1992 IVACO INC. ANNUAL REPORT

IVACO

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FINANCIAL HIGHLIGHTS

THOUSANDS OF DOLLARS EXCEPT PER SHARE AMOUNTS

	1992	1991*
Sales	**$ 1,094,340**	$ 1,115,813
Operating earnings	**$ 47,305**	$ 27,107
Earnings (loss) from continuing operations	**$ (36,407)**	$ (56,385)
Net earnings (loss)	**$ (19,565)**	$ (59,396)
Earnings (loss) per share**		
Continuing operations	**$ (2.51)**	$ (3.71)
Loss per share	**$ (1.71)**	$ (3.86)
Working capital	**$ 127,523**	$ 178,233
Net additions to fixed assets	**$ 6,972**	$ 24,659

* 1991 results have been restated to reflect the effect of operations classified as discontinued in 1992.

** Per share amounts are calculated after providing for declared and undeclared preferred share dividends.

COMPANY PROFILE

Ivaco is a steel producer with annual steelmaking and rolling capacity in excess of two million tons per year. 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 steel billets, hot rolled wire rods, hot rolled bars, strip and pipe. It is also a major manufacturer of steel products such as wire, welded wire fabric, nails, fasteners, wire ropes, cables, forgings and precision machined components.

Ivaco is also a substantial producer of plastic pipe and related products through 50%-owned Scepter/Canron Inc. In addition, the Company fabricates and erects structural steel in both Canada and the U.S.

Ivaco has 54 plants of which 37 are in Canada, and 17 are in the United States. The Group employs approximately 7,600 people.

ANNUAL MEETING

The annual meeting of the Company will be held on May 27, 1993 at 10:00 a.m. at the Ritz-Carlton Hotel, Montréal, Québec.

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

To Our Shareholders:

March 18, 1993

Your Company made substantial gains during 1992 toward fulfillment of its corporate-wide commitment to reduce debt and to achieve a return to profitable operations during 1993. We are pleased to report that this objective is now in sight and is expected to be reached on schedule.

Among the key factors were:

— The dramatic success of the Company's ongoing cost reduction program;

— Selective restructuring to consolidate the core business through the divestiture of two units and the transfer of a third to a 50%-owned joint venture; and

— Reduced borrowing costs in addition to reduced levels of debt.

What is most noteworthy in the progress made during 1992 is that it was achieved despite the continued recession in North America and Ivaco's key export markets. This adverse economic climate, of course, had the dual effect of reducing demand and eroding margins, thus making the operating improvements realized even more notable.

Notwithstanding the recession, the loss from continuing operations was reduced to a significant extent. In fact, the Company's Canadian Steelmaking Group, Fastener Group, Wire Group, its Plastic Pipe Business, and some of the smaller specialized units, all delivered substantially improved operating results when compared to the previous year. The Atlantic Steel operations continued to report significant losses, similar to those incurred in 1991. Canron's structural steel business also reported losses directly reflecting the poor economic conditions within the construction industry.

A year ago, the Company announced its intention to direct heavy emphasis to its cost reduction program covering every aspect of activity which had as its objective the achievement of significant annual cost savings. By year end, this objective was being met and the full effect is expected to be realized in the current year.

It is a pleasure to report that your Company's managers responded admirably to the challenge to examine every aspect of their operations irrespective of product or system. They went to work with great determination and all levels were involved from the most senior managers to the people on the floors of the plants. Much of the program's success came from a detailed examination of every facet of the operation to effect a multitude of cost cutting steps.

Also, however, some highly creative and innovative breakthroughs of a major nature were made, just one of which was the tremendously successful furnace revamp at L'Orignal which is addressed elsewhere in this report.

With hindsight, some of the credit must also be directed to the fact that the Company has always stressed productivity and welcomed and readily invested in technological advances so that virtually all of the manufacturing units were, and continue to be, state of the art.

The reduced cost of borrowing reflected two quite different factors. One is the welcome easement of interest rates which has occurred within the past few quarters, notwithstanding the occasional adverse blip.

The other is the successful realization by the Company of its previously announced goal to significantly reduce its long-term liabilities. It is a pleasure to report that to a large extent, this has been achieved, assisted in large measure by the selective steps noted below. Further significant reductions of long-term liabilities are also planned.

Late in the year, the assets of wholly-owned Florida Wire and Cable Co., of Jacksonville, Florida, were sold at a profit of approximately $20 million after deducting costs of completing the transaction. The sale price was some $78 million cash plus the assumption of $9.4 million of liabilities. In addition, Ivaco has retained its 50% interest in Amercord Inc. which had been held by Florida Wire and Cable.

Earlier in the year, Canron's wholly-owned Tamper unit was sold for $33 million cash plus the assumption of some $6 million of liabilities.

Another major step was the transfer of Canron's wholly-owned plastic pipe business into 50%-owned Scepter/Canron Inc. This move has been highly beneficial, not only because the economies of scale resulting from the combined operations have generated significant additional benefits, but also because it reduced the direct debt of the Company.

A further important step in the direction to reduce long-term liabilities has now been identified. Early in 1993, an announcement was made that Ivaco would explore the possibility of disposing of its interest in Laclede Steel Company. At present, Ivaco owns approximately 49.8% of Laclede's outstanding common stock and has an option to acquire an additional 2.6% at US$13.67 per share. PaineWebber Inc. has been retained to assist your Company in this matter.

One of the most important aspects of this successful program to reduce debt and to strengthen the Company's financial condition is that it has been carried out without the sale of any of the surplus land sites that were included in the original restructuring plan. Among the properties identified for potential sale are: (i) the 125 acre site occupied by the Atlanta works of Atlantic Steel close to, and in the path of, the expanding high rise downtown core of the city; (ii) a 40 acre prime redevelopment site in Metropolitan Toronto, less than a half mile from a scenic section of Lake Ontario; and (iii) a number of other surplus scattered land assets believed to have a value in the range of $50 million under normal market conditions. The sales of the Atlanta, Toronto and other sites are expected to provide very substantial returns in the future.

While the Company-wide cost reduction and debt reduction programs were being fulfilled, major progress was also being made on another vitally important front, the continuation of the well established and comprehensive evolution away from commodity grade products toward an ever higher proportion of premium grade products. Virtually every unit recorded recognizable advances in this area during the year.

In terms of operations, most of the Company's units maintained high levels of production throughout the year which, given the depressed state of overall demand, translates into improved market share.

At L'Orignal, for example, steelmaking tonnage was over 97% of its previous highest level ever and the adjacent rod mill unit set a new tonnage record for the year.

A number of important productivity enhancements were introduced during the year. The most creative of these was the transition away from a two furnace operation to a modified single furnace system which can now produce as much steel as the former two furnace system could. Both productivity and costs were affected positively. Premium and special chemistry grades of steel continued to represent a higher proportion of output at L'Orignal.

The rod mill at L'Orignal recorded the best prime quality yield rate it has ever had, ably demonstrating that its continuous emphasis on quality is paying off. The mill's newest quality control innovation is a laser gauge which was designed in-house to provide a further advance to the quality and consistency of product.

Atlantic Steel also reported increased tonnage for the year, an increase of about 5% over 1991, but continued to record significant losses. For 1993, Atlantic is expected to report a substantially reduced loss, compared to 1992, mainly because of the dramatic cost cutting program which was implemented comprehensively and is still underway. To date, several dozen specific cost cutting projects have been established, many of which have been completed. These projects include relocation and improved process flow for wire rod testing, compacting and shipping; reduced set-up times; enhanced automation for the lancing and carbon systems for the eccentric bottom tapping melting furnace; and elimination of a scrap staging yard. Among the advances recorded during the year were increased production and sale of special bar quality steel and enhanced surface quality and reliability for hot rolled wire rods. Atlantic's export volume was also up during the year.

