steelmaking Group is broadly spread geographically and advanced technologically. Steelmaking and rolling mill operations are each acutely tuned to the quality, service and volume demands of the secondary manufacturing markets served.

All of the Company's steel mills are 100% electric furnace equipped and, Company wide, Ivaco is more than 80% continuous cast.

Aggregate steelmaking and rolling mill capacity exceeds 2 million tons. Of the three units, two are wholly-owned and one is 49.8% owned. Two complexes are in the U.S. and one is in Canada. In brief:

— 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 produces hot rolled wire rods exclusively.

— Atlantic Steel has a steelmaking and rolling facility at Cartersville, Georgia and additional rolling and further downstream steel product manufacturing at Atlanta.

— 49.8% 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; Fremont, Indiana; and Fairless Hills, Pennsylvania.

IVACO ROLLING MILLS

The Ivaco Rolling Mills complex at L'Orignal, Ontario is a highly focused and successful specialist operation. Both the steelmaking and rolling facilities are dedicated exclusively to a single line of end products, namely hot rolled wire rods.

This specialization achieves a number of important advantages not the least of which are high standards of productivity resulting from longer production runs. It also permits a dedication to special chemistry grades which result in higher steelmaking yields on premium grades of product.

The total steelmaking output is in the form of billets specifically sized for optimum efficiency at the adjacent rolling mill. Rolling capacity has been designed to exceed that of the feedstock obtained directly from the meltshop so that this mill can also accommodate the rolling of over 200,000 tons of special quality billets purchased from outside sources.

Production volumes at both the melt shop and rolling mill were lower in 1991 than the record tonnage recorded by both units in the previous year.

The severity of the recession, which reduced demand so significantly, did also, however, result in some innovative steps being taken which produced positive results immediately and could have far reaching potential benefits in the future.

One very significant move was to change the alternate cycling pattern of the two electric furnaces. One furnace would remain idle during peak power periods, generally 7:00 a.m. until 11:00 p.m. weekdays, which resulted in a dramatic reduction in power cost while output was not appreciably impacted. This practice also had a beneficial effect on labor costs.

Another improvement, achieved at virtually no cost, was to convert to a hot tundish practice. The preheated tundish reduces the level of entrapped gases at the start of a new cast, improving quality and yield. Previously, it was necessary to divert several of the first few billets from a new cast. Now, however, this is rarely necessary.

Also, late in the year, an improvement in productivity was achieved through a modification of the hot metal ladle lifting devices. With this modification, the ladles can handle additional hot metal and yield levels have been augmented.

One of the brightest aspects of what otherwise was a year of reduced product demand, was the encouraging market response to wire rods rolled from aluminum killed steel.

Ivaco Rolling Mills is one of the few steelmakers in North America capable of producing this premium grade steel in an electric furnace and continuous billet casting facility.

Installation of new tundish slide gates on the billet caster permits the regular production of aluminum killed steel and this premium quality, premium price product now represents a considerable tonnage which is expected to increase again in 1992.

The aluminum killed process utilizes aluminum as a deoxidizing agent and results in a fine grain, cleaner, 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.

The year also saw meaningful progress towards the long standing objective to achieve production of more sophisticated grades of high carbon steel. Excellent progress was made and this program will be continued in 1992.

A continued strict focus toward achievement of energy efficiency was maintained during the year and a valuable sense of partnership has been established with Ontario Hydro, the mill's electricity supplier. As noted in last year's annual report, Ontario Hydro nominated Ivaco Rolling Mills for a Canadian Electrical Association (CEA) commendation. Ontario Hydro cited Ivaco Rolling Mills "smart" power demand system and its commitment to energy efficient equipment. The CEA Energy Efficient Industry Award was received by Ivaco Rolling Mills during the year.

At the rod mill, while production volume was reduced from the record level reached in 1990 on account of market conditions, important productivity improvements were made — particularly as a result of dramatically improved quality performance. As an example, the rolling mill's prime yield was improved substantially during the year.

In 1991 a TQM (Total Quality Management) program was instituted.

The objective was to seek total employee sensitivity to an involvement with the process of making the workplace safety, quality, and efficiency oriented. This program has had meaningful results.

Individual improvement teams in each department combine production, supervisory, professional and management people who collectively and co-operatively focus on identifying issues both large and small which are having a positive effect on safety, quality and efficiency.

Over the course of the program to date, a large number of diverse, usually small, improvement suggestions have been made and implemented relative to rod quality. The results have been very rewarding and customer acceptance has improved measurably.

The 1992 outlook for Ivaco Rolling Mills is for continued difficult markets and continued productivity, efficiency and quality gains and substantially reduced losses.

■ ATLANTIC STEEL

Atlantic Steel operates a technically sophisticated steelmaking electric furnace facility that is 100% continuous cast at Cartersville, Georgia. It also has rolling mill operations contiguous to the meltshop and additional rolling and manufacturing facilities at nearby Atlanta.

The Company operated at a reduced rate during 1991 because of the economic uncertainties in the market place that affected most industrial businesses. Significant advances were made, however, in several programs that are particularly important to Atlantic and its customers.

Several refinements were made to both the equipment and operating practices at the recently consolidated steelmaking facility in Cartersville. A bottom bubbling system was installed in the eccentric bottom tapping (EBT) melting furnace to promote more rapid scrap melting while lowering electrical energy requirements and improving the quality of the molten steel. New larger capacity charging buckets were also placed into service to allow the furnace to be filled by only two buckets, as opposed to the four that were required previously. By year's end, this ultra high powered melting furnace was producing at a rate much greater than that of the previous year and with significantly improved costs.

Improved billet quality for special bar and special rod quality steels was also afforded by improvements at one of the casters to keep the molten steel protected from the atmosphere. There is improved stream protection between the ladle and tundish, and advanced technology was employed in a new "bellows" shrouding system between the tundish and caster molds. This stream protection from the atmosphere results in cleaner steels. Computer-driven process control systems at the caster are also bringing improvements in both quality and consistency. The computer helps maintain precision control relative to the specific grade of steel being cast.

The EBT furnace, noted earlier, has a 22 foot diameter. It 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. This affords quality improvements by virtually eliminating the inclusion of slag when the heat of steel is tapped into the ladle. The ladle is subsequently transferred to the ladle furnace for refining.

Final portions of the project, such as completing ladle preheat facilities, installing an additional billet yard crane, and the installation of the gantry crane scrap handling system, the first of it's kind in North America, were wrapped up during the year.

This world class facility has the capability of producing a significantly greater amount of steel at a lower cost than was feasible previously 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.

For the future, this high quality facility will permit the renewal of vigorous programs to increase the output of special chemistry steels. The Company has been moving gradually, in recent years, to increase the proportion of value added grades in the product mix, particularly high carbon wire rods and special bar quality steels, and this program is being re-emphasized.

Entering 1992, Atlantic Steel's Total Quality Management (TQM) program is well under way. Some 30 individual quality teams have been assembled. By stressing employee involvement and customer focus, quality action teams are a driving force. They identify problems and missed opportunities in the manufacturing and administrative processes and recommend permanent solutions. One result of the teams' efforts is the production of two new products on Atlantic's rolling mills.

Atlantic Steel is poised to take advantage of improving economic conditions and continues to aggressively pursue advances in both operating efficiency and product quality. The significant losses it experienced during 1991 are expected to be greatly reduced in 1992.

LACLEDE STEEL

Laclede Steel, 49.8% owned by Ivaco, encountered extremely difficult conditions in 1991 and, as a result, recorded its first loss since the last recession year of 1982. However, notwithstanding the difficult climate encountered during the year, especially in the first half, Laclede made solid progress in reducing costs and increasing productivity. These very vigorous activities resulted in the ability to report a profit for the fourth quarter.

Laclede has steelmaking and rolling mills situated near the Mississippi River at Alton, Illinois. It also has additional plants for the manufacture of tubular goods, wire and chain in Indiana, Missouri, West Virginia, Pennsylvania, and Tennessee.

The steelmaking and rolling mill complex at Alton has two high capacity electric furnaces and a substantial portion of the output is continuous cast. Several aggressive and effective steps were taken to reduce costs during the year just past. Among these were:

(i) Inventory was reduced extensively, even in the face of declining demand, and major cash conservation occurred.

(ii) The salaried workforce was reduced by some 15%.

(iii) A number of productivity-oriented technical improvements were installed.

One very significant event occurred in the fourth quarter.

Laclede has been able to lease, at advantageous terms, the rolling mill, pipe manufacturing and finishing facilities at the United States Steel Fairless Works which is located near Philadelphia, Pennsylvania. The agreement includes an option to purchase, and permits Laclede to renew the lease at the end of five years.

