







## Interprovincial Steel and Pipe Corporation Ltd.

Interprovincial Steel and Pipe Corporation Ltd. (IPSCO) is the largest steel company in Western Canada, providing steel sheet and plate products, and a full range of steel pipe and tube. The Company was incorporated in 1956 and began production of steel pipe in Saskatchewan. Construction of the steel mill commenced in 1958 including two electric furnaces, five soaking pits, a 2-Hi reversing slabbing mill and a 4-Hi hot finishing mill. IPSCO's growth since that time has been directly related to the supply of steel to Western Canadian industry, and in particular, the supply of line pipe and oil country tubular goods to the Canadian oil and gas industry. In 1968 the Company began to manufacture and market large diameter spiral welded pipe. In 1972 Lambton Steel Ltd., a steel processing and distribution company based in Vancouver, British Columbia was acquired. In 1973 IPSCO purchased two pipe plants located at Edmonton, Alberta and Port Moody, British Columbia. Further diversification of the Company's Alberta based operations took place in 1975-76 with the purchase of Wescan Coating Ltd. in Edmonton and Brooks Tube Ltd. in Brooks, Alberta. This growth in steel finishing capacity was matched with expansion of the basic steel production facilities.

On completion of installation of the fifth steel furnace in April 1981, IPSCO steel ingot production capacity will increase to 680 000 tonnes per year. The present IPSCO finishing facilities, the proposed oil country tubular goods plant and other potential expansion opportunities to serve the region's growing manufacturing sector ensure that IPSCO will continue to form the basis of a strong Western Canadian steel industry.

## 24th Annual Report Highlights of the Year

	1980	1979
Sales _____	<b>\$250,638,000</b>	\$173,980,000
Income Before Income Taxes _____	<b>\$ 36,278,000</b>	\$ 22,642,000
Net Income for the Year _____	<b>\$ 22,559,000</b>	\$ 14,097,000
Net Income Per Common Share _____	<b>\$ 4.22</b>	\$ 2.74
Dividends Paid on Common Shares _____	<b>\$ 4,810,000</b>	\$ 2,998,000
Per Share _____	<b>\$ 0.90</b>	\$ 0.60
Working Capital at End of Year _____	<b>\$ 98,685,000</b>	\$ 82,740,000
Fixed Asset Expenditures for the Year _____	<b>\$ 23,874,000</b>	\$ 34,416,000
Depreciation charged During the Year (Net) _____	<b>\$ 5,692,000</b>	\$ 4,089,000
Number of Common Shares Outstanding		
at End of Year _____	<b>5,344,828</b>	5,344,828
Production of Ingots—Tonnes _____	<b>403 000</b>	361 000



# Interprovincial Steel and Pipe Corporation Ltd.

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## DIRECTORS

- G. H. BEATTY, Regina \_\_\_\_\_ Managing Director, Crown Investments Corporation of Saskatchewan
- G. W. CAMERON, Calgary \_\_\_\_\_ President and Chief Executive, Pan-Alberta Gas Ltd.
- C. S. EDY, Regina \_\_\_\_\_ Retired Executive
- W. M. ELLIOTT, Q.C., Regina \_\_\_\_\_ Partner, MacPherson, Leslie & Tyerman
- D. R. GETTY, Edmonton \_\_\_\_\_ President, D. Getty Investments Ltd.
- B. M. HAMILTON, Hamilton \_\_\_\_\_ President, Slater Steel Industries Limited
- J. V. KING, Regina \_\_\_\_\_ President, Continental Construction Ltd.
- \*A. LARSEN, Calgary \_\_\_\_\_ Advisor, Alberta Energy Company Ltd.
- R. B. LOVE, Q.C., Calgary \_\_\_\_\_ Partner, Macleod, Dixon
- \*J. D. MACLENNAN, Regina \_\_\_\_\_ Interprovincial Steel and Pipe Corporation Ltd.
- \*H. A. MARTIN, Vancouver \_\_\_\_\_ President, Western Construction & Engineering Research Ltd.
- A. H. MITCHELL, Edmonton \_\_\_\_\_ President, Mitchell & Associates Ltd.
- \*G. P. OSLER, Toronto \_\_\_\_\_ Chairman, Stanton Pipes Limited
- N. B. PREECE, Toronto \_\_\_\_\_ President, Stanton Pipes Limited
- A. R. PRICE, Calgary \_\_\_\_\_ Vice-President, Husky Oil Ltd.
- K. THORSON, Q.C., Regina \_\_\_\_\_ Griffin, Beke & Thorson
- \*J. N. TURVEY, Vancouver \_\_\_\_\_ Interprovincial Steel and Pipe Corporation Ltd.
- \*D. M. WALLACE, Regina \_\_\_\_\_ President, Saskatchewan Government Insurance
- L. G. WELCH, Calgary \_\_\_\_\_ Interprovincial Steel and Pipe Corporation Ltd.
- \*Members of the Executive Committee of the Board
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## EXECUTIVE OFFICERS

- |   |   |
|---|---|
| J. N. TURVEY _____ Chairman of the Corporation            | A. WILSON _____ Vice-President Planning & Procurement |
| J. D. MACLENNAN _____ President & Chief Executive Officer | B. E. YEO _____ Vice-President Research & Development |
| W. N. PURDIE _____ Vice-President Operations              | H. H. MACKAY _____ Secretary                          |
| L. G. WELCH _____ Vice-President Sales                    | W. H. BOULDING _____ Treasurer                        |
| J. GOUGH _____ Vice-President Project Sales               |   |
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## REGISTRAR & TRANSFER AGENT

MONTREAL TRUST COMPANY

## OFFICES

Head Office: P.O. Box 1670, Regina, Canada S4P 3C7

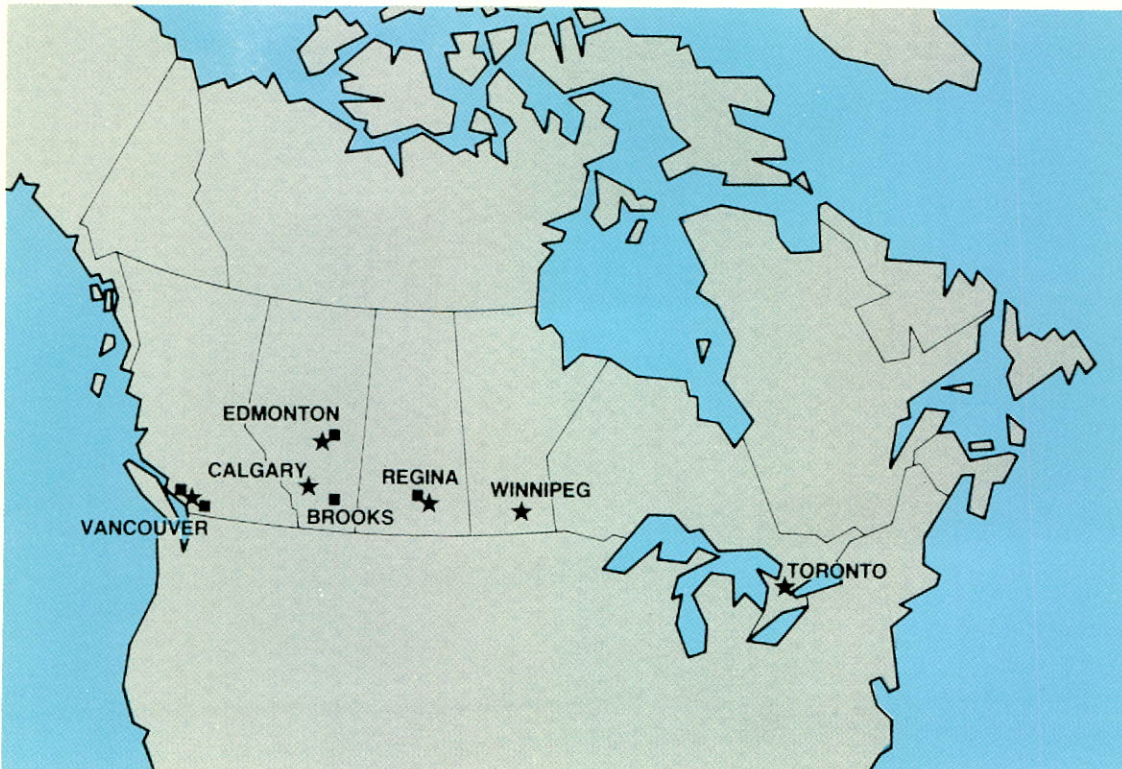
Calgary – #1702-500-4th Avenue S.W.  
Edmonton – 6735-75th Street  
Regina – Armour Siding  
Toronto – 5155 Tomken Road, Mississauga  
Vancouver – 1455 West Georgia Street  
Winnipeg – 1294 Border Street