Laclede Steel achieved a much better performance in 1992 than would appear from a quick look at the results. It took non-recurring, net of tax special charges of US$11.6 million, most of which were non-cash in nature. Had these charges, for the restructuring of its wire operations and considerations related to disposal of furnace flue dust, not been taken, Laclede's net earnings would have been US$4 million or US$1.00 per share compared to a net loss of US$8.3 million or loss of US$2.05 per share in 1991. Ivaco has recorded in 1992 $6.8 million as its 49.8% share of this special charge, net of tax.

The most broadly based and dramatic improvement in operating results was undertaken by the Wire Group and was achieved in the face of lower than normal demand and industry-wide cut-throat pricing. The Wire Group responded extraordinarily well to these circumstances. In addition to a strong emphasis on upgrading the mix of products, cost reduction programs were introduced and yielded outstanding results. The just-in-time supplier delivery system was fine tuned and, with re-emphasized strictness in purchasing strategy, reduced inventories substantially. Manufacturing scheduling received major attention and, in combination with some creative engineering, both efficiency and speeds for production machinery were enhanced. Valuable by-products of these programs included major new efficiencies in managing raw materials and significant improvements to the quality acceptance rate.

The Fastener Group continued to perform extremely well in 1992 despite the general economic weakness. Each of the Group's four manufacturing units increased its share of markets during the year and Docap, the distribution company, broadened both its product and customer bases and also increased sales.

The Fastener Group produces both standard and specialty products and each unit has a well sustained long-term history of continuous modernization that keeps its standard for productivity at state of the art levels.

One of the Group's specialty units, Infasco Nut, was honored for a second year by a major automobile manufacturer. In 1991, Ford delivered a commendation for its quality and delivery performance. General Motors has awarded Infasco Nut its coveted Lopez Award which is given only to GM's top suppliers worldwide.

The Fastener Group anticipates another successful year in 1993.

Other major recognitions for quality were earned during the year by Wrights Canadian Ropes and Amercord, both of which manufacture products from high carbon hot rolled wire rods.

Wrights Canadian Ropes, which makes wire ropes and cables, was given official recognition for its product quality by the American Petroleum Institute. Wrights was awarded API-Q1 wire rope certification following a rigorous API quality audit.

Amercord, 50%-owned by Ivaco, was also inspected to assess its total quality systems and one customer's inspection team was so positively impressed that it requested permission for its senior management to visit the plant. Amercord anticipates substantially improved results in 1993.

The continuing operations of units reporting through Canron had mixed results in 1992.

The newly combined Scepter/Canron unit, 50%-owned, performed extremely well and benefitted significantly from the economies of scale resulting from the combined operations.

Canron's structural steel business was faced with poor economic conditions within the construction industry. As a result, very little new work of any significance was commenced or even called for tenders for immediate start during the year. Demand was particularly weak in the East and somewhat more buoyant in the West. As a result, losses were encountered by the Structural Steel Division.

Canron has dealt decisively with the downturn in the structural steel business by consolidating and downsizing where appropriate, but effectively maintaining the key resources to permit rapid mobilization as conditions improve. And there are, in fact, signs that some new heavy engineering construction projects are beginning to surface on the drawing boards of the major engineering design houses. Those should begin to reach the bid stage in a year or so.

Canron's Ingersoll Machine and Tool unit had an improved, and profitable, year in 1992 despite a reduction in demand from the traditional defense and automotive customers served by Ingersoll.

Judicious targeting and penetration of markets new to Ingersoll helped to keep volumes reasonably high. Particular success was achieved in 1992 through expanded sales of truck axles in North America, Asia and Africa. The Company's lightweight and self-steering axles were especially successful.

The outlook for Ingersoll is for additional improved performance in 1993.

In terms of its financial position, Ivaco has weathered the protracted recession well. Long-term liabilities were reduced to $309.4 million from $356.7 million at the beginning of the year. Preferred shares, Series D, which were tendered for redemption by shareholders were purchased as required and a private placement was concluded for $10 million convertible unsecured subordinated debentures late in the year and the authorized second tranche of $5 million was completed early in 1993.

Continued improvement in operating results is expected as the year develops. This is a direct result of the continuing cost containment programs and the strengthening of economic conditions, particularly in the U.S. It is noteworthy that the Company's steel mills now have a substantial order backlog position and are pretty well booked out for the second quarter.

The first quarter of 1993 is expected to result in a loss. It is anticipated, however, that the Company will return toward profitability during the second quarter when price increases, which have already been announced for many of the Company's products, become effective.

1992 was a pivotal year for Ivaco. The Company's employees can justifiably feel great pride for the success they achieved for their cost cutting programs and the creative use of technical innovations to achieve advances in productivity. We expect further progress in all these areas in 1993 and as a consequence, we at Ivaco can look to the future with confidence.

On behalf of the Board of Directors:

ISIN IVANIER	PAUL IVANIER
Chairman	President and Chief Executive Officer

THE IVACO GROUP

STEELMAKING

The North American steel industry began to take tentative steps away from recession as 1992 progressed. While the process of recovery was excruciatingly slow, by year end it became evident that demand was showing signs of growth and that pricing was poised, subsequently confirmed in the first quarter of 1993, to begin movement toward more rational levels.

Ivaco's Steelmaking Group is particularly well positioned to capitalize on these fundamental improvements in the marketplace because each of the three units has successfully mounted major cost reduction programs during the past three years. Additionally, each of the Company's steelmaking units is in those sectors most amenable to productivity gains through technological fine tuning.

For example, all of the Company's steel mills are 100% electric furnace equipped and production is 100% continuous cast at the Company's two wholly-owned operations, Ivaco Rolling Mills and Atlantic Steel.

Ivaco Rolling Mills is located at L'Orignal, Ontario. Its steelmaking operation specializes in premium grade billets exclusively for conversion to hot rolled wire rods. The adjacent rod mill produces hot rolled wire rods.

Atlantic Steel has steelmaking and rolling mill operations at Cartersville, Georgia and also has additional rolling mills at nearby Atlanta.

The third unit in the Steelmaking Group is Laclede Steel, 49.8%-owned at present and for which the Company has announced a willingness to divest. Laclede produces steel at Alton, Illinois and is also a major producer of pipe, wire and chain at plants in West Virginia, Missouri, Tennessee, Indiana and Pennsylvania.

IVACO ROLLING MILLS

The Ivaco Rolling Mills complex at L'Orignal, Ontario introduced some remarkably effective technical cost containment and quality advances at both its steelmaking and rolling mill operations during the year.

The L'Orignal complex is a tightly focused operation which is able to achieve very high standards of productivity, versatility, and economies of scale because it specializes almost exclusively in a single family of end products: hot rolled wire rods. In turn, hot rolled wire rods are the major raw material for a number of downstream Ivaco operations including wire products, fasteners and wire ropes.

The facility is designed to permit a high degree of integration between billet production and the rolling mill to ensure ready availability of appropriate feedstock with minimum inventory carrying costs. In addition to consuming virtually all the steel produced on site, substantial quantities of purchased billets are processed at the rod mill to achieve special metallurgical qualities not readily available from billets produced at the adjacent melt shop.

Despite the continent-wide weak overall demand for steel industry products, especially in the first half of the year, the L'Orignal complex reached high productivity standards by producing at virtual full capacity throughout the year. Steelmaking tonnage was over 97% of its previous highest level ever and the rod mill set a new tonnage record for the year.

A number of strikingly creative steps were taken by the melt shop during the year. The most significant of these was the transition away from two furnaces, working either in tandem or on staggered terms, and switching to the operation of a modified single furnace working around the clock.