The addition of the Fairless Works facilities offers very significant potential. Among the benefits:

— Laclede is now the only producer of a full line of continuous butt-weld standard pipe in the U.S. and which produces its own steel.

— Laclede's Alton Works is already one of the few mills in the U.S. able to produce a low cost, narrow slab suitable for rolling into skelp on the 18 inch mill at Fairless.

— Operation of the Fairless Works will strengthen demand for production at Alton and thus enhance steelmaking economies of scale.

— By establishing production of finished tubular goods near Philadelphia, strong potential exists to become a major factor in the important Eastern Seaboard market.

The advanced technology High Temperature Metal Recovery (HTMR) facility at Alton has begun its commissioning phase. Completion of the project is behind schedule and this has resulted in the Company facing unexpected, temporary disposal costs.

This metal recovery plant has major environmental importance. It is designed to process electric furnace dust to remove hazardous components and capture valuable materials, in particular zinc, thus making it less costly than to dispose of the electric furnace dust.

In addition to the improvements in primary steelmaking at Alton, Laclede continues also to emphasize its rapidly growing downstream businesses which manufacture tubular goods, wire and chain.

Tubular products are made at Alton and Benwood, West Virginia. Pipe products have represented important tonnage at Alton for many years. The Benwood facility, acquired in 1988 produces electric weld tubes and also finishes continuous weld pipe blanks shipped from Alton. While the tubing markets have been slowed by the recession, good penetration is being achieved and tonnage has increased to substantial quantities.

Laclede has three wire manufacturing operations.

Oil tempered spring wire is produced at Alton, Illinois, and Fremont, Indiana and is thus strategically located to serve many of Laclede's traditional industrial customers. Laclede is North America's largest manufacturer of this product and its market leadership was further enhanced early in 1991 by the start up of two additional advanced technology oil tempering production lines. In addition to productivity and cost benefits, the new facilities also permit the addition of higher premium quality material to the product mix.

Laclede's other wire producer is at Memphis, Tennessee. This mill has been radically upgraded since it was acquired in 1985. It is now able to produce very high quality wire products and has built a solid customer base in the mid south region.

Laclede Chain manufactures at Maryville, Missouri. It markets steel chain and accessories throughout most of the United States. Activity in the chain operations remained fairly strong in 1991 and the outlook for 1992 continues to be positive.

The outlook for Laclede is for improved operating results in 1992 despite the continuing recession in the United States.

WIRE, WIRE PRODUCTS AND NAILS

Ivaco's Wire Group had a challenging year in 1991, clearly reflecting a declining demand from the construction, industrial, automotive and other finished product markets. However, in the process of dealing decisively with the adversity posed by the weakened economy, the opportunity to make radical change was grasped and the restructured units entered 1992 healthy, vigorous and poised for recovery.

Among the restructuring steps taken in the Sivaco Wire Group were the discontinuance of fence manufacturing at Chambly, Québec, the closure of the distribution center in Mississauga, Ontario, and the decision taken to continue to market fencing products through its Bel-Air units.

In addition, the closure of Sivaco Maritimes, located in Dartmouth, Nova Scotia was announced, thereby terminating the production of nails and other warehousing functions in the Maritimes. These products will now be directly supplied from the Sivaco Wire Group's much larger Marieville operation.

A large number of premium grade products are now being produced and sold in significant tonnage. Among these are heavy galvanized wire; aluminum conductor, steel reinforced (ACSR) wire used in electrical transmission cable; armoring wire used in marine communication cable; high carbon wire for the wire rope industry; and galvanized high carbon spring wire.

Sivaco Québec's flow wipe galvanizing system permits the application of heavy zinc coating weight to wire at high speed. The very high standards of productivity, quality, and economics achieved by the system have resulted in excellent and growing penetration of the market previously supplied only by electro-galvanized wire producers in both Canada and the U.S.

One particularly attractive market, entered recently, is the provision of Class B type galvanized wire, which has a zinc coating some 50% heavier than standard galvanized wire and is used in attractive volume by the manufacturers of pole line hardware.

The ACSR market is both large, in terms of tonnage, and demanding in terms of quality. The major ultimate customers are the transmission facilities of electric utilities. Sivaco Québec has recently been qualified as a supplier to this industry. The ACSR consists of aluminum strand (the electrical conductor) which is reinforced by high carbon galvanized steel wire.

Satisfactory growth was achieved in 1991 for sales of the company's relatively new line of premium products sold to the undersea communications cable industry. A typical modern underwater communications cable consists of high strength fiber optics housed in a copper sleeve or tube. In addition to waterproofing materials, the inner core is protected by two concentric layers of bright wire stranded from special chemistry steel. The exterior armor for the cable is made from large diameter heavy galvanized wire. Penetration of the undersea cable market required a major qualification program and consistent ability to meet tight quality control by the telecommunications companies.

Because Sivaco Québec has been successful in penetrating this market it expects a significant increase in its sales to the undersea cable industry in 1992. Very strong demand is forecast for several years into the future as the telecommunications industry has satisfied itself that marine cables provide superior voice quality compared to satellites.

Another premium grade product that is achieving growing acceptance is high carbon wire for sale to the wire rope manufacturing sector.

Elsewhere within the Sivaco Wire Group, (i) nail and mesh production remain substantial with the objective of securing increased market share for both products; (ii) Sivaco New York made excellent progress in its markets for cold heading and other industrial quality wire products; and (iii) Sivaco Ontario, which specializes in rod processing, has begun to produce large diameter wire dedicated to the reinforcing market. One major use of this heavy gauge wire is for cage machines used to manufacture mesh for reinforced concrete pipe.

National Wire has now completed its internal restructuring program and will continue as a low cost major producer of welded wire fabric in sheets and rolls. With the consolidation of its masonry wire reinforcing products into two plants, in Maryland and Georgia, the Company will be better able to service this industry and concurrently complement the shipments of wire mesh.

The Baltimore facility has made major gains in the marketing of wire, both galvanized and bright. Two new products are high carbon galvanized pulp tie wire and strand annealed wire. Product development was completed during the year and pilot trials were initiated. Preliminary response from the end users has been excellent. Major marketing activity began early in 1992 and good tonnage has been forecast.

National Wire's manufacturing facilities are located in Baltimore, Maryland; Newnan, Georgia; Tampa, Florida; and Toledo, Ohio. The marketing area includes the Eastern United States, from the Mississippi River to the Atlantic Ocean.

As noted elsewhere in this report, the recent passage of a new Transportation Act in the United States is expected to increase annual federal funding for highways by some

U.S. \$6 billion per year. This funding, combined with related state government programs, is expected to increase demand for wire mesh products and National is expected to benefit from this program.

Ivaco's Wire Group has incurred significant losses for each of the past three years. In 1992 these losses will be significantly reduced as a result of the changes made in 1991 for new product lines, substantially reduced unit costs and the adoption of a "sell smarter" policy.

FASTENERS

Ivaco's Fastener Group dealt effectively with recession induced business conditions in 1991. Despite a reduction in overall volume, it nevertheless strongly defended its position within its traditional markets and was able to maintain its record of profitability.

The Company has four manufacturing facilities. They are:

— Infasco in Marieville, Québec, one of the largest facilities in the world for the production of standard bolts and nuts;

— Galvano in Beloeil, Québec, which applies value added electro-galvanizing and hot dip galvanizing of fasteners and nails;

— Ingersoll Fasteners, in Ingersoll, Ontario, a major manufacturer for custom designed and specialty fasteners;

— Infasco Nut, in Toronto, Ontario, which makes a wide variety of standard and specialty nuts.

The Infasco division utilizes high speed automated bolt makers and nut formers to achieve long production runs of standard fasteners, and is a productivity leader in its industry.

Infasco has focused strongly on the engineering of the complete manufacturing process. Its attention to productivity and quality begin at state-of-the-art facilities for annealing and chemical descaling of wire rods. Rods are then processed through highly automated bolt makers and nut formers, and the fasteners are subsequently heat treated in computer controlled furnaces. Finished product is packed by fully automated packaging equipment before being stored in one of the industry's largest warehouses.

Infasco maintains a comprehensive inventory of finished fastener products to ensure that it can provide delivery services that lead the industry. High standards of service are thus feasible both to primary customers and to Infasco's network of warehouses and distributors.

Important additions to the product line during the past year include tension control bolts and ladder bolts.

Many of the most important steps taken at Infasco during 1991 were directed toward productivity gains, expansion of quality control resources, and environmental enhancements.