## PLANTS

Regina – Armour Siding  
Edmonton – 6735-75th Street  
Port Moody – 3190 Murray Street  
Calgary – 74th Avenue and 28th Street S.E.  
Brooks – Brooks, Alberta

## ASSOCIATED COMPANIES

Brooks Tube Ltd.	Plant – P.O. Box 1480, Brooks, Alberta
Lambton Steel Ltd.	Plant & Sales Office – 1350 Rainbow Drive, North Vancouver, B.C.
Wescan Pipe Protection Ltd.	Sales Office – 300, 700-4th Avenue S.W., Calgary, Alberta
	Plant – 6735-75th Street, Edmonton, Alberta



★ SALES OFFICE  
■ PLANT

## Report to the shareholders

During the past fiscal year the Canadian steel industry experienced a reduction from the high level of operations of the previous year and total domestic shipments from Canadian producers decreased by 5 percent. This reduction reflects the change in operating levels in the major steel consuming industries in Canada. By way of contrast, domestic shipments of steel pipe and tube products from Canadian producers increased by 9 percent in line with a similar increase in the previous fiscal year. The demand for oil and gas well casing and tubing and smaller diameter line pipe was maintained at high levels and large diameter line pipe sales began a recovery from the low levels of the recent few years. The steel sheet and plate market in Western Canada decreased in the 1980 fiscal year reflecting in large part the current state of the agricultural equipment manufacturing sector.

The total value of sales by IPSCO in fiscal 1980 was \$250,638,000, an increase of \$76,658,000 or 44 percent over the previous year and the highest level in the Company's history.

This was a year of continued expansion for the Company. Phase 1 of the \$80 million expansion program was completed, including the new rolling mill and desulphurizing facility. The second phase of the expansion was commenced in February 1980 and progress is continuing within the established time schedule and budget. When Phase II is completed the Company will have a nominal ingot capacity of 680 000 tonnes, up from the previous level of 490 000 tonnes, with a matching increase in finishing facilities. It is expected that construction of this Phase will be completed in April 1981.

On May 13, 1980 IPSCO and Foothills Pipe Lines (Yukon) Ltd. signed a contract for the supply of 505 000 tonnes of large diameter line pipe for the Alaska Highway Gas Pipe Line Project. The contract, which is the largest single order in the Company's history,

has a 1980 value of approximately \$475 million spread over a six year period. Initial deliveries under this contract began at the end of fiscal 1980.

Also in 1980 Wescan Pipe Protection Ltd., owned 51 percent by the Company, announced an \$8 million expansion of its operations in Edmonton with completion expected in the spring of 1981.

In October 1980 the Company announced its intention to construct a \$50 million oil country tubular goods centre in Calgary. The centre will consist of a new pipe mill, heat, quench and temper facilities and associated finishing equipment to provide an extended range of oil and gas well casing to the petroleum industry. Construction is scheduled to begin in the spring of 1981.

The expansions presently underway and further proposed expansions are based on IPSCO's confidence in the continued growth of the Western Canadian steel market and the Company's intention to play a leading role in supplying this growing market.

## Financial

The 1980 net income was \$22,559,000 on sales of \$250,638,000 as compared with net income of \$14,097,000 on sales of \$173,980,000 for the previous fiscal year ending August 31, 1979. Based on average shares outstanding during the year, this is equivalent to income per common share of \$4.22 as compared to \$2.74 for the previous year. The percentage of net income to sales was 9.0 as compared to 8.1 for the previous year and the percentage of net income to the average shareholder's equity during the year was 17.2 as compared to 12.7 for the previous year. The shareholders' equity amounted to \$139,900,000 at August 31, 1980 or \$26.17 for each common share with 5,344,828 common shares issued.

During the year working capital increased to \$98,685,000 at August 31, 1980.

Expenditures on fixed assets were \$23,874,000 which included Phase I expenditures of \$8,745,000 and Phase II expenditures of \$12,422,000 on the expansion program. Phase I was completed by February 1980 and full depreciation was taken on those assets after that date. Phase II expenditures are expected to be \$41,000,000 in total which will be financed by \$25,000,000 second mortgage bonds to be drawn down as required, government grants and working capital. The ratio of current assets to current liabilities at August 31, 1980 was 4.2 to 1 as compared to 4.0 to 1 in the previous year.

Payment of previously approved government grants under the Canada-Saskatchewan Steel Subsidiary Agreement, in the amount of \$6,914,000, were applied for during the year on Phase I and Phase II of the expansion program. These grants were recorded as deferred credits and will be amortized over the life of the related assets.

Three dividend payments of thirty cents per share, including one extra payment, were approved by the Directors and paid out during the fiscal year.

On June 23, 1980 49 percent of the shares of Wescan Pipe Protection Ltd. were sold. After that date, Wescan's financial operations and financial position will be consolidated using the equity method. Under this method the Company will record 51 percent of the net income or loss and add or deduct the amount from the long term inter-corporate investment account that appears on the Statement of Financial Position.

## Sales

For the year ended August 31, 1980 the value of sales of IPSCO products reached a record level of \$250,638,000, surpassing the

previous peak level of 1978. The 1980 level represents a 44 percent increase over the previous fiscal year as shown in the following table:

<i>Year Ended August 31</i>	<i>Total Sales Tonnes</i>	<i>Total Sales Dollars</i>	<i>Percentage Change in Dollar Sales from Previous Year</i>
1971	135 000	\$ 30,075,000	+13
1972	209 000	47,493,000	+58
1973	304 000	74,977,000	+58
1974	419 000	136,565,000	+82
1975	354 000	151,762,000	+11
1976	329 000	137,179,000	-10
1977	350 000	155,414,000	+13
1978	366 000	174,446,000	+12
1979	331 000	173,980,000	-
1980	394 000	250,638,000	+44

As in the previous fiscal year, sales of oil and gas well casing and tubing were at a high level and represented the largest single category of finished product sales. Oil and natural gas well drilling in the 1980 fiscal year continued to set record levels.

The volume of line pipe sales increased in fiscal 1980 by 90 percent over the 1979 fiscal year. This was made up by an increase in sales of small and medium diameter line pipe and a recovery in the demand for large diameter line pipe. Sales of small and medium diameter line pipe were constrained in part by present limitations in the production capacity for these sizes due to the combination of high levels of demand for both line pipe and oil country tubular products.