The effects on productivity and costs were both instantaneous and positive. The modifications to the furnace included installation of a substantially larger obround shell, the conversion to a larger transformer from 27.5 M.V.A. to 40 M.V.A., and other enhancements to ancillary equipment. The most powerful immediate effect was a substantial saving in energy. As experience was gained, additional reduction in costs resulted. It has since been established that the modified single furnace operation can now produce at least as much, perhaps more, steel than the two previous furnaces did in 1991 and that major productivity and even environmental gains continue to be achieved.

Among the additional steps taken to increase productivity were: (i) installation of a larger magnet system to improve scrap handling; (ii) a new lime injection system; (iii) modifications to the furnace for porous plug bottom stirring; (iv) addition of a carbon injector system to the ladle metallurgy furnace; (v) achievement of quality and yield benefits by selecting scrap to reduce nitrogen levels; and (vi) continued fine tuning development of the tundish slidegate system which had been installed the previous year.

Upgrading of the scrap handling system has had a strong and positive effect on productivity, both for equipment and personnel.

The new lime injection system has led to improved air quality within the mill and has reduced consumption of lime.

The porous plug bottom stirring achieves better heat transfer conditions which, in turn, permits a lower tapping temperature with attendant energy savings. The newly installed carbon injector system on the ladle metallurgy furnace allows better control of chemistry, making it possible to increase yields and thus reduce costs.

The program of improved scrap quality usage for all product lines has resulted in lower residual levels, lower nitrogen levels, and improved metallic yield. The lower residual and nitrogen levels have resulted in major improvements in product quality.

The initial tundish slidegate system was installed in 1991 principally to allow augmented production of aluminum killed steel. Continued improvements to the system resulted in a reduced requirement for lancing to begin casting a heat. This has also resulted in much welcomed gains in quality, productivity, yield, and costs.

Another advance achieved during the year was commencement of new procedures for disposal of flue dust from the electric furnace. Advantageous arrangements have been made to ship all flue dust being produced to an off-site facility for processing and re-use of the dust by others.

The percentage of premium and special chemistry grades of steel continued to increase in 1992. The continued growth is a result of improvements and modifications to steelmaking and casting procedures and continued implementation of new technology and equipment.

This same emphasis on quality has been given an equally high profile at the rod mill. It was particularly gratifying, in fact, that the rod mill not only turned out record tonnage but did so while recording its best ever prime quality yield and the fewest production delays (cobble rate) since the mill opened.

Among the new technological improvements implemented during the year was the in-house development and installation of a laser gauge to enhance size control during the rolling process. The gauge contributes to improved quality and enhanced consistency of product and is part of a long standing policy to emphasize product quality.

The rod mill continued to access external sources for more than 250,000 tons of special quality billets during the year. The billets are produced from virgin iron ore and have properties that are desirable for several higher margin grades of rods.

A comprehensive cost reduction program was maintained throughout the year and a number of decisive moves were made to reduce costs. One of the most successful was the ability to operate the plant efficiently with significantly lower levels of semi-finished and finished product inventories.

The market for hot rolled wire rods has firmed noticeably within recent weeks. Steelmaking and rolling capacity at L'Orignal is almost fully booked through the second quarter and price increases announced earlier will begin to take effect in that quarter.

The outlook is for profitable and very much improved operating performance in 1993.

ATLANTIC STEEL

Atlantic Steel reported the production and sale of increased tonnage in 1992, up some 5% compared with the previous year. However, the general level of the domestic economy, particularly the Southeast, was not sufficiently vibrant to warrant a return to the full capacity operation of the late 1980's.

During the year, the Company made good progress in its long standing program to evolve the production mix so as to incorporate a higher proportion of the most profitable products and to emphasize quality service to customers. At the same time, the long-standing cost containment program which has been vigorously pursued for the past three years remains aggressively emphasized. In particular, it also posted its third consecutive year of reducing its billet manufacturing costs through significant continuing improvements in productivity in its world-class melting facility in Cartersville.

During 1992, several dozen cost reduction projects were established and further major cost reduction projects will be implemented in 1993. Some of these projects include: relocation and improved process flow for wire rod testing, compacting, and shipping; reduction of set-up times on the caster and rolling mills; utilization of recycled water; automatic lancing and carbon system for the eccentric bottom tapping melting furnace; rolling mill reheat furnace improvement; and elimination of a scrap staging yard in Cartersville.

Production of special bar quality (SBQ) stock was increased during the year, reflecting improved penetration of markets for cold finishing and other bar products. Inventory levels for SBQ steels were increased during the year to facilitate higher standards of customer service with excellent results.

An intensive development program was carried out in 1992 to improve the surface quality of products produced at the Atlanta rod mill. As a result, the reliability of producing cold heading quality rods became very consistent late in the year, and these efforts contributed to further progress towards reaching the long-term objective of increasing the proportion of higher-quality rod volume.

Export volume was also up during 1992, in a program that is being developed and evaluated for its potential long-term impact. Both billets and finished products were involved, including metric sizes that were shipped to the United Kingdom. Additional export markets have also been identified in Mexico and the Caribbean area for billets, rods, bars and flats, and the response continues to be encouraging.

Price increases have been announced for the Company's products and will begin to take effect as the second quarter develops. As further evidence of improved customer demand, the Company's order book now shows two to three month backlogs for most products.

The outlook is for much improved performance in 1993 resulting in a substantially reduced loss.

LACLEDE STEEL

Laclede Steel, 49.8%-owned by Ivaco, recorded a remarkable improvement in operating results during 1992. In fact, excluding the effect of special charges, the majority of which were non-cash in nature, the Company would have had net earnings of some US$4 million or US$1.00 per share.

Laclede operates a highly efficient steelmaking and rolling mill complex at Alton, Illinois, near the Mississippi River — a short distance from St. Louis, Missouri. It has finishing plants, strategically located close to key markets, in the eastern and south central heartland of the U.S.

The Company has four basic businesses. They are tubular goods, hot rolled wire rods and wire, Special Bar Quality carbon and alloy bars, and chain.

The pipe operations are substantial. In fact, Laclede is one of the largest, if not the largest, producers of standard pipe in North America and is the only U.S. manufacturer of continuous butt-weld pipe which produces its own steel. It is also a large producer of electric welded structural tubular products.

Early in 1992, the Company achieved efficient production of steel pipe at the former United States Steel facility at Fairless, Pennsylvania, which had been leased late the previous year, with an option to purchase the plant's equipment. The Fairless operations and the electric welded pipe mill at Benwood, West Virginia are both supplied with low cost coiled strip from the main mill at Alton. Pipe operations were further expanded late in the year by commencement of production at the new finishing plant at Vandalia, Illinois. This plant is supplied with semi-finished tubes from Alton.

One of Laclede's long-term strategic objectives is to be the lowest cost producer of tubular products in North America. It is believed that this goal is already achieved and further cost reduction projects are expected to be in place by mid year thus making Laclede an even more formidable steel pipe supplier.

Throughout much of 1992, steel pipe was selling at price levels that were in effect a decade ago. It would appear that the process of change has already begun, however, and there is reasonable hope that pricing is moving toward more realistic levels.

One of the bright aspects of 1992 operations was the strength of the Company's SBQ carbon and alloy bar business. In fact, demand continues to be strong and this is reflected in improved pricing.

Both organizational and process improvements have been made which have improved the quality of SBQ products. One important addition was the installation of an electro-magnetic stirring device which promises a meaningful upgrade for the surface quality of SBQ bars.

The Company's rod and wire operations at Fremont, Indiana and Memphis, Tennessee also made significant progress during the year.

Wire operations underwent a radical restructuring during 1992 and a special charge of US$14.5 million was taken in acknowledgement. The net result is that this segment of the Company is now superbly positioned for profitable growth.

The Fremont plant is undergoing a major expansion which is now in the final stages. When completed later this year, capacity to produce high quality oil tempered spring wire will be tripled. Laclede is now the largest producer of oil tempered spring wire in North America.