In terms of productivity achievements, Infasco has completed the computerization of its tooling stock, installed automated washing of bolts and nuts with five tons per hour capacity, and established additional computerized labeling for quarter kegs and small packages in the packaging department.

In quality control, (i) substantial resources were added to permit a major increase in both destructive and non destructive quality testing, (ii) wire rod storage was enlarged and reconfigured and (iii) additional "soft drop" equipment was added to bolt makers to reduce the incidence of thread damage at the end of the manufacturing sequence.

Among the environmental enhancements were lubricating oil regeneration trials, enhanced protection to storage sites for oils and acids requiring special handling, and completion of the program to enclose all bolt makers in sound and smoke proof enclosures.

The Galvano division is located close to Marieville in order to permit low cost transport of fasteners and other Ivaco products to this highly specialized unit. It carries out premium quality zinc barrel electroplating, zinc phosphating, and hot dip galvanizing.

The plant is highly automated. One plating line features continuous automatic analysis of the cleaning, pickling and plating baths and controls the weight and current density for each plating cell. Galvano can apply a variety of finishes while continuously maintaining the integrity of high grade alloy steel fasteners as they proceed through the coating process.

In 1991, its hot dip galvanizing facilities were upgraded to produce brighter and more uniform finishes, and the zinc electroplating line was modified to improve productivity and the quality of surface finish.

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

Ingersoll Fasteners sells a substantial portion of its output to the North American automotive industry and suffered as a result of it's downturn. However it successfully identified and penetrated other markets, and was able to maintain its sales volume at 1990 levels. Sales to the oil and petrochemical market, for example, grew dramatically in 1991 and are expected to show continued growth in 1992.

Infasco Nut had a difficult year in 1991 as a result of the decline of the North American automotive industry. On the other hand, several significant achievements were recorded during the year. Ford has given Infasco Nut a commendation for its quality and delivery performance, and General Motors has signified that the Company is an approved locknut source to its assembly division.

Aggressive cost cutting programs have been implemented and marketing activity has been intensified, in particular to extend the locknut sales program launched last year across the U.S.

Docap is the Fastener Group unit which distributes a large variety of products, many of which are fasteners, to industrial and automotive markets across Canada.

It markets more than 24,000 products which are delivered to end users through wholesalers and distributors from several distribution centers covering Canada from Halifax to Vancouver.

Docap continued to emphasize the diversification program it launched about two years ago. The objective is to lessen dependence on the automotive aftermarket — not by reducing sales and services to this highly specialized market area — but to extend the reach of the Company by selling more to the industrial and other markets.

The success of this program was particularly important in 1991 as the recession brought about a large general reduction in demand and severe price pressure from the automotive sector.

Docap had excellent results in 1991 with two of its important new product lines: stainless steel fasteners and chain and chain accessories. Major expansions are under way for both product lines.

Among other new lines added recently and showing excellent potential are small screws and complementary additions to the existing lines of specialty cleaners and chemicals. Several new products are under consideration to add to or complement the current total product offering.

The outlook for 1992 for Ivaco's Fastener Group is sustained levels of volume and improved profitability.

WIRE ROPES, CABLES AND STRAND

Ivaco's Wire Ropes, Cables and Strand Group consists of two successful companies, both of which are major factors in their individual markets. They are: Wrights Canadian Ropes, of Vancouver, British Columbia a leading manufacturer of wire ropes for the marine, forestry, mining, petroleum and construction industries, and Florida Wire and Cable, of Jacksonville, Florida, the largest U.S. producer of prestressed concrete strand for the construction and utility industries.

Virtually all of the industries and geographic areas served by Wrights encountered difficult conditions in 1991. Preliminary indications for 1992 suggest that conditions have at least stabilized. One major sector, the British Columbia forestry industry, had an unexpected benefit in the form of an exceptionally mild winter with the result that operations were under way at an earlier date and produced good business for suppliers to the industry much earlier than expected.

Wrights exploited the recessionary downturn by focusing its resources to improve service, stress quality and reliability, and upgrade delivery capability. The Company anticipates improved operating conditions in 1992.

Florida Wire and Cable has large capacity plants at both Jacksonville and Sanderson, 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.

The Company's revenues declined last year from the record levels reached in 1990 despite increased exports and improved penetration of the key markets. Unfortunately, demand from the bridge and highway market and general construction industries dropped substantially in 1991 and these are the largest users of PC strand.

Among the bright spots in the past year was the performance of the pole line hardware unit. It increased sales in a down market.

The outlook is for greatly improved conditions in 1992, in terms of both revenues and earnings. The new Transportation Act in the U.S. is expected to increase annual federal funding for highways by some $6 billion per year and a number of state governments have increased gasoline taxes to help expand highway construction and rehabilitation programs. A growing market is forecast for PC strand and Florida Wire & Cable is expected to benefit from this program.

Growth is also expected in the use of prestressed concrete railway ties and in the utilization of PC strand in the expanding market for parking garages.

An important development during the year was the successful use of an advanced technology modification of the Company's epoxy coated PC strand. The new product significantly improves strand protection by applying epoxy coating to the inner wires in addition to coating the exterior of the strand. It's inaugural use was in the support structure for an architecturally dramatic bridge built in 1991 to facilitate access to the World's Fair to be held this year at Seville, Spain. The product is proprietary to Florida Wire and Cable and will be introduced to the U.S. market in 1992.

Florida Wire and Cable holds the Company's 50% interest in Amercord Inc. which supplies tire cord and tire bead to the manufacturers of automobile and truck tires.

Amercord's products are based principally on premium grades of high carbon steel wire drawn to exacting specifications.

In 1991, North American tire producers had a down year with resulting adverse effects on all their suppliers. While industry volume decreased by 2% in 1991, supplier prices were also down during the year. Amercord responded aggressively to the reduced demand and increased both its poundage and its market share.

One other positive move made by Amercord during the year was the initial penetration as a supplier of high carbon wire to the manufacturers of undersea cable. Sales to this industry will double in the coming year.

Amercord's response to the recession was to analyze every conceivable aspect of production with a view to achieving cost cutting. Preliminary indications are that substantial cost reductions can be affected in a number of production areas, particularly in some heat treating sequences and in improved management of dies.

The outlook for Amercord is for improved conditions as the year develops. Volume has shown improvement in the first quarter and a significant increase in consumption of both tire cord and tire bead is expected during the next two to three years as the industry moves toward production of a higher proportion of steel belted radial truck tires.

CANRON

In 1991 Canron put into motion the planning for a radical reorganization of its diversified enterprises. Preparations for two major structural changes were undertaken during the year with fulfillment expected in 1992.

The first of these resulted in the announcement late in the year that the Company's plastic pipe business would be combined with the plastic pipe operations of the Scepter Manufacturing Co. Ltd. The second, announced early in 1992, was that an advanced stage of discussion had been reached concerning the sale of the Company's Tamper business to the Harsco Corporation of Camp Hill, Pennsylvania.

The combination of the two plastic pipe operations is designed to establish a world class business which will have an improved competitive position in the North American market. It will, in fact, be one of the most efficient producers of plastic pipe in North America. The combination will be operated as a 50-50 joint venture.

Plastic pipe is used by the plumbing, electrical, and municipal utility sectors, all of which anticipated severely depressed conditions for 1991. Reality turned out to be somewhat different for Canron. Both volume and margins were better than anticipated and, as official forecasts in both Canada and the U.S. anticipate increased housing starts in 1992, the outlook for the current year continues to be positive.

The divestiture of Tamper has been a strategic objective for some time. Tamper is an excellent business. It has superb technology and solid management. Its product line, however, is simply not part of Ivaco's business core.

Tamper is a leading designer, manufacturer, and contractor of advanced technology railway track maintenance equipment. It sells to railroads around the world and, in addition to a major presence in North America, is a leading supplier in the British Isles, India, Australia and other Pacific Rim countries.

Tamper recorded a successful and profitable year in 1991 and has excellent future prospects as well.

Canron's remaining business consists of (i) the fabrication and erection of structural steel and (ii) the precision machined components and forgings produced by Ingersoll Machine and Tool.

Structural steel activity in 1991 was quite buoyant for Canron in Eastern Canada and the Northeast U.S. and the opposite of that in the Western sections of both countries. Canron has four major structural steel fabrication centers, two in Canada and two in the U.S.

As noted in last year's annual report, one very high profile project was 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 required meticulous detailing and fabrication by Canron.

The Galleria project was extremely demanding from the initial drafting through to the final placement of the last bolt. It was completed satisfactorily and its pieces "fit like a glove".