Following comprehensive negotiations between IPSCO and Foothills Pipe Lines

## Report to the shareholders

(Yukon) Ltd. a contract for the supply of high strength large diameter pipe was signed on May 13, 1980. This is the largest pipe contract in the Company's history and forms a sound basis for the accelerated development of production facilities. The contract has a life of six years, in which period IPSCO will supply 505 000 tonnes of large diameter pipe with a 1980 value of approximately \$475 million. In contracting the pipe requirements for their project, Foothills Pipe Lines (Yukon) Ltd. allocated 80 percent of the total pipe between two Canadian suppliers. The remaining 20 percent is to be allocated to the suppliers over the contract period. The contracted IPSCO tonnage of 505 000 tonnes represents 45 percent of the 80 percent initially allocated. It should be noted that the execution and performance of the contract is conditional on Foothills Pipe Lines (Yukon) Ltd. obtaining the necessary regulatory approvals and completing project financing arrangements.

Approvals were received in 1980 to begin the two southern legs of the pipeline known as the Prebuild section and IPSCO began supply of 36 inch diameter pipe to the Alberta section of the Prebuild in August 1980.

Sales of hot rolled steel sheet and plate decreased in volume from the previous fiscal year, particularly sales of steel in coiled form. IPSCO's participation in the steel sheet and plate market is increasing however and the present expansion of steelmaking capacity will ensure that IPSCO remains a stable source of local supply to Western Canadian industry. Sales of hollow structural sections decreased slightly over the year.

Overall, markets for IPSCO products in the year ended August 1980 were at a high level. The softening in the manufacturing sector serviced by IPSCO is not expected to continue in the 1981 fiscal year, and as increased IPSCO capacity becomes available in mid 1981 a further penetration of these markets is anticipated.

The potential sales outlook in Western Canada appears favourable relative to the position facing steel producers in other nations. Realization of this potential depends on the development of the major resource industries, particularly petroleum, mining and agriculture, and their impact on the development of a secondary manufacturing base to service these resource industries.

## Production

Production of small and medium diameter pipe products including the line pipe, oil and gas well casing and tubing and structural grades reached a record level reflecting the market conditions for these products. Pipe production in this size range was increased by 16 percent over the 1979 fiscal year. The large diameter pipe mills operated at a level well above the previous year but below the capacity available. Production volume of hot rolled steel plate and sheet was the second highest in the Company's history.

Production in the primary steel division was 12 percent higher than in the 1979 fiscal year but was less than the level achieved in previous years. Direct comparisons with the year ended August 1979 are distorted because of the ten-week work stoppage due to a strike at IPSCO mills in that year. Overall a high level of production was maintained relative to available capacity throughout the fiscal year.

Production costs continued to increase in fiscal 1980 relative to the previous fiscal year. Increases in raw material costs, a changed product mix towards higher grade steel and commissioning costs associated with Phase I of the expansion program were main factors affecting costs during the year.

On October 20, 1980 a breakdown occurred affecting the main rolling mill motor in Regina requiring a shutdown of all steelmaking operations for four weeks. Repairs were carried out on site and rolling resumed on November 15th.



## Raw Materials and Inventories

Raw materials were available in adequate quantities during the year but at higher prices than in previous years. Towards the end of the 1980 fiscal year the posted United States price showed significant decreases which were reflected in IPSCO's purchase price. A program has been developed to obtain additional quantities of scrap to support the higher production levels planned following Phase II of the expansion program. Alloying materials are in plentiful supply and this is expected to continue through 1981.

Inventories increased by \$3,228,000 over the last year to \$70,176,000. On sales of \$250,638,000 this level of inventories represents a 3.6 turnover rate, the highest in the Company's history. Throughout the year detailed attention was given to inventory control programs and the review of systems and procedures is continuing.

As reported in the 1979 Annual Report the Company is continuing its research program to investigate the use of iron ore as a supplementary source of iron units. The research to date has been directed to the technical feasibility of direct reduction using a coal based process. Production scale trials using an iron ore concentrate and lignite coal demonstrated the ability of the process to yield a product suitable for use in electric arc furnaces. An economic evaluation covering all alternative combinations of raw materials and locations is necessary before a final decision on the process can be made.

## Expansion Program

IPSCO's \$80 million expansion program, Phase I of which was initiated in September 1978, is expected to be completed by April 1981. Phase I, which included a new rolling mill and related auxiliary facilities and a desulphurizing station in the melt shop was completed in February 1980, ahead of schedule and within budget. Commissioning

of the rolling mill and desulphurizing facility is complete and both units are now operating on a production basis. The new rolling mill has demonstrated its capacity in particular for the production of high strength steels. Low levels of sulphur are achieved using the desulphurizing station which is primarily of benefit in steel for pipe production.

Phase II of the expansion, which comprises a fifth electric arc furnace, additional soaking pits and an increase in large diameter pipemaking capacity was approved by the Directors in January 1980. The new electric arc furnace is expected to begin commissioning in April 1981 within the scheduled completion period. Expansion of the soaking pits has resulted in permanent shutdown of the Number One furnace, so that four furnaces will be operating in the Regina complex. Prior to start-up of Number Five furnace the new soaking pits will be in operation which will enable the existing pits to be progressively equipped with new computer controls. The increase in large diameter pipemaking capacity is achieved by installing tandem welding equipment in the four existing mills. Overall, completion of Phase II of the expansion program will result in an increase in steel ingot production capacity to 680 000 tonnes per year from 490 000 tonnes.

In June 1980 Wescan Pipe Protection Ltd. announced an \$8 million expansion to its Edmonton pipe coating facilities. The expansion will include facilities to apply extruded polyethylene, fusion bond and insulation coatings to small and medium diameter pipe and internal paint coatings to large diameter pipe. This expansion will give Wescan Pipe Protection Ltd. the equipment to supply an extended range of coating services to the oil and gas industry in Western Canada.

In recognition of the increasing steel and pipe quality requirements for use in the 1980's, IPSCO is establishing a technical research centre. A new \$1 million research facility is now being constructed on the Regina property and it is scheduled for completion in April 1981.

## Report to the shareholders

At a meeting on October 31, 1980 the Board of Directors of IPSCO approved a \$50 million oil country tubular goods plant to be built in Calgary on a thirty acre site presently owned by the Company. The Calgary plant will consist of three major components: a new ERW pipe mill with the capacity to produce heavy wall pipe sizes from 4½ inches to 10¾ inches diameter; heat, quench and temper facilities for the production of high strength oil and gas well casing; and related pipe finishing and testing facilities. The plant, with a nominal capacity of 200 000 tonnes per year, will enable an increased level of output of oil and gas well casing, within IPSCO's present product range, in higher grades and with heavier walls and increased output from upgraded tubing facilities in Port Moody. Completion of the new plant will reduce the load of casing production on existing IPSCO mills in Regina and Edmonton and thereby enable increased production of other grades of pipe products. This expansion is forecast for completion in 1982 and will allow IPSCO to maintain its position as a major supplier of casing, tubing and line pipe to the Western Canadian market.

## Outlook

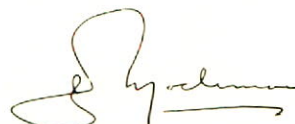
Sales in the year ended August 31, 1980 were at record levels and it is expected that further increases will be experienced in 1981. The construction of the Prebuild section of the Alaska Highway Gas Pipe Line Project

will result in an increase in sales of large diameter pipe during the 1981 fiscal year in conjunction with other large diameter line pipe demands.

Associated with the Prebuild are increased pipe requirements for the natural gas delivery system necessary to service the new pipeline. Sales of steel sheet, plate and hollow structural shapes are expected to be at the previous year's level with increased penetration likely on completion of Phase II.

In the medium to longer term the potential prospects for a Western Canadian based steel producer look positive. Demand for Western Canadian energy resources in the face of depleting world supply will ensure a high level of development throughout the 1980's. The many major projects in the energy sector have the potential to provide large incremental growth in the demand for steel products.