At Memphis, considerable success has been achieved through a concerted cost reduction program and, as increased volume is confidently expected in 1993, further cost benefits are in sight.

Laclede Chain, at Maryville, Missouri, continues to progress. It ended the year on a strong note and anticipates continued improvements in 1993. In addition to production at Maryville, it markets chain and accessories throughout most of the U.S.

The High Temperature Metal Recovery (HTMR) installation, designed to process flue dust at Alton, has yet to prove itself. It is designed to process electric furnace dust to remove both valuable and hazardous materials and thus make disposal less costly.

In the Company's original evaluation, the HTMR facility was expected to provide economic value through the recovery of zinc and other metals. Commissioning is significantly behind schedule, however, and it remains uncertain as to when the Company will assume control of the facility.

The overall outlook for the Company is solidly optimistic.

WIRE AND WIRE PRODUCTS

The Wire Group completed the year with a tremendous improvement in operating results as compared to 1991. The performance was achieved in the face of continued difficult economic conditions in which demand was still well below normal throughout the industry and pricing remained soft.

The Wire Group consists of seven manufacturing plants producing a broad range of various grades of bright and galvanized low and high carbon wire, cold heading wire and fabricated wire products, nails, wire mesh and masonry reinforcement wire. These operations are located in Québec, Ontario, New York, Maryland, Florida, Georgia, and Ohio.

The first phase of a major cost reduction program within the Wire Group began in 1991 and continued into 1992. This consisted of the closing of the collated nail and fence manufacturing facility at Chambly, Québec, eliminating unprofitable products, and realigning production processes. The second phase of the program commenced early in 1993 and as a result, the Sivaco Wire Group and National Wire Products will be operated as one cohesive unit, Sivaco/National Wire Group, and will eliminate obvious duplication while at the same time expanding certain of the facilities into additional product lines.

The Wire Group is now strategically well placed to expand manufacturing of high quality value added products with a relatively modest capital expansion program. In addition to this very strong emphasis on the upgrading of the product mix, every facet of Wire Group operations was examined in detail to identify cost reduction opportunities.

One of several areas scrutinized was their just-in-time supplier delivery system and, with re-emphasized strictness in purchasing strategy, reduced inventories substantially. The scheduling of manufacturing received major attention and, in combination with some creative engineering, both efficiency and higher speeds for production machinery were achieved.

Systematic analysis of production scheduling resulted in longer runs, fewer set ups and hence lower production costs.

Valuable by-products of these programs included major new efficiencies in managing raw materials and significant improvements to the quality acceptance rate.

During the year, noticeable gains for wire sales were experienced in the undersea telecommunications cable industry and major penetration of the North American market was achieved.

The supply of special chemistry wire to the undersea cable market requires very high quality product. Entry into the market required a rigorous qualification program, a part of which is the demonstrated ability to meet extremely demanding quality control standards on a consistent basis. The overland telecommunications cable industry market is now also being addressed and expectations are positive.

Another area in which major progress was achieved was the market for special quality "Class B" galvanized wire having heavier than normal zinc coating. The Company's advanced technology flow wipe galvanizing system permits the application of the heavy zinc coating at very high speed and produces a product which meets extremely exacting quality standards. The fine tuning of this system has resulted in excellent quality and productivity.

This flow wipe galvanizing system is a meaningful advance as it opens the door to substantial markets which previously could only be supplied by the use of a much more costly production technology.

Other areas of value added product business which were advanced strongly during the year included high carbon bright and galvanized wire, galvanized high carbon spring wire and cold heading wire.

The wire rope industry has also become a significant user of the Company's high carbon bright and galvanized wire products. The notably increased market penetration is being made due to the quality and reliability being offered and one of the results is that the Wire Group's Sivaco operation is now considered to be one of the industry's leaders.

Galvanized high carbon spring wire has proven to be another success in the market place and even further development processes are being fine-tuned that will enable the Wire Group to capture major market share in areas that were previously supplied by alternate wire grades.

After experiencing the economic downturn of the past two years, and restructuring for efficiency, the Wire Group is expected to report substantially improved operating results in 1993 resulting in earnings from its ongoing operations. In fact, 1993 is expected to be the first year since 1987 that the Wire Group will report a profit from its ongoing operations.

FASTENERS

The Fastener Group performed well despite the weakness of the North American economy during 1992. Its long standing and continuous detailed attention to advanced technology and systems designed to foster productivity helped build market share for all of the Group's units.

The Company has four manufacturing facilities. They are :

— Infasco in Marieville, Québec, one of the largest facilities in the world for the high speed 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 of custom designed and specialty fasteners ;

— Infasco Nut, in Mississauga, Ontario, which makes a wide variety of standard and specialty nuts, with particular emphasis on locknuts.

Infasco achieves low unit costs through mass production via highly automated bolt makers and nut formers. The plant is designed for long production runs of standard bolts and nuts and is, of course, a very substantial consumer of hot rolled wire rods.

One of its notable competitive advantages is its comprehensive inventory of finished fastener products. With its immense Marieville master warehouse and a network of regional warehouses across North America, Infasco is able to offer extraordinarily high standards of service and delivery.

Another major key to the success of Infasco's operation has been its long term dedication to a combination of (a) sophisticated industrial engineering to meet the highest standards of productivity and (b) intensive quality control systems that begin with state-of-the-art annealing, descaling of wire rods, and high speed boltmaking and carry through to computer controlled automated heat treating furnaces and fully automated packaging.

As in previous years, Infasco continued to improve productivity, reduce costs, enhance quality control, and to be a good environmental corporate citizen. Some of these projects are :

— A major advance toward solution of one of the major quality problems in the fastener industry — the damage caused to the threads of large diameter bolts at many stages of production, heat treatment, plating and packing. Infasco has been working on this industry-wide problem for a number of years and is among the leaders in experimenting with solutions. One of its innovations consists of the use of "soft drop" handling equipment to reduce the speed and fall distance of large diameter bolts.

— Improved finished product cleaning in the wash cycle prior to heat treatment of fasteners. Infasco has thus succeeded in improving the process used to separate oil from the washing compounds, resulting in cleaner washing media with accompanying cost effectiveness.

— Completion of the computerization of its tool and die inventory, resulting in better control, a more accurate tracking of tooling usage, with commensurate less production machine downtime.

— Successful experimentation with new types of cutting oils in nut tapping operations. The result has been reduced oil consumption and increased tool life.

— Use of a computerized time accounting system for the purpose of payroll calculation and as a tool for more accurate allocation of labor costs.

Galvano is an important value added unit of the Fastener Group which specializes in premium quality plating. It is located relatively close to the Marieville facility to permit low cost access.

Galvano is a highly automated plant specializing in zinc barrel electroplating, zinc phosphating and hot dip galvanizing. Its zinc barrel plating line is believed to be the largest and one of the most productive in the world. Notwithstanding its already high rates of productivity, it continues to devote major attention to fine tuning of the operation. One permanent objective is the reduction of downtime between plating cycles.

The Galvano facility is an industry leader in hot dip galvanizing of fasteners and much progress was made during the past year to reduce its cost of production even further.

One meaningful benefit realized last year was a reduction in waste disposal costs and further cost improvements are anticipated in 1993.

Ingersoll Fasteners, the member of the Fastener Group which concentrates on specialty fastener products, manufactures custom designed product utilizing premium grades of carbon and alloy steels. It is a major supplier to the North American automotive industry, the oil and petrochemical industries and a multitude of other customers requiring product of precise dimensional and metallurgical criteria.

The year was highly successful despite reduced demand from the automotive sector. The general and gradual pickup in the U.S. economy, combined with creative and effective marketing to Canadian customers, contributed to positive results. One particularly successful thrust was expanded product availability from inventory to distributors and to second tier suppliers to the automotive industry.