Other challenging tasks in Eastern Canada during the year include the rebuilding of furnaces and gas handling systems as part of a smelter revamp and sulphur dioxide abatement program for Inco at Sudbury. The project was made more complex than normal by the fact that the smelter continued to operate during the Canron portion of the work.

Several major projects were completed in the Northeastern U.S. during the year. These included steel for a terminal at New York's La Guardia Airport, a prestigious highrise in midtown Manhattan and some very complex steelwork at Lehman College, in New York city.

While some projects have been obtained for 1992, such as pollution control facilities for Ontario Hydro, the second phase of the Inco desulpherization project in Sudbury, and the SEMASS cogeneration project at Bridgeport, Connecticut, a generally lean year is anticipated for the Eastern structural steel operation.

In the west, results were affected by both the recession and the relocation of facilities. The structural operation from New Westminster is now located at the new plant on Annacis Island and the Steel Service Center has moved to the facility in New Westminster. Both plants are fully operational and performing well. 1991 also saw the formal closure of the False Creek fabricating facility in downtown Vancouver.

Several major contracts were obtained early in the year, the largest of which was a series of buildings for the Alberta Pacific Pulp Mill in Alberta. This contract provided a base load for the latter half of the year and early 1992.

Market conditions deteriorated steadily during 1991 as the recession in Central Canada started having its effect in the West. This, together with the cyclical downturn of work in the forest products industries, will seriously impact on both prices and volume for the Western operations during 1992.

In the U.S. Northwest, further work was obtained from Boeing for their continuing expansion in Everett, Washington, and from other sources in the region. However, profitability at the Portland plant was affected by delays in two of their major contracts.

Activity in the region remains strong. Price levels, however, are depressed since this is the only center of activity and is therefore attracting fabricators from throughout the U.S.A., which will have an effect on 1992 results....

Ingersoll Machine and Tool felt the effects of the recession both early and severely. Radical cutbacks occurred in orders for the defense products made by the Company and both the automotive and heavy machinery industries reduced their normal procurement levels.

Ingersoll is a major supplier of truck trailer axles and precision machined components. One of its major strengths is its capability for vertically integrated production which includes CNC forgings, to 200 pound capacity, through computer controlled precision machining, assembly, fabrication, heat treat, phosphating and plating.

Ingersoll has identified important potential markets for axles in both Asia and Latin America. Both of these markets have been addressed aggressively and the prospects for significant sales increases remain strong and improved earnings are expected for 1992. The Company markedly improved its competitive position in the axle market in 1991 by successfully developing lighter weight axles. By utilizing a newly developed manufacturing process, Ingersoll has reduced the weight of a standard truck trailer axle by some 24 pounds. Market response has been excellent.

Several attractive product programs have been identified for sale to the automotive, truck/trailer, and rail industries in 1992 and beyond.

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

1991 compared to 1990:

(The 1990 figures have been restated on a basis comparable to 1991)

In 1991, the Company reported operating earnings of $41.0 million and an after tax loss from continuing operations of $52.2 million on sales of $1.3 billion, as compared to operating earnings of $126.1 million and after tax earnings from continuing operations of $7.2 million on sales of $1.9 billion for 1990. In 1991 a loss on disposal of fixed assets and investments of $5.2 million was included, whereas the 1990 figures included a gain of $7.7 million. The 1991 figures also do not include the operating earnings and sales of Laclede Steel Company of $19.0 million and $314 million respectively which were included in 1990. Laclede was deconsolidated as of December 1, 1990.

The stronger Canadian dollar, in relation to the U.S. dollar had an overall adverse effect on 1991 operating earnings of approximately $4.3 million, when compared to 1990.

During 1991 the Company reported after tax losses associated with the discontinuance of businesses amounting to $7.2 million ($0.36 per share) as compared to a restated after tax gain of $9.7 million ($0.51 per share) in 1990.

The North American recession resulted in abnormally low demand and drastically weakened pricing for most of the Company's products throughout 1991. The positive side of the recession, however, was the extremely successful Company-wide initiative to cut costs which should benefit 1992 and beyond.

Sales for the Company's steelmaking operations were significantly lower in 1991 than in 1990 due to the reduced demand for steel and, as previously mentioned, the exclusion of Laclede's sales from the 1991 figures. A significant loss was incurred in 1991 compared to earnings in 1990. As demand and shipments fell, so did steel prices. On the average, 1991 prices were 4% below 1990 levels. As a consequence of the lower demand, production levels in 1991 were below those achieved in 1990.

Sales volumes for the Company's wire, wire products and fasteners were significantly lower in 1991 than in 1990 due to the abnormally low level of business and the continuation of severe pricing pressures. Losses within the Wire Group were similar to those experienced in the prior year while earnings for the Fastener Group were higher than in 1990.

The wire ropes, cables and strand businesses enjoyed a less profitable year in 1991 compared to 1990 as a result of lower sales volumes.

While the sales volume in Canron's plastic pipe business was lower due to the reduced level of housing starts in Eastern Canada and reduced commercial activity, operating income was higher than in 1990 on account of buoyant market conditions in Western Canada, improved margins and the benefits from plant rationalization actions taken in 1991.

In December 1991, the Company announced that Canron's plastic pipe business would be combined with the plastic pipe operations of Scepter Manufacturing Company Limited. The combined operation, to be owned equally by both parties, will result in a world class business which will have an improved competitive position in the North American market and will, in fact, be one of the most efficient producers of plastic pipe in North America.

Volume in the steel fabrication, erection & construction services business was lower in 1991. This decrease occurred principally in the Western operations. Operating income of this business was significantly adversely impacted by the lower volumes and costs associated with the startup of the new Annacis Island facility and the closure of the False Creek and New Westminster plants in British Columbia.

Sales of the railway track maintenance equipment business were lower in 1991 compared to 1990. Operating income was adversely affected by this volume loss and further, by unfavorable results on two large international contracts.

In early 1992, the Company announced that Canron is at an advanced stage of discussions with Harsco Corporation of Camp Hill, Pennsylvania which may lead to the sale to Harsco of Canron's Tamper business.

The 1991 results of Canron's precision machined components business were unfavorably impacted by reduced demand by the Canadian Government for defence projectiles. The operations of this business are very sensitive to this defence volume.

1990 compared to 1989:

The Company reported operating earnings of $126.1 million and net earnings of $17.0 million on sales of $1.9 billion for 1990 compared to operating earnings of $167.6 million and net earnings of $12.9 million on sales of $2.0 billion in 1989; earnings from continuing operations were a restated $7.2 million compared to $28.2 million in 1989, a decrease of $21.0 million. The 1990 and 1989 sales figures include those of Laclede Steel.

The stronger Canadian dollar, in relation to the U.S. dollar and higher rates of interest, had an overall adverse effect on 1990 earnings from continuing operations before income taxes when compared to 1989, of approximately $5.3 million.

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 a restated $9.7 million ($0.51 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 during 1990 remained at similar levels to those of the previous 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 in 1990 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 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.

FINANCIAL CONDITIONS, LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operating activities was $49.8 million in 1991 compared with a restated

$78.5 million in 1990. Working capital used in continuing operations during 1991 was $23.5 million while in 1990 continuing operations provided working capital of $50.7 million. This decline was due to the significant loss from continuing operations incurred in 1991. However, in recognition of the decreasing level of business activity throughout 1991, the Company took steps to conserve cash and substantially reduced inventories and other non-cash working capital items to provide $75.6 million of cash.

Working capital at December 31, 1991 was $170.1 million compared to $251.4 million in 1990. This reduction was due in large part to the decline in inventories to $353.9 million in 1991 from $414.2 million in 1990.

Net additions to fixed assets in 1991 totaled $24.7 million down from $39.6 million recorded in 1990. The single largest item in 1991 was Canron's expenditure for a new structural steel fabrication facility on Annacis Island in Vancouver. The remaining capital projects in 1991 were largely expenditures to improve efficiency and maintain existing facilities.

In March 1991, in fulfillment of the obligation it made in 1985, the Company acquired the minority interest of Docap (1985) Corporation for $3.4 million.

Long-term liabilities of $356.7 million in 1991 were virtually unchanged when compared to $355.7 million in 1990. The ratio of long-term liabilities to Shareholders' Equity was 44:56 compared to 40:60 at December 31, 1990.

In October 1991, in accordance with the terms of issue, the Company purchased for redemption 369,645 Series E Cumulative Redeemable Preferred Shares at $25 per share for a total consideration of $9.2 million.

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 13⅓ cents to 6⅔ cents. This change took place with the payment of the regular quarterly dividend on April 30, 1991.