Signed:



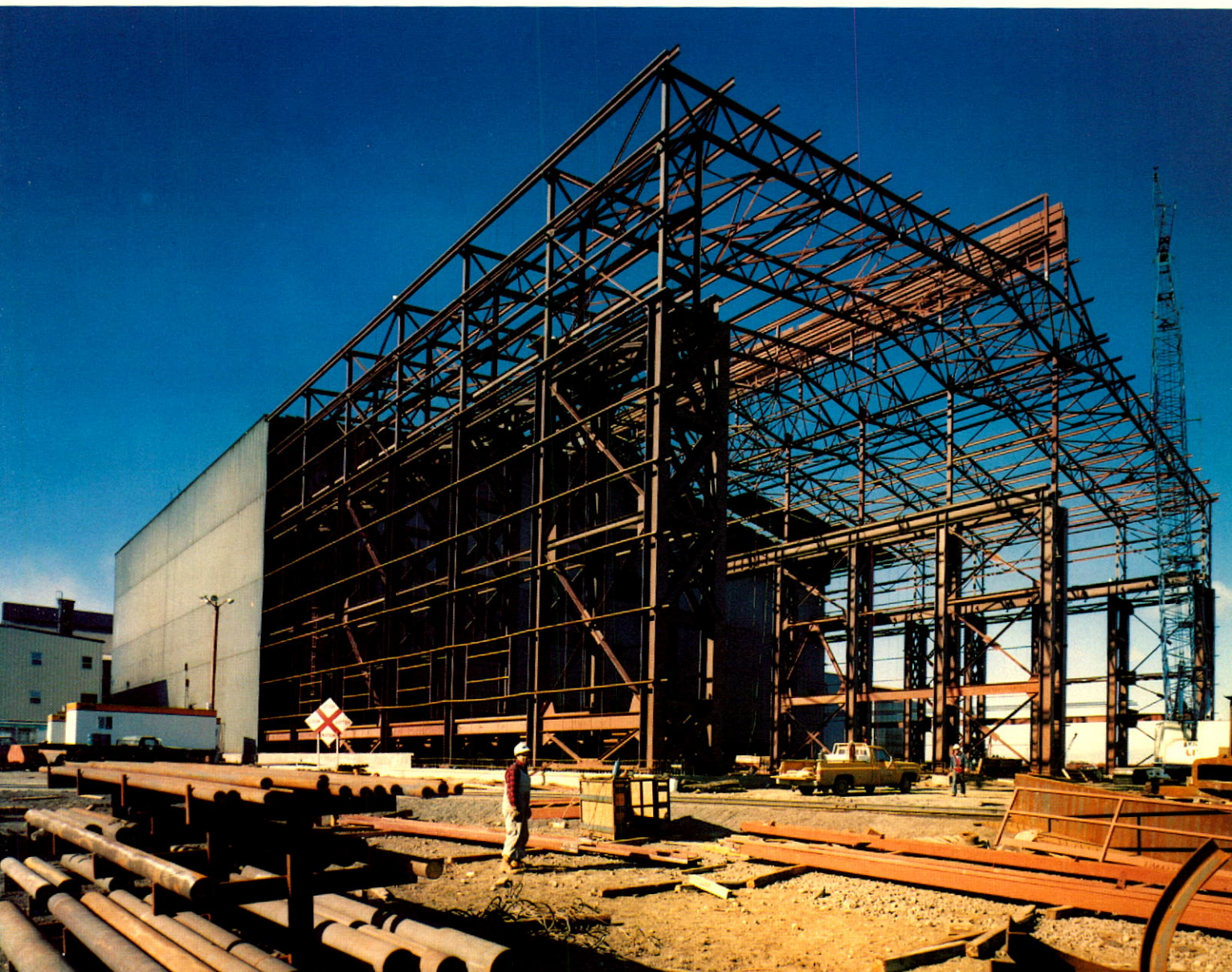
J. D. MacLennan  
President and C.E.O.

Regina, Canada  
January 5, 1981



▲ A recent aerial view of the Ipsco Regina plant showing the expanded facilities.

▼ Steelwork for extension of the main Melt Shop under construction in fall 1980.





▲ A ladle of molten steel undergoing treatment at the desulphurizing station.

▼ Four new soaking pits have been added to heat ingots prior to entering the rolling mill.

► The additional large diameter pipe mill being unloaded for installation in the Edmonton plant.

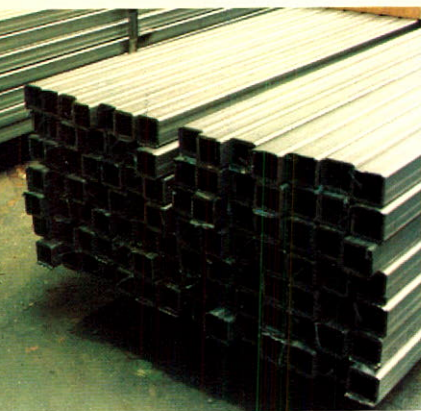
▼ Internal painting of large diameter pipe by Wescan Pipe Protection Ltd.





COIL  
FEED

PREMAY

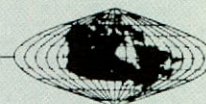


- ▲ IPSCO 36 inch diameter pipe being installed as part of the Alaska Highway Gas Pipe Line Prebuild section.
- ◀ Hollow structural sections awaiting shipment to customers.
- ◀ Pipe for the Prebuild being loaded at IPSCO's Regina plant.
- ▼ Large diameter pipe produced by IPSCO installed as part of the Interprovincial Pipe Line system.
- ▼ IPSCO continues to be a major supplier of oil and gas well casing and tubing to meet the needs of Western Canada.



**THORNE  
RIDDELL**

Chartered Accountants



To the Shareholders of  
Interprovincial Steel and Pipe Corporation Ltd.

We have examined the consolidated statement of financial position of Interprovincial Steel and Pipe Corporation Ltd. as at August 31, 1980 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at August 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

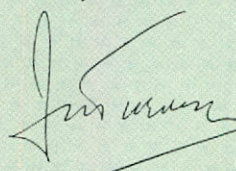
Regina, Canada  
October 22, 1980

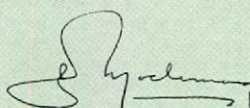
*Thorne Riddell*  
Chartered Accountants

Interprovincial Steel and Pipe Corporation Ltd.  
**Consolidated Statement of Financial Position as at August 31, 1980**  
(thousands of dollars)

	<u>1980</u>	<u>1979</u>
<b>CURRENT ASSETS</b>		
Cash and term deposits _____	\$ 1,419	\$ 8,000
Accounts receivable _____	57,093	33,534
Inventories		
Finished and semi-finished products _____	49,915	47,502
Materials and supplies _____	20,261	19,446
Prepaid expenses and deposit _____	1,239	1,282
Income taxes overpaid _____	—	653
	<u>129,927</u>	<u>110,417</u>
<b>CURRENT LIABILITIES</b>		
Bank indebtedness _____	—	2,918
Accounts payable and accrued liabilities _____	24,446	24,339
Income and other taxes _____	6,341	—
Current maturity on long term debt _____	455	420
	<u>31,242</u>	<u>27,677</u>
<b>WORKING CAPITAL</b>	<u>98,685</u>	<u>82,740</u>
<b>OTHER ASSETS</b>		
Long term intercorporate investment _____	830	—
Fixed assets less accumulated depreciation (note 2) _____	115,440	97,784
	<u>116,270</u>	<u>97,784</u>
<b>TOTAL INVESTMENT</b>	<u>214,955</u>	<u>180,524</u>
<b>OTHER LIABILITIES AND DEFERRED CREDITS</b>		
Long term debt (note 3) _____	34,025	34,480
Deferred credits		
Income taxes _____	34,254	23,893
Government grants _____	6,776	—
	<u>75,055</u>	<u>58,373</u>
<b>SHAREHOLDERS' EQUITY</b> _____	<u>\$139,900</u>	<u>\$122,151</u>
Derived from:		
<b>CAPITAL STOCK</b>		
5,344,828 Common shares _____	\$ 36,671	\$ 36,671
<b>RETAINED EARNINGS</b> (note 4) _____	103,229	85,480
	<u>\$139,900</u>	<u>\$122,151</u>