The Infasco Nut Division, in Mississauga, continued to win industry recognition for its quality, reliability and general business performance. In 1991, the Company received a commendation from Ford for its quality and delivery performance. For 1992, Infasco Nut won the coveted Lopez Award from General Motors, which is given only to GM's top suppliers worldwide.

It is now a major locknut supplier to the world automotive industry and ships to Japan, Germany, Spain and Mexico. Later this year, Infasco Nut will augment its customer service further by offering direct telecommunications access to the Company's sales computer.

In addition to the four key manufacturing units, the Fastener Group contains a substantial distribution operation, Docap.

Docap has a very broad product distribution horizon. It markets more than 25,000 items, many of which are fastener lines, and covers virtually all major industrial and automotive markets in Canada, making it one of the best distribution networks in the country.

The diversification program, begun some three years ago, has permitted a meaningful broadening of the customer base and was instrumental in keeping sales volumes reasonable.

Naturally, cost containment was a major priority throughout the year. Among the successful undertakings were decisive reductions in overheads and the completion of plans for installation of a comprehensive new inventory control system which will help maintain balanced inventory levels. It will also enhance customer service by dramatically improving order fill rates.

Docap continues to refine and/or augment its product offerings by selectively expanding new lines and by rigorous search for lower cost quality suppliers. As a result, three important new product categories are being added this year, including side clearance and revolving lamps, thermostats and radiator caps, tire valve accessories and air appliances. The reach for product sources now incorporates more than 20 countries.

The outlook for the Fastener Group is for continued and improved profitability on increased sales.

WIRE ROPES, CABLES, TIRE CORD AND TIRE BEAD REINFORCEMENT

Ivaco has two units which produce important industrial products from high carbon hot rolled wire rods. They are Wrights Canadian Ropes, of Vancouver, British Columbia and 50%-owned Amercord, of Lumber City, Georgia.

Wrights is a leading producer of wire ropes for the marine, forestry, mining and petroleum industries. Like each of the major industries it serves, Wrights encountered reduced demand and heightened pressure on margins, particularly in the first half of the year. In the second half, however, some quite distinct improvement was seen in the business climate and this appears to be continuing into 1993.

Both the West Coast forestry industry and the oil patch in B.C., Alberta and Saskatchewan had marked improvements in operating levels as the year progressed and resulted in much improved demand for product. The Company's high carbon log bundling strand continued to be a very successful product.

The effectiveness of Wrights' quality control programs was given a gratifying endorsement during the year. The Company has been an approved supplier by the American Petroleum Institute for many years, but following a very rigorous API quality audit in 1992, the Company was awarded the new upgraded API-Q1 wire rope certification.

The outlook is for improved operating results in 1993.

Amercord supplies tire cord and tire bead to the manufacturers of automobile and truck tires and also produces very high quality high carbon reinforcement wire for undersea fiber optic cables. The year 1992 was a pivotal one for Amercord.

Sales to the tire manufacturing industry increased substantially during 1992. Physical volume increased by some 20%, although the dollar value was somewhat lower because of the pressure on pricing. The increase in volume was particularly significant inasmuch as tire production increased by only about six percent. Profitability improved very significantly, following major focus on costs and also on yield improvement.

Amercord sells to almost all of the major American, European and Japanese tire makers in North America. This strongly reflects the concerted and successful steps taken to establish and maintain standards for consistent high quality of the end product. Major management attention has been directed toward quality and one event in 1992 confirmed the wisdom of this strategy. Following its detailed audit, one major tire maker was so impressed by the excellence of the total quality assurance systems in place at Amercord that it requested permission for its senior corporate management to visit the plant.

Among the significant activities underway is a modification of the high tensile wire process, considered the premium material of the future, further advances in cost management, and development of a plan oriented to cost containment and strategic growth.

The outlook for 1993 is for substantial improvement in operating profits.

CANRON

Canron successfully concluded its planned radical reorganization during 1992. Earlier in the previous year, the Company had announced that agreements had been put into place that would result in the divestiture of its Tamper railway track maintenance equipment operations and also the transfer of its wholly-owned plastic pipe business to a jointly owned business with another major producer.

Both were completed satisfactorily.

Canron's operations now consist of its 50%-owned Scepter/Canron Inc., which manufactures plastic pipe, its wholly-owned structural steel operations, and Ingersoll Machine and Tool which produces precision machined parts, axles and forgings.

The combination of the Scepter and Canron pipe operations has been an outstanding success. It established a world-class business with sufficient size, scope and geographic diversity to make it one of the most efficient and formidable plastic pipe manufacturers in North America. Each of the companies brought a number of different marketing and manufacturing strengths to the combined business and the task of combining the different elements into one strongly focused and effective organization proceeded extremely smoothly.

Plastic pipe in its many forms has gained substantial market share in the plumbing, electrical and municipal sectors. As a result, demand for plastic pipe tends to track land development activity, housing and industrial starts, the renovation industry, and, to an increasing extent, agriculture. Its light weight, ease of installation, and long life expectancy make it the material of choice in a large number of high volume applications.

Scepter/Canron operates 17 plants, and 11 distribution centers in Canada. Quite high levels of operations were achieved during 1992 with particularly strong performance in Western Canada where housing construction activity remained strong.

The outlook for 1993 for 50%-owned Scepter/Canron's plastic pipe business is for a highly profitable year.

The Company's structural steel operations encountered weak demand in both Eastern Canada and the Northeast U.S. during the year. However, operations in Western Canada and the Northwest U.S., while not buoyant, were more active.

The Company has four structural fabrication centers, two each in both Canada and the U.S. Each center also provides comprehensive erection and construction services.

While the past year was extremely weak for the heavy construction industry in all four of the main geographic areas served, there was one exception, the U.S. Pacific Northwest. There, however, the moderately reasonable volume of construction projects underway attracted under-utilized fabrication and erection contractors from across the continent resulting in such extremely aggressive pricing that no one benefitted.

Virtually all of the Company's large project work was the completion of projects begun in the previous year. The most substantial projects of the year were the completion of detailing, fabrication, and erection of nine thousand tonnes of steel for a pulp mill some 150 miles north of Edmonton and a smelter revamp project at Sudbury, Ontario.

The Company has responded vigorously to the downturn by consolidating and downsizing sales, engineering and administration along with other necessary steps to bring overhead into balance with the level of activity anticipated for 1993 and beyond.

The long term outlook, however, is beginning to suggest that there is hope for a turnaround. Not in 1993, in all probability, but thereafter. A number of major heavy engineering projects are on the drawing boards and these should begin to reach the bid stage after a year or so of strong general economic recovery.

Ingersoll Machine and Tool had an improved year in 1992 despite the depressed demand for its defense products and the somewhat lower activity in the automotive and heavy machinery industries.

The Company is a major supplier of truck axles, precision machined components, and fully machined steel forgings.

Capacity of the forging operation is for parts up to 200 pounds which gives the Company access to very substantial markets in both Canada and the U.S. Forged and other steel parts are finished through combinations of computer controlled precision machining, fabrication, assembly, heat treating, phosphating and plating to customer specifications.

One of the Company's major traditional product offerings which has demonstrated gratifying growth in recent years is the truck axle line.

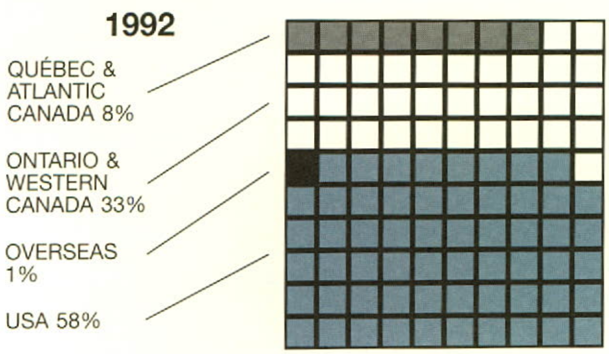
Axles have been a significant Ingersoll product for decades.