In September 1991, as a result of lower earnings and to conserve cash for operating requirements, the Company announced that it had temporarily omitted payment of dividends on its Class A, Class B, Second Preferred Shares Series 1, Series 2, Series 3 and on its Series 4 Exchangeable Second Preferred shares. Pursuant to the trust agreement, established at the time of issuance of the Series 4 Exchangeable Second Preferred shares, the trustee must pay pro rata to the holders, the amount of any cash dividends received on the Dofasco Inc. common shares during the previous three months. The amount of this payment shall be credited against any future amounts to be declared by the Company.

It is anticipated that Ivaco's 1992 cash requirements within the ordinary course of business, including capital expenditures, debt repayments and other capital payments, will be met through internally generated funds, existing lines of credit and asset sales.

OUTLOOK FOR 1992

The outlook for 1992 for steel and steel products is for a continuation of depressed markets in the first half. Steps taken in 1991 to reduce costs have become fully operative, and as 1992 develops are expected to reach savings of some $40 million per year. Overall sales in 1992 are expected to be higher than in 1991. Canron's steel fabrication, erection & construction services business has entered 1992 with a substantially lower backlog than 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.

The Company remains dedicated to divesting several of its non core businesses, reducing its debt and entering into joint ventures with third parties. As outlined previously, two significant moves have been taken towards these objectives. The Company is also working on other substantial possibilities which would result in a significant reduction of debt.

Capital expenditures for 1992 are expected to be much lower than in 1991.

AUDITORS' REPORT

The Shareholders,
Ivaco Inc.

We have audited the consolidated statements of financial position of Ivaco Inc. as at December 31, 1991 and 1990 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, 1991 and 1990 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 3, 1992.

Deloitte & Touche
Chartered Accountants

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Thousands of dollars

AS AT DECEMBER 31		1991	1990
Current assets	Cash	$ —	$ 5,374
	Accounts receivable	**169,844**	190,979
	Inventories (Note 2)	**353,907**	414,167
	Prepaid expenses	**9,404**	10,181
	Total current assets	**533,155**	620,701
Current liabilities	Bank indebtedness, partly secured	**102,313**	116,926
	Accounts payable and accrued liabilities		
	Trade and other	**206,321**	208,601
	Directors	**160**	2,672
	Income taxes	—	1,751
	Current maturities of long-term liabilities	**54,059**	34,262
	Deferred income taxes	**200**	5,089
	Total current liabilities	**363,053**	369,301
Working capital		**170,102**	251,400
	Portfolio investments (Note 3)	**117,122**	117,291
	Investments at equity (Note 4)	**72,807**	79,291
	Fixed assets (Note 5)	**508,446**	532,959
	Other assets (Note 6)	**65,102**	61,521
Total investment		**933,579**	1,042,462
	Deduct		
	Long-term liabilities (Note 9)	**356,718**	355,674
	Exchangeable debentures (Notes 3 and 7)	**95,223**	95,231
	Accrued costs of pension plans (Note 8)	**2,895**	3,879
	Deferred income taxes	**31,870**	48,817
	Minority interest	—	3,359
		486,706	506,960
Shareholders' equity		**$ 446,873**	$ 535,502
Represented by	Capital stock (Note 10)	**$ 421,927**	$ 433,140
	Retained earnings	**31,752**	107,836
	Cumulative translation adjustment	**(6,806)**	(5,474)
		$ 446,873	$ 535,502

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	1991	1990
Net sales	**$1,286,967**	$ 1,868,483
Cost of sales and operating expenses	**1,245,992**	1,742,390
Operating earnings	**40,975**	126,093
Depreciation and amortization	**51,344**	54,953
Loss (gain) on disposal of fixed assets and investments	**5,225**	(7,746)
	56,569	47,207
Earnings (loss) from operations	**(15,594)**	78,886
Interest on long-term liabilities	**47,604**	60,635
Other interest	**11,317**	15,269
Investment income	**(4,779)**	(7,649)
	54,142	68,255
Earnings (loss) from continuing operations before income taxes and other items	**(69,736)**	10,631
Provision for (recovery of) income taxes (Note 11)		
Current	**5,076**	14,684
Deferred	**(27,754)**	(14,545)
	(22,678)	139
Earnings (loss) from continuing operations before other items	**(47,058)**	10,492
Equity in earnings (loss) of affiliated companies (Note 4)	**(5,095)**	1,531
Minority interest	**—**	(4,776)
	(5,095)	(3,245)
Earnings (loss) from continuing operations	**(52,153)**	7,247
Gain (loss) from discontinued operations (Note 12)	**(7,243)**	9,719
Net earnings (loss)	**$ (59,396)**	$ 16,966
Earnings (loss) per share		
Continuing operations	**$(3.50)**	$(0.76)
Loss per share	**$(3.86)**	$(0.25)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

Thousands of dollars

YEARS ENDED DECEMBER 31		1991	1990
Operating activities	Operations		
	Earnings (loss) from continuing operations	**$ (52,153)**	$ 7,247
	Depreciation and amortization	**51,344**	54,953
	Deferred income taxes	**(27,754)**	(14,545)
	Equity in (earnings) loss of affiliated companies	**5,095**	(1,531)
	Minority interest	**—**	4,776
	Other items	**(6)**	(193)
	Working capital (used in) provided from operations	**(23,474)**	50,707
	Decrease in non-cash working capital items	**75,629**	29,782
	Other items	**(2,381)**	(2,027)
	Cash provided by operating activities	**49,774**	78,462
Cumulative translation adjustment		**(1,377)**	16
Financing activities	Dividends	**(17,917)**	(32,979)
	Flow through of Dofasco Inc. common dividend to Series 4, exchangeable second preferred shareholders	**(1,199)**	—
	Additional long-term liabilities	**55,525**	39,713
	Repayment of long-term liabilities	**(33,435)**	(120,891)
	Purchase of preferred shares Series E	**(9,242)**	—
	Other items	**(69)**	(2,010)
	Cash used in financing activities	**(6,337)**	(116,167)
Investing activities	Net additions to fixed assets	**(24,659)**	(39,590)
	Acquisition of minority interests	**(3,359)**	(45,877)
	Disposal of Niagara Lockport and deconsolidation of Laclede Steel Company (Notes 4 and 12)	**—**	49,311
	Discontinued operations	**(6,063)**	593
	Other items	**1,260**	11,781
	Cash used in investing activities	**(32,821)**	(23,782)
Bank indebtedness, net of cash	Decrease (increase) in bank indebtedness	**9,239**	(61,471)
	Balance at beginning of year	**(111,552)**	(50,081)
	Balance at end of year	**$(102,313)**	$(111,552)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Thousands of dollars

YEARS ENDED DECEMBER 31	**1991**	1990
Balance at beginning of year	**$ 107,836**	$ 124,073
Add		
Net earnings (loss)	**(59,396)**	16,966
Gain on purchase of preferred shares	**2,428**	521
	50,868	141,560
Deduct		
Preferred dividends	**11,821**	21,699
Dividends on Class A and Class B shares	**6,096**	11,280
Flow through of Dofasco Inc. common dividend to Series 4, exchangeable second preferred shareholders (Note 10)	**1,199**	—
Costs related to the issue of capital stock	**—**	745
	19,116	33,724
Balance at end of year	**$ 31,752**	$ 107,836

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1991 and 1990

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 (adding in the case of a loss) dividends on preferred shares and second preferred shares and dividing the total by the weighted average number of shares outstanding during the year. The weighted average number of shares outstanding was 20,399,003 (1990 — 19,005,856). 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	
	1991	1990
Finished and semi-finished*	**$ 161,064**	$ 207,016
Raw materials and supplies	**192,843**	207,151
Total inventories	**$ 353,907**	$ 414,167

*Includes costs to date of uncompleted contracts for the fabrication and erection of structural steel of $23,206 (1990 — $35,775) less progress billings of $25,648 (1990 — $29,677).

3. Portfolio Investments

Pursuant to the terms of trust agreements, 2,975,721 common shares of Dofasco Inc. have been pledged to secure the exchange privileges attached to the exchangeable debentures and 2,992,400 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, 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
Decrease in investments	—	(548)	(548)
Share of net loss	(4,201)	(894)	(5,095)
Dividends received	(463)	(66)	(529)
Other	(251)	(61)	(312)
Carrying value, December 31, 1991	$59,293	$13,514	$ 72,807
Share of Equity, December 31, 1991	$62,496	$11,869	$ 74,365

*Effective December 1, 1990, the Company's investment in Laclede Steel Company was reduced from 51% to 49.8%. Accordingly, this investment is being carried on the equity method. The results of Laclede's operations have been consolidated for the eleven month period prior to December 1, 1990.