Approved by the Board

  
Director

  
Director



Interprovincial Steel and Pipe Corporation Ltd.  
**Consolidated Statement of Income and Retained Earnings**  
 Year Ended August 31, 1980  
 (thousands of dollars)

**Financial  
 Statements**

	<u>1980</u>	<u>1979</u>
REVENUE		
Sales _____	<u>\$250,638</u>	<u>\$173,980</u>
EXPENSES		
Cost of sales, exclusive of the following items _____	206,118	145,391
Interest on long term debt _____	2,496	1,111
Other interest _____	54	747
Depreciation less amortization of government grants _____	<u>5,692</u>	<u>4,089</u>
	<u>214,360</u>	<u>151,338</u>
INCOME BEFORE INCOME TAXES	<u>36,278</u>	<u>22,642</u>
INCOME TAXES		
Current _____	6,826	1,993
Deferred _____	<u>6,893</u>	<u>6,552</u>
	<u>13,719</u>	<u>8,545</u>
NET INCOME _____	22,559	14,097
RETAINED EARNINGS AT BEGINNING OF YEAR _____	<u>85,480</u>	<u>74,381</u>
Dividends _____	108,039	88,478
	<u>4,810</u>	<u>2,998</u>
RETAINED EARNINGS AT END OF YEAR _____	<u>\$103,229</u>	<u>\$ 85,480</u>
EARNINGS PER SHARE _____	<u>\$4.22</u>	<u>\$2.74</u>

**Financial  
Statements**

Interprovincial Steel and Pipe Corporation Ltd.  
**Consolidated Statement of Changes in Financial Position**  
 Year Ended August 31, 1980  
 (thousands of dollars)

	<u>1980</u>	<u>1979</u>
WORKING CAPITAL DERIVED FROM		
Operations _____	\$34,922	\$24,738
Government grants _____	6,914	—
Refund of prior year's income taxes _____	3,469	—
Increase in long term debt		
10¼% Series E first mortgage sinking fund bonds _____	—	30,000
Issue of 696,681 common shares _____	—	10,627
	<u>45,305</u>	<u>65,365</u>
WORKING CAPITAL APPLIED TO		
Expenditures for fixed assets _____	23,874	34,416
Reduction of long term debt _____	455	3,938
Dividends _____	4,810	2,998
Long term intercorporate investment (net) _____	221	—
	<u>29,360</u>	<u>41,352</u>
INCREASE IN WORKING CAPITAL _____	15,945	24,013
WORKING CAPITAL AT BEGINNING OF YEAR _____	<u>82,740</u>	<u>58,727</u>
WORKING CAPITAL END OF YEAR _____	<u>\$98,685</u>	<u>\$82,740</u>

## 1. ACCOUNTING POLICIES

### CONSOLIDATION

The consolidated financial statements are prepared on the historical cost basis including the accounts of the parent company and its wholly-owned subsidiaries and significant inter-company transactions are eliminated. The investment in Wescan Pipe Protection Ltd. is accounted for on the equity method.

### FOREIGN CURRENCIES

Statement of financial position items are translated into Canadian dollars at the exchange rates in effect at the year end and income and expense items at the rates prevailing at the transaction date.

### INVENTORIES

Inventories are valued at lower of cost and net realizable value.

### INCOME TAXES

Income taxes are provided on the tax allocation basis and the resultant deferred income taxes are due principally to claiming depreciation for tax purposes in excess of straight line depreciation. This policy has been in effect since 1969. Similar tax reductions prior to 1969 amounting to \$6,399,000 have not been included.

The company records investment tax credits on the "flow through" method which recognizes such credits, in the year in which they are claimed for tax purposes, as a reduction in the current federal income tax provision. This credit in 1980 was \$3,668,000 (1979 \$607,000). The unused investment tax credit available to reduce future federal income taxes payable as at August 31, 1980 was \$1,307,000.

### FIXED ASSETS

Fixed assets are stated at cost. Depreciation is provided on steel mill rolls on the basis of usage and the balance of assets in use on the straight line basis at the following annual rates:

Buildings	2.5% to 4%
Machinery and equipment	4% to 10%

Depreciation is provided on all assets acquired as they come into production. Interest during construction of \$1,316,964 has been capitalized (1979 \$366,000).

Interprovincial Steel and Pipe Corporation Ltd.  
**Notes to Consolidated Financial Statements**  
 Year Ended August 31, 1980

1. ACCOUNTING POLICIES (Cont'd)

DEFERRED CREDITS

Government grants on the purchase of certain fixed assets are recorded as deferred credits and amortized over the life of the related assets.

2. FIXED ASSETS

	<u>1980</u> (in thousands)	<u>1979</u> (in thousands)
Buildings _____	\$ 24,170	\$ 18,378
Machinery and equipment _____	<u>119,171</u>	<u>103,623</u>
	143,341	122,001
Less accumulated depreciation _____	<u>29,529</u>	<u>25,851</u>
	113,812	96,150
Land (including iron ore property) _____	<u>1,628</u>	<u>1,634</u>
	<u>\$115,440</u>	<u>\$ 97,784</u>

3. LONG TERM DEBT

	<u>1980</u> (in thousands)	<u>1979</u> (in thousands)
First mortgage sinking fund bonds		
8 <sup>7</sup> / <sub>8</sub> % Series D maturing December 1, 1987 _____	\$ 4,480	\$ 4,900
10 <sup>1</sup> / <sub>4</sub> % Series E maturing December 1, 1994 _____	<u>30,000</u>	<u>30,000</u>
	34,480	34,900
Payments due within one year included in current liabilities _____	<u>455</u>	<u>420</u>
	<u>\$34,025</u>	<u>\$34,480</u>

Loan payments and sinking fund requirements over the next five years ending August 31 are:

	(in thousands)
1981	\$ 455
1982	490
1983	525
1984	3,060
1985	3,095

#### 4. DIVIDEND RESTRICTIONS

The supplemental indenture dated November 1, 1978 to the deed of trust and mortgage securing the first mortgage bonds restricts the payment of dividends under certain conditions. At August 31, 1980, approximately \$26,000,000 of the consolidated retained earnings is available for dividends.