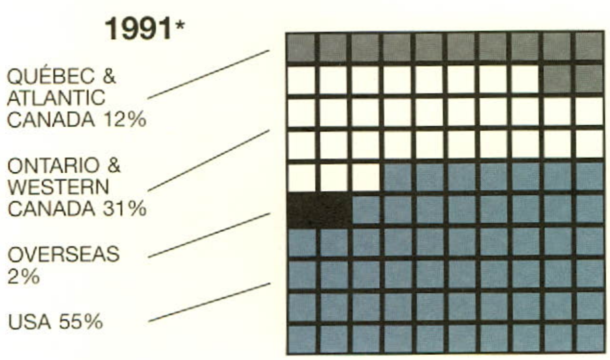
Currently the Company has reinforced its successful leadership in this area, through the introduction of lightweight and self steering axles.

The lightweight axles line is extremely significant. As noted in last year's annual report, Ingersoll is utilizing a newly developed manufacturing process which permits a reduction of some 24 pounds in the weight of a standard truck trailer axle. Sales of the lightweight axles have been successfully developed in a number of key export markets in Asia and Africa in addition to their excellent reputation in North America.

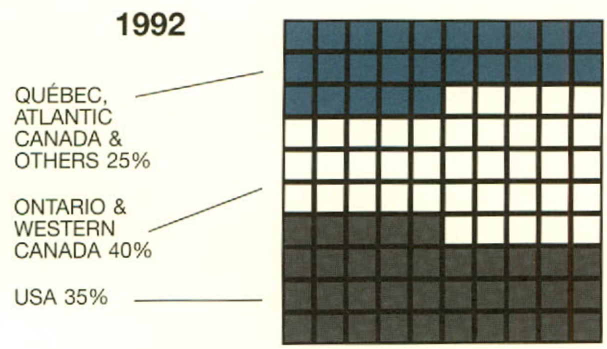
The outlook is for considerably improved earnings for Ingersoll in 1993.

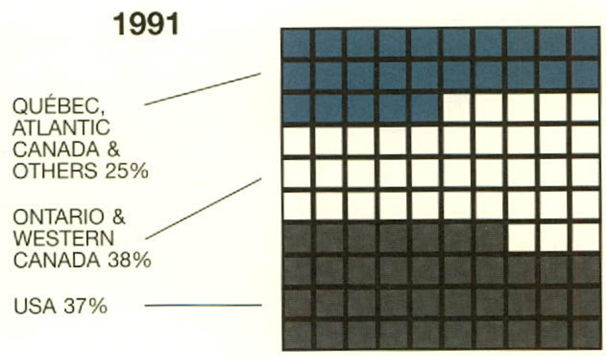
SALES DISTRIBUTION





FIXED ASSETS DISTRIBUTION





*1991 figures have been restated to reflect the effect of operations classified as discontinued in 1992.

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

(The 1991 figures have been restated on a basis comparable to 1992)

The Company reported operating earnings, before depreciation and amortization, of $47.3 million on sales of $1.09 billion for 1992, up from operating earnings, before depreciation and amortization, of $27.1 million on sales of $1.12 billion for 1991; the loss from continuing operations for 1992 was $40.9 million before restructuring and other non-recurring charges and income taxes, as compared to a restated loss from continuing operations of $71.2 million before restructuring and other non-recurring charges and income taxes, in 1991, a reduction of $30.3 million.

During 1992, the Company recorded gains totalling $20.0 million, less applicable taxes of $6.7 million, on the sale of the business and operating assets of its wholly-owned Florida Wire and Cable Company. The net gain together with other net gains and losses associated with the discontinuance of other businesses amounted to a profit of $16.8 million ($0.80 per share) compared to a loss of $3.0 million (loss of $0.15 per share) in 1991 and have been shown as Gain (loss) from discontinued operations.

Ivaco Rolling Mills was running at virtual full capacity during 1992. Premium and specialty chemistry grades of steel continued to account for a larger share of its total output. Increased tonnage and cost reductions allowed the Canadian Steelmaking Group to deliver substantially improved operating results. Atlantic Steel also reported the production and sale of increased tonnage in 1992 over 1991. However, the domestic economy was not vibrant and Atlantic continued to record significant losses, similar to those incurred in 1991.

Laclede Steel, 49.8%-owned by Ivaco, recorded a significant improvement in operating results during 1992. However, in the second quarter, Laclede recorded a one time net of tax special charge, the majority of which is non cash in nature, in connection with the restructuring of its wire operations and future processing costs for its electric furnace flue dust. Ivaco has recorded in 1992 $6.8 million as its 49.8% share of this special charge, net of tax. There was no similar charge in 1991.

Wire and wire product sales during 1992 were slightly higher than those of 1991. Despite soft pricing, the losses within the Wire Group were significantly lower than in 1991.

The Fastener Group performed well during 1992 and recorded increased sales despite the weakness of the North American economy.

Sales and operating income at Wrights Canadian Ropes were similar in 1992 to those achieved in 1991.

In July 1992, the Company completed the combination of Canron's Plastic Pipe business with the plastic pipe operation of Scepter Manufacturing Company Limited. The combined operation provides Scepter/Canron Inc. with one of the broadest product lines in the industry, making it a significant factor in the North American market. As a result of the economies of scale resulting from this combination, operating income in 50%-owned Scepter/Canron Inc. increased in 1992 compared with Canron's Plastic Pipe business in 1991.

Volume in Canron's Steel Fabrication, Erection & Construction Services business was lower in 1992. With the exception of Western U.S. operations, very little new work of significance commenced during the year and as a result operating losses were incurred.

Despite a reduction in demand from its traditional defense and automotive customers, Canron's Precision Machined Components business reported higher operating income compared with 1991.

1991 compared to 1990:

In 1991, the Company reported restated operating earnings, before depreciation and amortization, of $27.1 million and an after tax loss from continuing operations of restated $56.4 million on sales of $1.12 billion as compared to operating earnings, before depreciation and amortization, of a restated $126.1 million and after tax earnings from continuing operations of $7.2 million on sales of $1.9 billion in 1990. The 1991 figures 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. In 1991, a restructuring charge of $5.2 million was taken whereas the 1990 figures did not include a similar charge but a gain on disposal of fixed assets of $7.7 million was included.

The stronger Canadian dollar, in relation to the U.S. dollar, had an overall adverse effect on the 1991 after tax loss, when compared to 1990, of approximately $2.1 million ($0.11 per share).

During 1991 the Company reported after tax losses associated with the discontinuance of businesses amounting to a restated $3.0 million ($0.15 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 benefitted 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 period. 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 were less profitable 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.

Volume in the Steel Fabrication, Erection & Construction Services business was lower in 1991. This decrease occurred principally in the Western North American operations. Operating income of this business was significantly adversely impacted by the lower volume 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, which was disposed of in July 1992, 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.

The 1991 results of Canron's Precision Machined Components business were unfavorably impacted by reduced demand by the Canadian Government for defense projectiles.

FINANCIAL CONDITIONS, LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operating activities was $3.4 million in 1992 compared with a restated $38.2 million in 1991. Working capital used in continuing operations during 1992 was $1.2 million, down from the restated $36.0 million used in 1991. This significant improvement of $34.8 million in 1992 was due in large part to the reduction in the loss from continuing operations. Throughout 1992, as a result of the continued recession in North America, the Company continued to conserve cash and directed its efforts towards the extremely successful Company-wide initiative to cut costs.

Working capital at December 31, 1992 was $127.5 million compared to a restated $178.2 million in 1991. This reduction was due in large part to the divestitures of the operating assets of the Company's wholly-owned Florida Wire and Cable Company and Canron's Tamper Corp. and the use of the proceeds therefrom to reduce long-term liabilities.