5. Fixed Assets

	Thousands of dollars					
	1991			1990		
	Cost	**Accumulated Depreciation**	**N.B.V.**	Cost	Accumulated Depreciation	N.B.V.
Land	**$ 28,575**	**$ —**	**$ 28,575**	$ 29,477	$ —	$ 29,477
Buildings	**160,473**	**50,057**	**110,416**	160,246	45,828	114,418
Machinery and Equipment	**730,675**	**361,220**	**369,455**	718,502	329,438	389,064
Total fixed assets	**$919,723**	**$411,277**	**$508,446**	$908,225	$375,266	$532,959

6. Other Assets

	Thousands of dollars	
	1991	1990
Net assets of discontinued operations, primarily real estate	**$ 38,093**	$ 32,590
Deferred preproduction and development costs and other deferred charges, less amortization	**15,900**	18,005
Deferred financing costs, less amortization	**4,584**	4,631
Deferred translation adjustment, less amortization	**(2,305)**	(2,740)
Loans to officers at prime interest rates, due in 1994	**4,311**	3,900
Other items	**4,519**	5,135
Total other assets	**$ 65,102**	$ 61,521

7. Exchangeable Debentures

The exchangeable debentures are exchangeable at the option of the holders for 2,975,721 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	
	1991	1990
Actuarial present value of accrued pension obligations	**$ 227,833**	$ 206,843
Less: Market value of pension fund assets	**(161,074)**	(137,522)
Accrued costs of pension plans and other amounts recorded in Consolidated Statements of Financial Position	**(15,494)**	(15,075)
Net unrecorded pension obligations	**$ 51,265**	$ 54,246

Pension expense for 1991 was $19.5 million (1990 — $22.4 million).

9. Long-Term Liabilities

	Thousands of dollars	
	1991	1990
Secured		
Debentures maturing to 1994		
Series A at 10.25% ($3.1 million U.S.; 1990 — $5.2 million U.S.)	**$ 3,582**	$ 6,031
Series B at 11.00%	**2,400**	4,100
Series E at 9.25%	**2,763**	2,948
Series F at 13.875%	**6,660**	9,180
Industrial Revenue Bonds principally at 7.1% maturing to 2000 ($6.8 million U.S.; 1990 — $8.5 million U.S.)	**7,835**	9,917
Mortgages principally at 10.9% maturing to 2010 of which $1.4 million are in U.S. funds (1990 — $2.3 million U.S.)	**11,802**	14,732
Revolving Bank Loan maturing to 1994*/**	**13,415**	16,915
Bank Loans maturing to 1996 of which $40 million are in U.S. funds (1990 — $40 million U.S.)**	**75,000**	50,466
Unsecured		
Revolving Bank Loans maturing to 1999 of which $63.7 million are in U.S. funds (1990 — $33.2 million U.S.)*/**	**151,520**	131,086
Bank Term Loans maturing to 1995 of which $57.5 million are in U.S. funds (1990 — $47.9 million U.S.)**	**74,672**	67,248
Notes principally at 7.9% maturing to 1995 ($11.0 million U.S.; 1990 — $13.6 million U.S.)	**12,680**	15,821
Others principally at 10.2% maturing to 1996 of which $15.4 million are in U.S. funds (1990 — $24.1 million U.S.)	**48,448**	61,492
	410,777	389,936
Less current maturities	**54,059**	34,262
Total long-term liabilities	**$356,718**	$355,674

Required payments of long-term liabilities excluding revolving bank loans, over the next six years, are as follows: $32.0 million in 1992; $61.7 million in 1993; $30.8 million in 1994; $36.5 million in 1995; $53.4 million in 1996; and $3.2 million in 1997.

* Revolving bank loans extend for periods of up to 2 years and the amount unpaid at the end of the revolving period becomes payable over additional periods of up to 6 years. The required payments over the next six years, are as follows: $22.1 million in 1992; $51.5 million in 1993; $20.3 million in 1994; $13.9 million in 1995; $13.9 million in 1996; and $13.9 million in 1997.

** 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 10.13% on $73.4 million of such debt for periods of up to four years. The remainder of this debt aggregating $241.2 million bears interest at an average floating rate of 7.09% at December 31, 1991. The Company may negotiate fixed rates of interest on such debt for periods of up to 7 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	
	1991	1990	**1991**	1990
Preferred shares				
$4.425 Series C	**162,950**	171,550	**$ 8,148**	$ 8,578
$2.50 Series D	**602,935**	625,935	**15,073**	15,648
$2.40 Series E	**392,685**	783,580	**9,817**	19,590
			33,038	43,816
Second preferred shares				
$2.00 Series 1	**1,353,873**	1,396,173	**33,847**	34,904
$2.00 Series 2	**1,871,939**	1,929,839	**46,798**	48,246
$2.25 Series 3	**997,752**	1,028,652	**24,944**	25,716
			105,589	108,866
Exchangeable second preferred shares				
Series 4 (Note 3)	**2,992,400**	2,999,700	**95,757**	95,990
Class A shares	**13,564,604**	12,917,303	**168,917**	165,797
Class B shares	**7,019,595**	7,032,958	**18,626**	18,671
			187,543	184,468
			$421,927	$433,140

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, 8,600 (1990 — 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. 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, 23,000 (1990 — 28,800) 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 the applicable redemption price. The Company may redeem Series E preferred shares at $26.50 per share to October 1, 1992 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, in accordance with the terms of issue, the Company purchased for redemption 369,645 shares at $25 per share. On October 1, 1997, 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 8,500 shares for cancellation on the open market in each calendar quarter commencing October 1, 1991, at prices not exceeding $25 per share. During the year, 21,250 (1990 — 17,000) 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.

On September 4, 1991, the Company announced that it had temporarily omitted payment of dividends on the second preferred shares. Holders of second preferred shares will be entitled to attend and vote at all meetings of shareholders of the Company so long as the dividends on the second preferred shares are in arrears in the aggregate of eight calendar quarters. In addition, the Company will not pay any dividends on the Class A or Class B shares unless all accrued and unpaid dividends on the second preferred shares have been declared and paid or provided for.

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 $25.25 per share to August 15, 1992, and thereafter at $25 per share. The Company will make all reasonable efforts to purchase 13,538 shares for cancellation on the open market in each calendar quarter, at prices not exceeding $25 per share. During the year, 42,300 (1990 — 14,100) such shares were purchased and cancelled. Further purchases and redemptions will not be made while dividends are in arrears. Dividends of $1.4 million are in arrears at December 31, 1991.

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 $25.25 per share to December 18, 1992, and thereafter at $25 per share. The Company will make all reasonable efforts to purchase 18,719 shares for cancellation on the open market in each calendar quarter, at prices not exceeding $25 per share. During the year, 57,900 (1990 — NIL) such shares were purchased and cancelled. Further purchases and redemptions will not be made while dividends are in arrears. Dividends of $1.9 million are in arrears at December 31, 1991.

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 the Series 3 cumulative redeemable second preferred shares at $25.50 per share to August 15, 1992, 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 9,977 shares for cancellation on the open market in each calendar quarter, at prices not exceeding $25 per share. During the year, 30,900 (1990 — NIL) such shares were purchased and cancelled. Further purchases and redemptions will not be made while dividends are in arrears. Dividends of $1.1 million are in arrears at December 31, 1991.

Exchangeable Second Preferred Shares, Series 4

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 to April 14, 1995, and thereafter at $32.00 per share, provided the market price of Dofasco common shares is greater than $40.00 at that time. No such redemption will be made while dividends are in arrears. Dividends of $1.9 million are in arrears at December 31, 1991. During the year, 7,300 (1990 — 300) such shares were exchanged for 7,300 (1990 — 300) common shares of Dofasco.

On September 4, 1991, the Company announced that it had temporarily omitted payment of dividends on its Series 4 exchangeable second preferred shares. Pursuant to the trust agreement, established at the time of issuance of the Series 4 exchangeable second preferred shares, the trustee must pay pro rata to the holders, the amount of any cash dividends received on the Dofasco common shares during the previous three months. The amount of this payment shall be credited against any future amounts to be declared by the Company. Holders of exchangeable second preferred shares will be entitled to attend and vote at all meetings of shareholders of the Company so long as the dividends on the exchangeable second preferred shares are in arrears in the aggregate of eight calendar quarters.