#### 5. COMMITMENTS

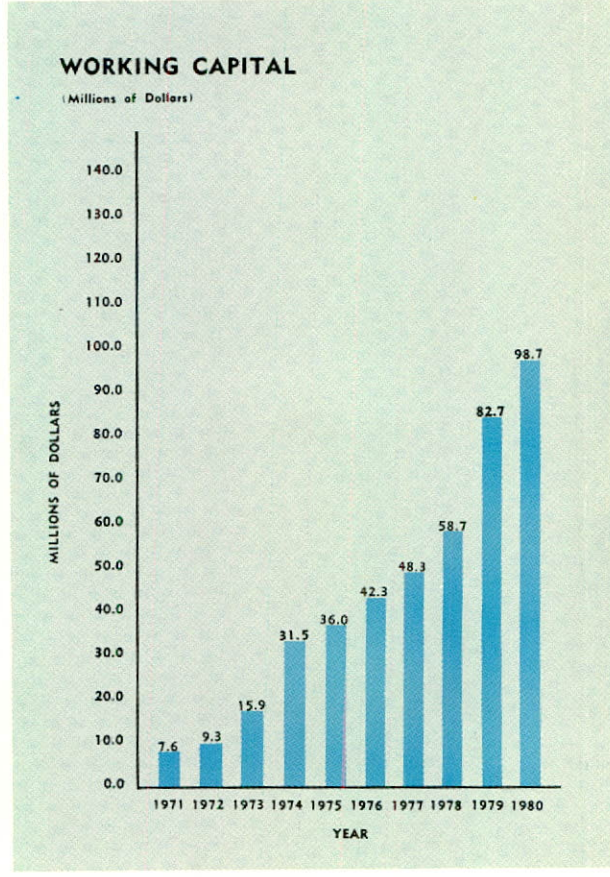
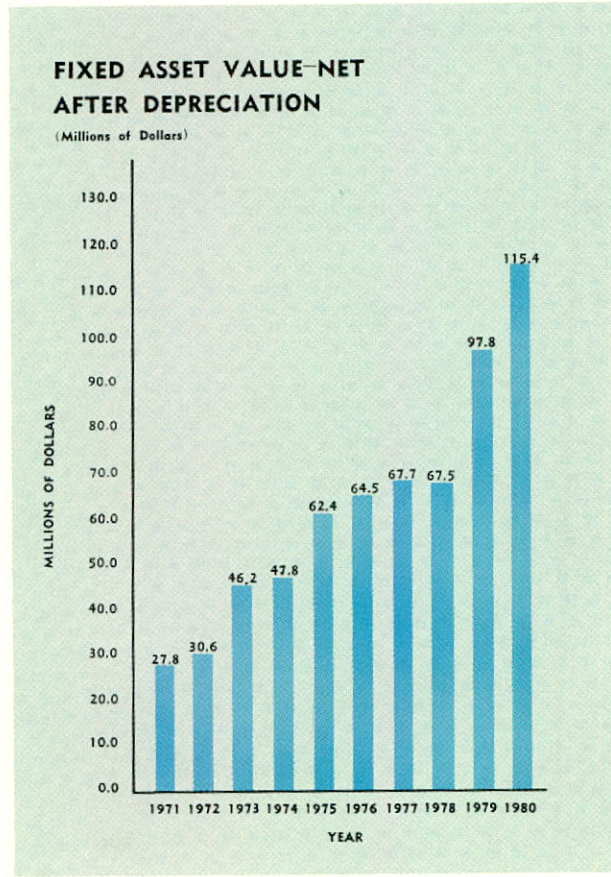
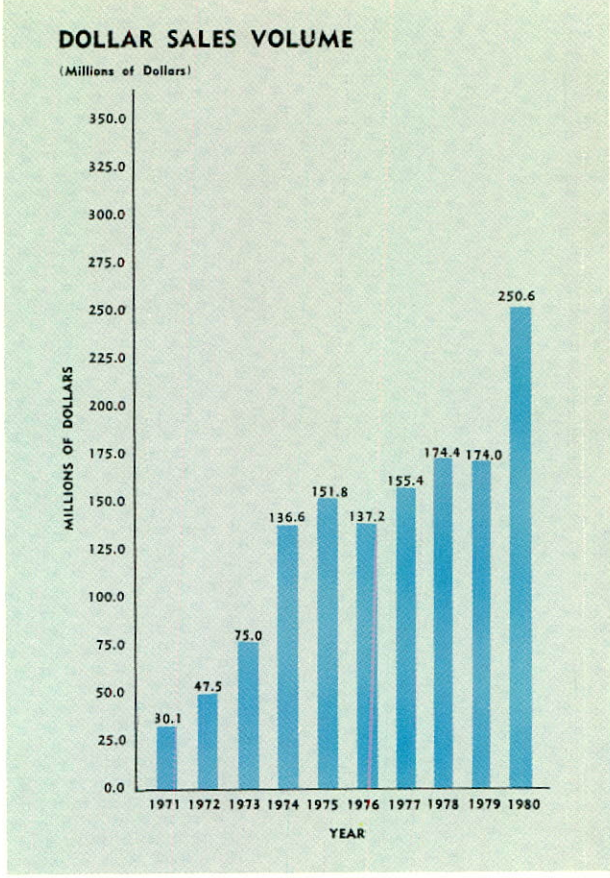
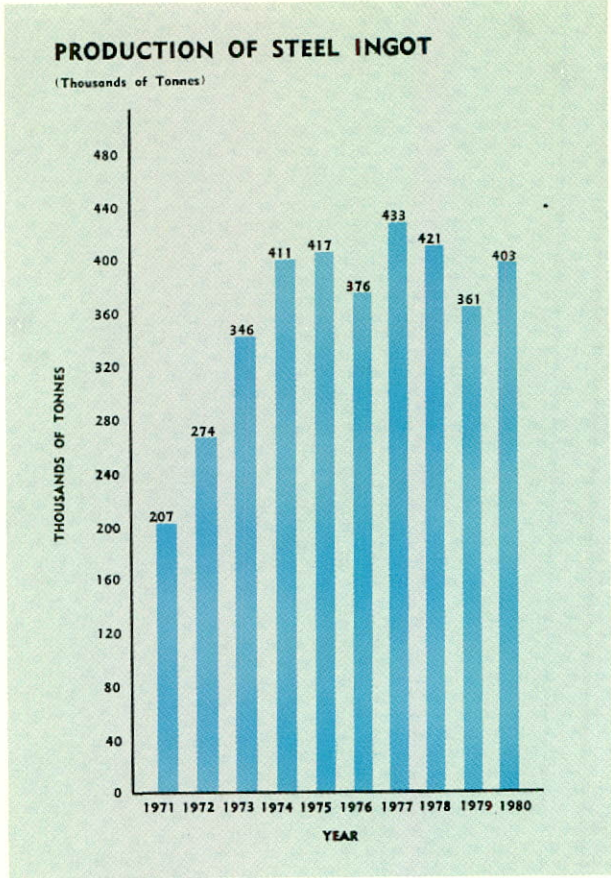
The company has completed the first stage of an expansion of its production facilities. The second stage estimated to cost \$41,000,000 is to be financed by additional long term debt of \$25,000,000, government grants and working capital. To August 31, 1980, the company has expended \$12,767,000 on the second stage.

#### 6. PENSION PLAN

Unfunded past service and experience deficiency of all pension plans are estimated to be \$633,000 as at August 31, 1980. This amount is being funded over a fifteen-year period.

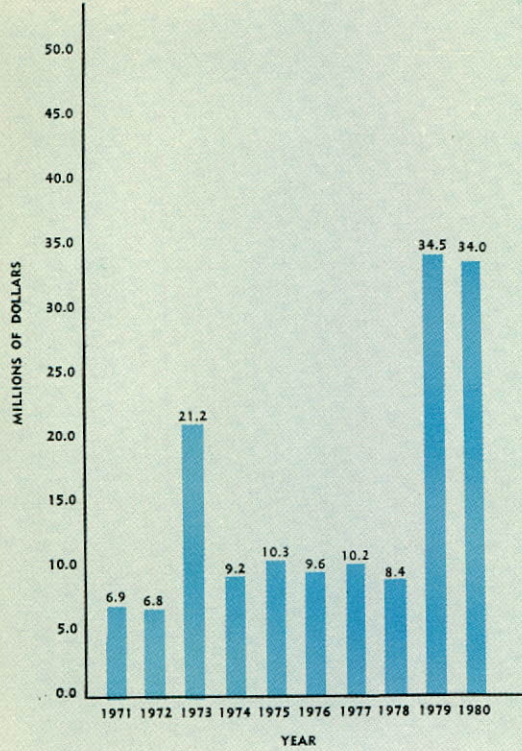
#### 7. REMUNERATION OF OFFICERS AND DIRECTORS

Remuneration of \$664,000 was paid to the directors and senior officers of the company.