Net additions to fixed assets in 1992 totaled $7.0 million down sharply from net additions of $24.7 million recorded in 1991. An aggressive cash conservation program throughout the year held 1992 expenditures generally to maintenance levels.

Long-term liabilities decreased to $309.4 million in 1992 compared to $356.7 million in 1991. Again, this decline was a result of the previously mentioned sales of Florida Wire and Cable Company and Canron's Tamper Corp. The ratio of long-term liabilities to Shareholders' Equity was 42:58 compared to 44:56 at December 31, 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 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 will be credited against any future amounts to be declared by the Company. At December 31, 1992, dividends of $19.4 million are in arrears on all of the above mentioned second preferred shares.

In October 1992, in accordance with the terms of issue, the Company purchased for redemption 566,092 Series D Cumulative Redeemable Preferred Shares at $25 per share for a total consideration of $14.2 million.

On November 26, 1992, the Company completed the private sale of $10 million principal amount of 9.5% Convertible Unsecured Subordinated Debentures due November 1997. In early 1993, the authorized second tranche of $5 million was completed.

As part of its overall plan to reduce debt and strengthen its financial position, the Company announced early in 1993 that it is exploring the possibility of disposing of its 49.8% interest in Laclede Steel Company. The Company also has an option to purchase an additional 2.6% of Laclede's common stock at US$13.67 per share.

It is anticipated that Ivaco's 1993 cash requirements within the ordinary course of business, including capital expenditures, debt repayments and other capital repayments, will be met through internally generated funds, existing lines of credit and asset sales.

OUTLOOK FOR 1993

The outlook for 1993 is for continued improvement in operating results as the year develops as a result of the continuing cost reduction program and the strengthening of economic conditions, particularly in the United States. The Company's steel mills have a substantial order backlog position and are booked well into the second quarter and price increases announced early in 1993 are expected to take effect in that quarter. For 1993, Atlantic Steel is expected to report a substantially reduced loss compared to 1992, mainly because of the dramatic cost cutting program which was implemented comprehensively and is still underway and Canron's structural steel business will continue to operate within the difficult economic conditions facing the construction industry. Most importantly, significant improvement in operating results is expected from each of the Company's other operating groups, and each of them is expected to be profitable in 1993. The Wire Group, which has experienced significant operating losses for the past five years, is expected to report a profit from its ongoing operations for 1993.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		Thousands of dollars	
AS AT DECEMBER 31		**1992**	1991
Current assets	Accounts receivable	**$ 154,557**	$ 169,844
	Inventories (Note 2)	**291,800**	353,907
	Prepaid expenses	**6,999**	9,404
	Total current assets	**453,356**	533,155
Current liabilities	Bank indebtedness, partly secured	**97,596**	102,313
	Accounts payable and accrued liabilities		
	Trade and other	**172,419**	198,190
	Directors	**513**	160
	Current maturities of long-term liabilities	**55,105**	54,059
	Deferred income taxes	**200**	200
	Total current liabilities	**325,833**	354,922
Working capital		**127,523**	178,233
	Portfolio investments, at cost (Note 3)	**116,987**	117,122
	Investments, at equity (Note 4)	**69,922**	72,807
	Fixed assets (Note 5)	**484,661**	508,446
	Other assets (Note 6)	**57,707**	65,102
Total investment		**856,800**	941,710
	Deduct		
	Long-term liabilities (Note 9)	**309,430**	356,718
	Exchangeable debentures (Notes 3 and 7)	**95,223**	95,223
	Accrued costs of pension plans (Note 8)	**10,043**	11,026
	Deferred income taxes	**19,830**	31,870
		434,526	494,837
Shareholders' equity		**$ 422,274**	$ 446,873
Represented by	Capital stock (Note 10)	**$ 411,624**	$ 421,927
	Retained earnings	**9,142**	31,752
	Cumulative translation adjustment	**1,508**	(6,806)
		$ 422,274	$ 446,873

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 except per share amounts

YEARS ENDED DECEMBER 31	1992	1991
Net sales	**$1,094,340**	$ 1,115,813
Cost of sales and operating expenses	**1,047,035**	1,088,706
Operating earnings before:	**47,305**	27,107
Depreciation and amortization	**43,829**	45,629
Earnings (loss) from operations	**3,476**	(18,522)
Interest on long-term liabilities	**36,119**	47,001
Other interest	**9,201**	10,491
Investment income	**(904)**	(4,779)
	44,416	52,713
Earnings (loss) from continuing operations before income taxes and other items	**(40,940)**	(71,235)
Restructuring and other non-recurring charges	**(4,191)**	(5,225)
Recovery of income taxes (Note 11)	**11,697**	25,170
Earnings (loss) from continuing operations before other items	**(33,434)**	(51,290)
Equity in earnings (loss) of affiliated companies (Note 4)	**3,872**	(5,095)
Earnings (loss) from continuing operations before special charge	**(29,562)**	(56,385)
Share of Laclede Steel's special charge	**(6,845)**	—
Earnings (loss) from continuing operations	**(36,407)**	(56,385)
Gain (loss) from discontinued operations (Note 13)	**16,842**	(3,011)
Net earnings (loss)	**$ (19,565)**	$ (59,396)
Earnings (loss) per share		
Continuing operations	**$(2.51)**	$(3.71)
Loss per share	**$(1.71)**	$(3.86)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

Thousands of dollars

YEARS ENDED DECEMBER 31		1992	1991
Operating activities	Operations		
	Earnings (loss) from continuing operations	**$ (36,407)**	$ (56,385)
	Depreciation and amortization	**43,829**	45,629
	Deferred income taxes	**(10,912)**	(30,381)
	Equity in (earnings) loss of affiliated companies	**(3,872)**	5,095
	Share of Laclede Steel's special charge	**6,845**	—
	Other items	**(644)**	(6)
	Working capital used in operations	**(1,161)**	(36,048)
	Decrease in non-cash working capital items	**19,724**	67,498
	Other items	**(15,147)**	6,712
	Cash provided by operating activities	**3,416**	38,162
Cumulative translation adjustment		**12,283**	(1,308)
Financing activities	Dividends	**(2,786)**	(17,917)
	Additional long-term liabilities	**70,972**	55,525
	Repayment of long-term liabilities	**(135,677)**	(33,435)
	Purchase of preferred shares	**(14,152)**	(9,242)
	Other items	**3,144**	(1,268)
	Cash used in financing activities	**(78,499)**	(6,337)
Investing activities	Net additions to fixed assets	**(6,972)**	(24,659)
	Net additions to fixed assets from investment in Scepter/Canron (Note 12)	**(21,584)**	—
	Proceeds from disposals of net assets	**83,688**	—
	Discontinued operations	**10,682**	5,480
	Other items	**1,703**	(2,099)
	Cash provided by (used in) investing activities	**67,517**	(21,278)
Bank indebtedness, net of cash	Decrease in bank indebtedness	**4,717**	9,239
	Balance at beginning of year	**(102,313)**	(111,552)
	Balance at end of year	**$ (97,596)**	$(102,313)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

YEARS ENDED DECEMBER 31	Thousands of dollars **1992**	1991
Balance at beginning of year	**$ 31,752**	$ 107,836
Add		
Net earnings (loss)	**(19,565)**	(59,396)
Gain on purchase of preferred shares	**194**	2,428
	12,381	50,868
Deduct		
Dividends on preferred shares	**2,786**	11,821
Dividends on Class A and Class B shares	**—**	6,096
Flow through of Dofasco Inc. common dividend to Series 4, exchangeable second preferred shareholders (Note 10)	**453**	1,199
	3,239	19,116
Balance at end of year	**$ 9,142**	$ 31,752

See accompanying notes to consolidated financial statements.