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 at 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 at December 31, 1990	12,917,303	7,032,958	165,797	18,671
Conversion from:				
Class B to Class A	13,363	(13,363)	45	(45)
Shares issued under:				
Stock dividend plan	248,297	—	1,248	—
Dividend reinvestment plan	385,641	—	1,827	—
Balance at December 31, 1991	13,564,604	7,019,595	$168,917	$18,626

Stock options
At December 31, 1991, options for 691,440 (1990 — 773,740) Class A shares granted under the employees' stock option plan were outstanding at $7.125 per share.

11. Income Taxes

	1991	1990
Combined basic federal and provincial income tax rate	**39.9 %**	41.3%
Income tax adjustments resulting from:		
Losses carried forward	**(2.2)**	(29.3)
Differences between Canadian and foreign tax rates	**(0.3)**	(2.3)
Items not subject to tax	**(9.2)**	(19.7)
Other items	**4.3**	11.3
Effective income tax rate	**32.5%**	1.3%

Certain U.S. subsidiaries have accumulated unrecorded income tax losses of approximately $57.6 million (U.S. $49.8 million) which may be applied against future years' taxable income. These losses expire from 1998 to 2006.

12. Gain (loss) from Discontinued Operations

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 those operations and the profit on the sale of Niagara Lockport aggregate a gain of $19,897. This gain, after deducting applicable income taxes of $9,714 and minority interest of $464, has been shown as Gain (loss) from discontinued operations.

During 1991, additional operations of the Sivaco Wire Group were discontinued. The results of these operations and the provision for their respective shut down costs aggregate a loss of $11,566. This loss, after deducting applicable income taxes of $4,323, has 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 1990 figures have been reclassified to conform with the presentation adopted in 1991.

15. 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 1991 of $286 million (1990 — $317 million) primarily to customers in the United States. Highlighted on the following page is the breakdown of net sales, operating earnings and identifiable assets by industry and geographic segments.

15. Segmented Information *(Continued)*

Industry Segment

Thousands of dollars

	1991 Steel	1991 Plastic Pipe and Fabrication/ Erection of Structural Steel	1991 Consolidated	1990 Steel	1990 Plastic Pipe and Fabrication/ Erection of Structural Steel	1990 Consolidated
Net sales	**$ 941,114**	**$345,853**	**$1,286,967**	$1,462,986	$405,497	$1,868,483
Operating earnings	**$ 20,986**	**$ 19,989**	**$ 40,975**	$ 102,076	$ 24,017	$ 126,093
Depreciation and amortization			**(51,344)**			(54,953)
(Loss) Gain on disposal of fixed assets and investments			**(5,225)**			7,746
Interest expense			**(58,921)**			(75,904)
Investment income			**4,779**			7,649
Earnings (loss) from continuing operations before income taxes and other items			**(69,736)**			10,631
Provision for (recovery of) income taxes			**(22,678)**			139
Earnings (loss) from continuing operations before other items			**(47,058)**			10,492
Equity in earnings (loss) of affiliated companies			**(5,095)**			1,531
Minority interest			**—**			(4,776)
Earnings (loss) from continuing operations			**(52,153)**			7,247
Gain (loss) from discontinued operations			**(7,243)**			9,719
Net earnings (loss)			**$ (59,396)**			$ 16,966
Assets identifiable by segment	**$1,103,276**	**$193,356**	**$1,296,632**	$1,192,528	$219,235	$1,411,763
Net additions to fixed assets	**$ 9,737**	**$ 14,922**	**$ 24,659**	$ 29,870	$ 9,720	$ 39,590
Depreciation and amortization	**$ 40,796**	**$ 10,548**	**$ 51,344**	$ 43,881	$ 11,072	$ 54,953

Geographic Segment

Thousands of dollars

	1991 Canada	1991 U.S.A.	1991 Consolidated	1990 Canada	1990 U.S.A.	1990 Consolidated
Net sales	**$ 799,858**	**$487,109**	**$1,286,967**	$ 925,057	$ 943,426	$1,868,483
Operating earnings	**$ 47,815**	**$ (6,840)**	**$ 40,975**	$ 76,657	$ 49,436	$ 126,093
Depreciation and amortization			**(51,344)**			(54,953)
(Loss) Gain on disposal of fixed assets and investments			**(5,225)**			7,746
Interest expense			**(58,921)**			(75,904)
Investment income			**4,779**			7,649
Earnings (loss) from continuing operations before income taxes and other items			**(69,736)**			10,631
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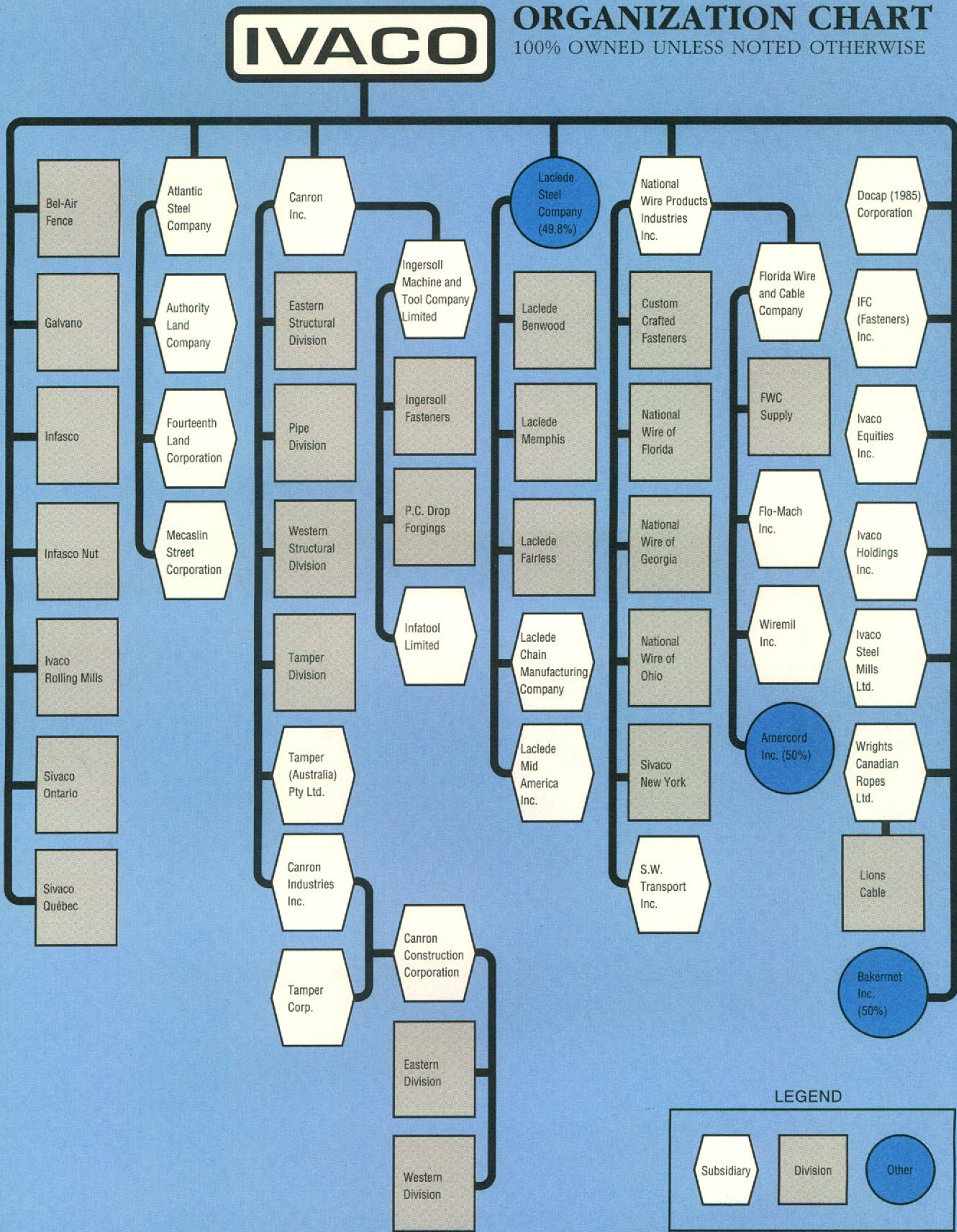
Minority interest			**—**			(4,776)
Earnings (loss) from continuing operations			**(52,153)**			7,247
Gain (loss) from discontinued operations			**(7,243)**			9,719
Net earnings (loss)			**$ (59,396)**			$ 16,966
Assets identifiable by segment	**$ 976,104**	**$320,528**	**$1,296,632**	$1,094,298	$ 317,465	$1,411,763