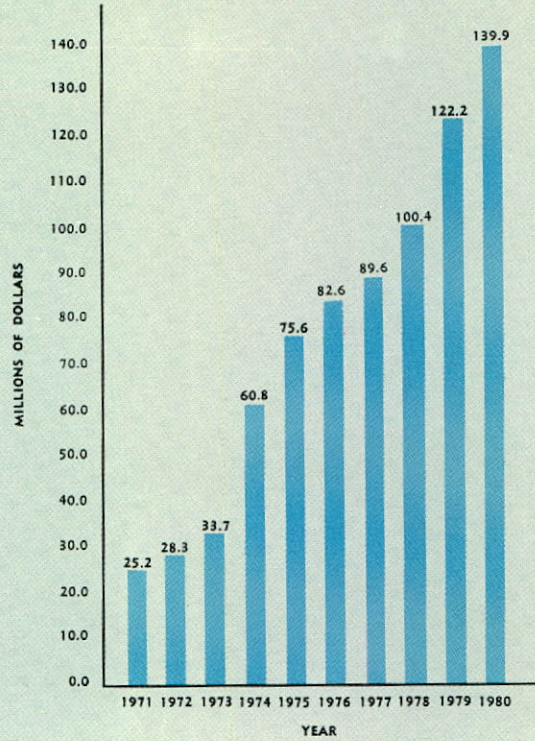
### LONG TERM DEBT

(Millions of Dollars)



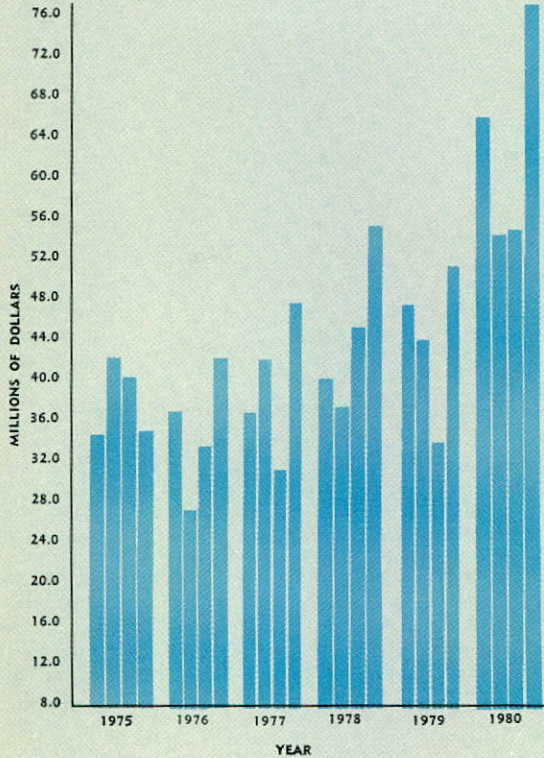
### SHAREHOLDERS' EQUITY

(Millions of Dollars)



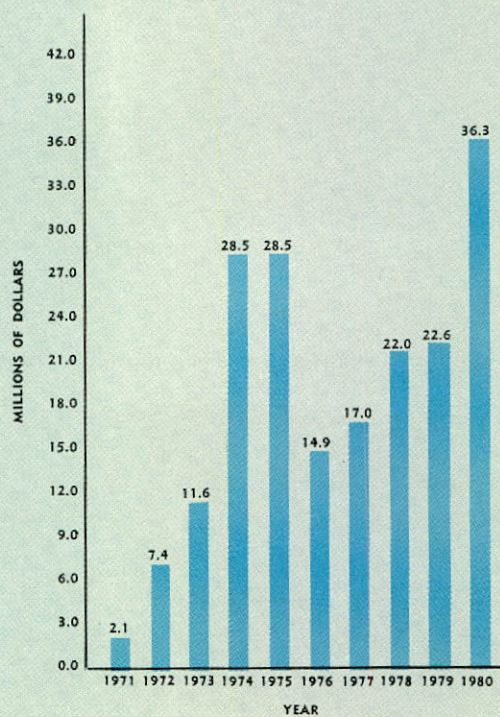
### SALES BY QUARTERS

(Millions of Dollars)



### NET INCOME—BEFORE INCOME TAX AND EXTRAORDINARY ITEMS

(Millions of Dollars)



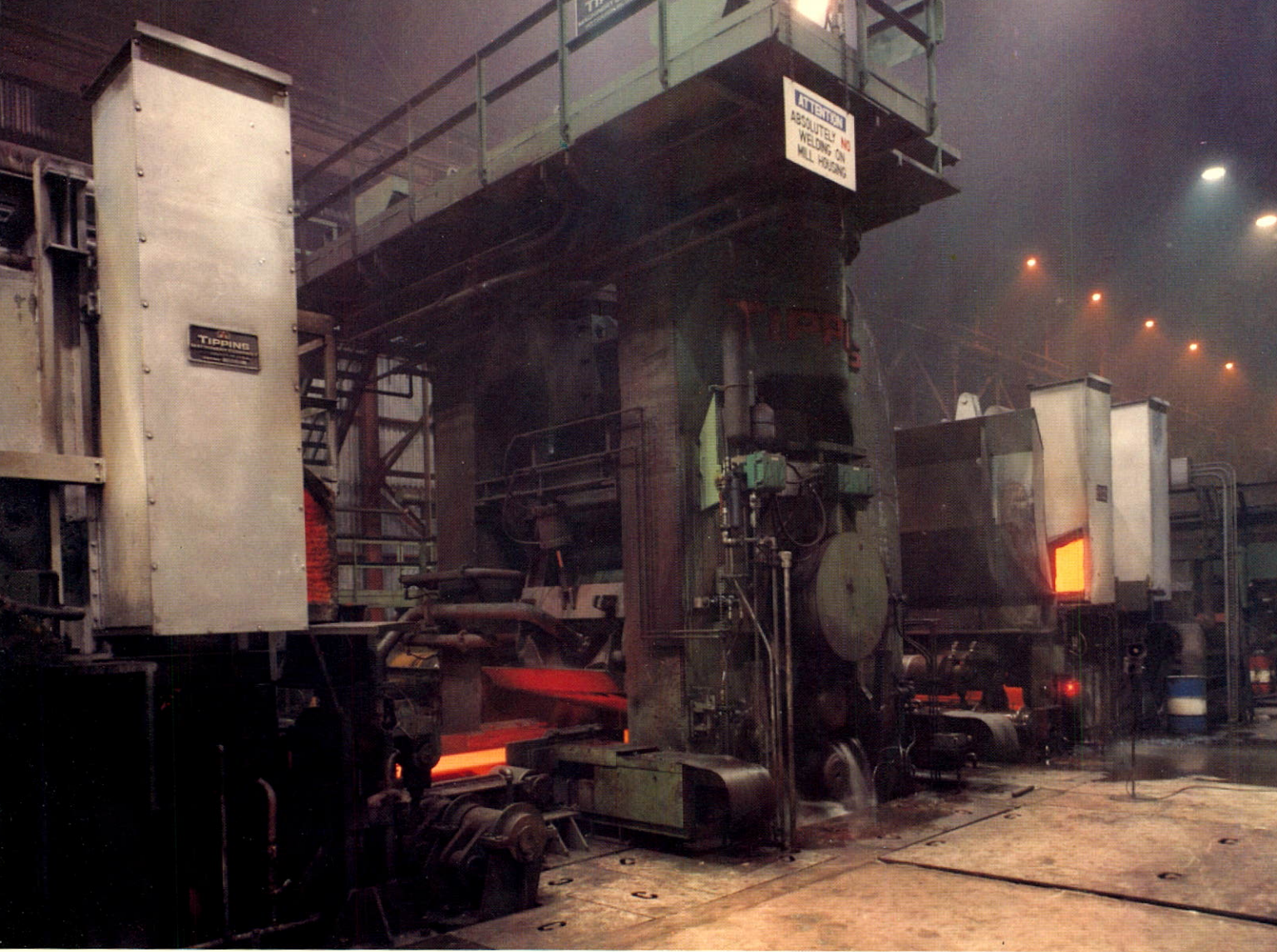
# Ten Year Statistical Summary

(in thousands except as indicated\*)