ORGANIZATION CHART

100% OWNED UNLESS NOTED OTHERWISE



FINANCIAL SUMMARY

MILLIONS OF DOLLARS EXCEPT PER SHARE AMOUNTS

Operating Results	**1991**	**1990***	**1989**	**1988**	**1987**	**1986**	**1985**
Net sales	**$1,287.0**	1,868.5	2,001.1	2,013.3	2,127.8	1,944.8	1,342.7
Depreciation and amortization	**$ 51.3**	55.0	51.8	56.9	56.7	56.3	39.5
Earnings (loss) from operations	**$ (15.6)**	78.9	115.9	160.0	142.0	131.6	99.4
Earnings (loss) from continuing operations before income taxes and other items	**$ (69.7)**	10.6	57.1	108.3	89.0	81.7	57.6
Provision for (recovery) income taxes	**$ (22.7)**	0.1	20.9	41.5	42.1	32.7	18.3
Earnings (loss) before other items	**$ (47.1)**	10.5	36.2	66.7	46.9	49.0	39.3
Earnings (loss) from continuing operations	**$ (52.2)**	7.2	28.2	55.6	39.9	43.1	35.1
Net earnings (loss)	**$ (59.4)**	17.0	12.9	41.9	31.8	44.1	35.1
Earnings (loss) per share							
Continuing operations	**$ (3.50)**	(0.76)	0.29	1.77	0.91	1.05	1.04
Earnings (loss) per share	**$ (3.86)**	(0.25)	(0.55)	1.03	0.46	1.11	1.04
Return on sales	**% (4.6)**	0.9	0.6	2.1	1.5	2.3	2.6

Financial Position	**1991**	**1990***	**1989**	**1988**	**1987**	**1986**	**1985**
Current assets	**$ 533.2**	620.7	951.8	970.2	913.4	861.0	623.1
Current liabilities	**$ 363.1**	369.3	466.1	464.3	441.8	374.2	228.1
Working capital	**$ 170.1**	251.4	485.7	505.9	471.6	486.8	395.0
Net additions to fixed assets	**$ 24.7**	39.6	68.0	89.8	88.5	84.4	46.3
Total assets	**$1,296.6**	1,411.8	1,838.2	1,853.9	1,764.7	1,698.4	1,281.4
Long-term liabilities	**$ 356.7**	355.7	550.6	508.2	449.8	436.0	300.5
Exchangeable debentures	**$ 95.2**	95.2	95.2	95.2	95.2	95.2	95.3
Shareholders' equity	**$ 446.9**	535.5	548.2	577.3	582.6	604.1	520.6
Dividends	**$ 17.9**	33.0	34.0	34.1	34.2	33.7	28.4
Book value per share	**$ 10.65**	14.65	15.76	16.91	16.48	16.64	15.01

* 1990 results have been restated to reflect the effect of operations classified as discontinued in 1991.

1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972
1,193.9	754.7	681.7	718.3	621.9	495.4	265.9	166.8	136.0	103.0	150.7	90.2	53.9
34.5	27.0	23.9	19.6	14.9	11.4	8.0	6.8	6.1	3.6	3.3	2.4	1.5
94.8	40.7	28.7	79.5	67.1	85.3	49.0	21.6	14.4	10.5	40.4	15.3	9.6
54.4	(0.3)	(25.7)	33.9	41.1	69.0	41.1	14.6	7.2	6.4	37.6	14.2	8.9
15.8	(5.9)	(15.3)	8.6	12.4	25.4	16.7	4.6	1.6	1.7	16.5	5.8	4.1
38.6	5.6	(10.4)	25.3	28.7	43.6	24.4	10.0	5.6	4.7	21.1	8.4	4.8
32.3	2.9	(9.9)	25.2	28.3	42.7	24.0	9.8	5.4	4.5	20.4	8.1	4.6
33.8	0.8	(9.9)	28.4	28.3	42.7	24.0	9.8	5.4	5.4	20.4	8.1	4.6
1.53	(0.17)	(1.20)	2.08	2.47	3.98	2.20	0.89	0.52	0.43	2.12	0.87	0.54
1.64	(0.34)	(1.20)	2.37	2.47	3.98	2.20	0.89	0.52	0.52	2.12	0.87	0.54
2.8	0.1	(1.5)	3.9	4.6	8.6	9.0	5.9	4.0	5.2	13.5	9.0	8.5

1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972
536.0	461.8	347.6	335.5	273.7	257.3	131.2	105.9	100.6	88.6	76.8	44.0	35.3
263.2	191.0	204.7	223.3	143.8	147.0	74.1	69.5	69.6	59.5	45.9	25.6	22.2
272.8	270.8	142.9	112.2	129.9	110.3	57.1	36.4	31.0	29.1	30.9	18.4	13.1
39.5	16.6	42.6	60.8	64.2	34.3	27.6	19.7	7.4	16.0	32.4	14.6	6.9
1,117.3	890.0	740.4	706.3	572.7	483.7	278.5	224.9	203.5	188.0	160.4	102.9	70.2
350.8	263.4	273.4	207.3	187.5	143.2	58.4	30.8	32.2	33.5	29.8	18.6	14.7
—	—	—	—	—	—	—	—	—	—	—	—	—
366.9	303.3	194.9	206.3	187.8	151.7	116.8	95.6	74.2	70.8	67.3	48.1	26.5
19.4	10.3	7.0	9.3	8.4	7.9	5.3	2.6	1.9	1.9	1.7	0.4	0.2
14.29	13.22	14.25	16.23	14.46	12.61	9.49	7.68	7.04	6.68	6.34	4.37	2.76

DIRECTORY OF OPERATIONS

Amercord Inc.
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FAX: 912/363-4991
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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.
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613/745-7006
FAX: 613/745-0692
Processing of scrap metal

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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 of fencing products and accessories

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416/364-6600
FAX: 416/364-8277
Corporate Office

Canron Construction Corporation
Eastern Division
P.O. Box 421, Shaw Road
Conklin, New York 13748
607/723-4862
FAX: 607/723-4882

Western Division
4600 N.E. 138th Avenue
P.O. Box 30149
Portland, Oregon 97230
503/255-8634
FAX: 503/253-3907
Structural steel fabrication and erection and construction services

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

Canron Pipe Division
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Cité du Havre
Montréal, Québec H3C 3R5
514/861-7221
FAX: 514/876-8747
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FAX: 416/253-0821
Railway maintenance equipment

Canron Western Structural Division
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New Westminster, British Columbia
V3M 6E9
604/524-4421
FAX: 604/524-4465
Plants: Vancouver and New Westminster, British Columbia; and Calgary, Alberta

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

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

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Jacksonville, Florida 32205
904/781-9224
FAX: 904/783-9649 or 783-3084
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Jacksonville, Florida 32205
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stranded products

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galvanizing of fasteners and nails

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

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

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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
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Ingersoll, Ontario N5C 3K3
519/485-4610
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FAX: 519/485-2163
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613/675-4671
FAX: 613/675-2714
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Laclede - Benwood
Benwood Industrial Court
8th & McMechen Street
P.O. Box 10
Benwood, West Virginia 26031
304/233-5171
FAX: 304/233-5173
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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 - Fairless
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Fairless Hills, Pennsylvania 19030
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Continuous welded pipe

Laclede - Memphis
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Laclede Mid America Inc.
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FAX: 219/495-2666
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One Metropolitan Square
211 North Broadway
St. Louis, Missouri 63102
314/425-1400
FAX: 314/425-1533

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FAX: 618/474-2267
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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
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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

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837 Reuter Road
P.O. Box 100
Port Colborne, Ontario L3K 5V7
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FAX: 416/834-5094
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Sivaco New York Division
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P.O. Box 646
Tonawanda, New York 14151-0646
716/874-5681
FAX: 716/874-4440
Wire products and wire rod processing

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

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

Tamper (Australia) Pty. Ltd.
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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

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PAUL IVANIER
President and Chief Executive Officer

SYDNEY IVANIER
Senior Vice-President

MICHAEL HERLING
Senior Vice-President

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Vice-President and Chief Financial Officer

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Vice-President

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General Counsel and Secretary

MARIE BAILLARGEON
Assistant General Counsel and
Assistant Secretary

DIRECTORS

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Chairman of the Company

PAUL IVANIER
President and Chief Executive Officer
of the Company

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Senior Vice-President of the Company

MICHAEL HERLING
Senior Vice-President of the Company

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Partner, Byers Casgrain

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Vice-President and Chief Financial Officer
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Vice-President of the Company

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

PRINTED IN CANADA