	1980	1979 †	1978	1977	1976	1975	1974	1973	1972	1971
Sales _____	\$250,638	\$173,980	\$174,446	\$155,414	\$137,179	\$151,762	\$136,565	\$74,977	\$47,493	\$30,075
Depreciation (net) _____	5,692	4,089	4,134	3,354	3,200	2,900	2,137	1,692	1,306	1,197
Income before Income Taxes and Extraordinary Items _____	36,278	22,642	22,047	17,001	14,900	28,502	28,542	11,601	7,365	2,108
Income Taxes _____	13,719	8,545	8,421	7,217	6,327	11,889	12,312	5,105	3,584	1,088
Income Before Extraordinary Items _____	22,559	14,097	13,626	9,784	8,573	16,613	16,230	6,496	3,781	1,020
Extraordinary Items _____	—	—	—	—	705	474	—	—	—	—
Net Income _____	22,559	14,097	13,626	9,784	9,278	17,087	16,230	6,496	3,781	1,020
Income per Common Share										
Basic Income Before Extraordinary Items* _____	4.22	2.74	2.93	2.10	1.85	3.57	4.18	1.89	1.19	.30
Basic Net Income* _____	4.22	2.74	2.93	2.10	2.00	3.68	4.18	1.89	1.19	.30
Dividends paid per Common Share* _____	.90	.60	.60	.60	.50	.50	.50	.45	.30	.15
Number of Common Shares	5,345	5,345	4,648	4,648	4,648	4,648	4,642	3,499	3,188	2,914
Number of Shareholders* _____	2,563	2,893	2,927	2,775	2,845	3,029	3,076	3,048	3,356	3,782
Shareholders' Equity _____	139,000	122,151	100,425	89,588	82,593	75,639	60,833	33,686	28,326	25,175
Per Common Share* _____	26.17	22.85	21.61	19.27	17.77	16.27	13.11	9.63	8.38	7.74
Working Capital _____	98,685	82,740	58,727	48,265	42,328	35,982	31,462	15,924	9,310	7,556
Long-term Debt _____	34,025	34,480	8,418	10,231	9,615	10,292	9,249	21,201	6,808	6,891
Deferred Income Taxes _____	34,254	23,893	17,341	16,168	14,628	12,489	9,135	7,258	4,817	3,314
Fixed Assets at Cost _____	144,969	123,635	90,017	86,854	81,135	76,228	59,186	56,026	38,846	35,033
Accumulated Depreciation _____	29,529	25,851	22,560	19,132	16,627	13,790	11,431	9,805	8,205	7,210
Fixed Assets (Net) _____	115,440	97,784	67,457	67,722	64,508	62,438	47,755	46,221	30,641	27,823

† 1979 operations interrupted by strike – 10 weeks





▲ The heavy duty rolling mill stand operating in IPSCO's Regina plant.

▼ During 1980 IPSCO rolled it's 300,000th coil, shown here with the rolling mill crew on duty at that time.



IPSCO  
 SKELP # 300,000  
 DATE - OCT/80  
 HEAT # 412374  
 4.78 x 1421  
 GR42 #1  
 WT. 16060 Kg.

M. POPOWICH	A. MASS	W. TAYLOR
W. ZERFF	R. LESPERRANCE	G. DECK
D. ROCK	J. FORBES	K. SPITZER
M. BRYAN	M. LAZICH	H. KURTZ
M. CASSANO	R. WOLBOM	R. SORENSEN
D. HOLLADAY	C. SELINGER	P. WILLIAMS
H. MILLHAM	"A" SHIFT	

## IPSCO Personnel

NAME	TITLE	LOCATION
Anderson, E. H.	Maintenance Superintendent, Pipe	Regina
Baker, C. W.	Director of Personnel	Regina
Bell, D. A.	Electrical Superintendent, Pipe	Regina
Boulding, W. H.	Treasurer	Regina
Brauer, B.	Plant Manager	Port Moody
Brennand, J. P.	Electrical Maintenance Manager, Steel	Regina
Brown, K. A.	Melt Shop Superintendent	Regina
Carpenter, H. A.	Sales Manager, ERW Division	Calgary
Colshaw, J. L.	Pipe Division Manager	Regina
Comrie, J. W.	Corporate Counsel	Regina
Cooke, D.	Sales Manager, Projects	Calgary
Dahlgren, D.	Production Superintendent	Port Moody
Dailey, D.	Executive Secretary	Regina
Elsner, G. O.	Yard Superintendent, Steel	Regina
Fairbairn, D. O.	Sales Manager, Oil Country Tubular Goods	Calgary
Gottselig, J. R.	Production Control Manager	Regina
Gough, J. R.	Vice President, Project Sales	Calgary
Hamre, E. C.	Chief Metallurgist	Regina
Hibbeln, P.	Maintenance Superintendent	Edmonton
Holliday, R.	Mechanical Maintenance Manager, Steel	Regina
Huber, E. G.	Maintenance Superintendent, Steel	Regina
Huff, H.	ERW Production Superintendent	Edmonton
Kavanaugh, C. B.	Plant Manager, Brooks Tube Ltd.	Brooks
Kostic, M. M.	Quality Control Manager	Regina
Kwong, J. K.	Executive Assistant	Regina
Lines, D. M.	Assistant Plant Manager	Port Moody
MacCrae, V. C.	Area Sales Manager	Toronto
MacKay, H. H.	Secretary	Regina
McDonald, T.	Manager Personnel Development & Compensation	Regina
McPherson, T. W.	Chief Engineer & Expansion Project Manager	Regina
McReavey, M. J.	Personnel Manager	Edmonton
McRorie, W. A.	Traffic Manager	Regina
MacLennan, J. D.	President & Chief Executive Officer	Regina
Maindonald, E. G.	Material Supply Planner	Regina
Marks, V. P.	Civil & Municipal Project Sales Manager	Calgary
Martin, H.	General Sales Manager, Lambton Steel Ltd.	Vancouver
Mathieson, J. T.	Safety Director, Steel	Regina
Mayr, L.	Maintenance Superintendent	Port Moody
Palmer, J.	Electrical Superintendent	Edmonton
Parker, J.	Director of Public Relations	Edmonton
Perron, B. A.	Area Sales Manager	Regina
Pura, S.	Yard Superintendent	Edmonton
Purdie, W. N.	Vice President Operations	Regina
Romanow, A.	Spiral Production Superintendent	Regina
Schaeble, D.	Plant Manager	Edmonton
Schafer, R.	Spiral Production Superintendent	Edmonton
Shimada, T.	Vice President & Manager, Lambton Steel Ltd.	Vancouver
Shmigelsky, M.	ERW Production Superintendent	Regina
Simon, D.	Personnel Manager	Regina
Solie, G.	Regional Sales Manager, Lambton Steel Ltd.	Regina
Stefaniuk, R.	Internal Auditor	Regina
Superle, M.	Personnel Manager	Port Moody
Sutherland, D. S.	Administrative Co-ordinator, Pipe	Regina
Tiefenbach, E.	Controller	Regina
Tulloch, J. R.	Director, Marketing Services	Regina
Turvey, J. N.	Chairman	Vancouver
Welch, L. G.	Vice President, Sales	Calgary
Wenger, M.	Chief Inspector	Regina
Wild, L.	Purchasing Manager	Regina
Wild, J. J.	Steel Division Manager	Regina
Wilde, C. C.	Safety Director, Pipe	Regina
Willoughby, D. E.	Operations Manager, Rolling Mill	Regina
Wilson, A.	Vice President, Planning & Procurement	Regina
Windrum, D. G.	General Foreman, Pipe Yard	Regina
Yeo, B. E. A.	Vice President, Research & Development	Regina
Ziola, M. B.	Data Processing Manager	Regina