AUDITORS' REPORT

The Shareholders,
Ivaco Inc.

We have audited the consolidated statements of financial position of Ivaco Inc. as at December 31, 1992 and 1991 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, 1992 and 1991 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 2, 1993.

Deloitte & Touche
Chartered Accountants

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1992 and 1991

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.

The equity method of accounting is used to account for investments in businesses in which the Company has a 20% to 50% ownership interest. 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.

The proportionate consolidation method of accounting is used to account for the Company's 50% equity interest in the Scepter/Canron joint venture. This method of accounting brings into the consolidated financial statements the Company's 50% share of the specific assets, liabilities, sales and expenses of the joint venture.

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 monetary 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. Such costs are deferred and amortized over appropriate future periods on commencement of operation or commercial production.

Earnings (loss) per Share

Earnings (loss) per Class A and Class B share are calculated after providing for declared and undeclared 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 20,981,904 (1991 — 20,399,003).

2. Inventories

	Thousands of dollars	
	1992	1991
Finished and semi-finished*	**$ 134,200**	$ 161,064
Raw materials and supplies	**157,600**	192,843
Total inventories	**$ 291,800**	$ 353,907

*Includes costs to date of uncompleted contracts for the fabrication and erection of structural steel of $20,249 (1991 — $23,206) less progress billings of $19,992 (1991 — $25,648).

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 2,986,900 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, 1990	$64,208	$15,083	$ 79,291
Share of net loss	(4,201)	(894)	(5,095)
Dividends received	(463)	(66)	(529)
Other	(251)	(609)	(860)
Carrying value, December 31, 1991	59,293	13,514	72,807
Share of net earnings	2,945	927	3,872
Share of Laclede Steel's special charge	(6,845)	—	(6,845)
Dividends received	—	(500)	(500)
Other	(242)	830	588
Carrying value, December 31, 1992	$55,151	$14,771	$ 69,922
Share of Equity, December 31, 1992	$57,722	$14,448	$ 72,170

5. Fixed Assets

	1992 Cost	1992 Accumulated Depreciation	1992 N.B.V.	1991 Cost	1991 Accumulated Depreciation	1991 N.B.V.
	Thousands of dollars					
Land	**$ 31,246**	**$ —**	**$ 31,246**	$ 28,575	$ —	$ 28,575
Buildings	**161,753**	**47,010**	**114,743**	160,473	50,057	110,416
Machinery and Equipment	**656,260**	**317,588**	**338,672**	730,675	361,220	369,455
Total fixed assets	**$849,259**	**$364,598**	**$484,661**	$919,723	$411,277	$508,446

6. Other Assets

Thousands of dollars	1992	1991
Net assets of discontinued operations, primarily real estate	**$ 32,880**	$ 38,093
Deferred preproduction and development costs and other deferred charges, less amortization	**10,020**	15,900
Deferred financing costs, less amortization	**4,690**	4,584
Deferred translation adjustment, less amortization	**2,000**	(2,305)
Loans to officers at prime interest rates, due in 1994	**4,650**	4,311
Other items	**3,467**	4,519
Total other assets	**$ 57,707**	$ 65,102

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: (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, plus (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	1992	1991
Actuarial present value of accrued pension obligations	**$237,224**	$227,833
Less: Market value of pension fund assets	**(164,626)**	(161,074)
Accrued costs of pension plans and other amounts recorded in Consolidated Statements of Financial Position	**(13,482)**	(15,494)
Net unrecorded pension obligations	**$ 59,116**	$ 51,265

Pension expense for 1992 was $18.1 million (1991 — $19.5 million).

9. Long-Term Liabilities

	Thousands of dollars	
	1992	1991
Secured		
Debentures maturing to 1994		
Series A at 10.25% ($1.0 million U.S.; 1991 — $3.1 million U.S.)	**$ 1,271**	$ 3,582
Series B at 11.00%	**700**	2,400
Series E at 9.25%	**2,763**	2,763
Series F at 13.875%	**4,140**	6,660
Industrial Revenue Bonds at 5.0% maturing to 1998 ($2.3 million U.S.; 1991 — $6.8 million U.S.)	**2,898**	7,835
Mortgages principally at 11.5% maturing to 2010 (1991 — $1.4 million in U.S. funds)	**16,459**	11,802
Revolving Bank Loans maturing to 1998 of which $35.1 million (1991 — $27.2 million) are in U.S. funds*	**50,484**	43,615
Bank Loans maturing to 1996 of which $40 million (1991 — $40 million) are in U.S. funds*	**69,000**	75,000
Unsecured		
9.5% Convertible Subordinated Debentures maturing in 1997	**10,000**	—
Revolving Bank Loans* (1991 — $36.5 million in U.S. funds)	**30,000**	87,965
Bank Term Loans maturing to 1998 of which $39.5 million (1991 — $57.5 million) are in U.S. funds*	**127,118**	108,027
Notes principally at 7.9% maturing to 1995 ($8.4 million U.S.; 1991 — $11.0 million U.S.)	**10,637**	12,680
Others principally at 8.4% maturing to 1996 of which $11.4 million (1991 — $15.4 million U.S.) are in U.S. funds	**39,065**	48,448
	364,535	410,777
Less current maturities	**55,105**	54,059
Total long-term liabilities	**$309,430**	$356,718

The 9.5% Convertible Subordinated Debentures are convertible, at the option of the holders at any time prior to November 21, 1997, into Class A subordinate voting shares at a conversion price of $3.25 per Class A share. The Debentures are also redeemable and retractable in specified circumstances.

Required payments of long-term liabilities over the next five years are: $55.1 million in 1993; $77.4 million in 1994; $57.1 million in 1995; $82.5 million in 1996; and $37.9 million in 1997.

* These loans bear interest generally at the lower of prime rates, bankers' acceptance rates, or U.S. dollar LIBOR rates. The Company has negotiated fixed rates of interest averaging 10.15% on $40.8 million of such debt for periods of up to six years. The remainder of this debt aggregating $235.8 million bears interest at an average floating rate of 6.75% at December 31, 1992.

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	
	1992	1991	**1992**	1991
Preferred shares				
$4.425 Series C	**161,650**	162,950	**$ 8,083**	$ 8,148
$2.50 Series D	**34,443**	602,935	**861**	15,073
$2.40 Series E	**384,385**	392,685	**9,610**	9,817
			18,554	33,038
Second preferred shares				
$2.00 Series 1	**1,353,873**	1,353,873	**33,847**	33,847
$2.00 Series 2	**1,871,939**	1,871,939	**46,798**	46,798
$2.25 Series 3	**997,752**	997,752	**24,944**	24,944
			105,589	105,589
Exchangeable second preferred shares Series 4 (Note 3)	**2,986,900**	2,992,400	**95,581**	95,757
Class A shares	**14,870,374**	13,564,604	**173,466**	168,917
Class B shares	**6,962,717**	7,019,595	**18,434**	18,626
			191,900	187,543
			$411,624	$421,927

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, 1,300 (1991 — 8,600) 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, in accordance with the terms of the issue, the Company purchased 566,092 shares for redemption at $25 per share. The Company will make all reasonable efforts to purchase 7,200 shares for cancellation on the open market in each calendar quarter. During the year, 2,400 (1991 — 23,000) such shares were purchased and cancelled.

Series E
The $2.40 Series E cumulative redeemable preferred shares may be purchased by the Company on the open market at prices not exceeding the applicable redemption price. The Company may redeem Series E preferred shares at $26.25 per share to October 1, 1993 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, 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

10. Capital Stock *(Continued)*

8,500 shares for cancellation on the open market in each calendar quarter at prices not exceeding $25 per share. During the year, 8,300 (1991 — 21,250) 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 of $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. During the year nil (1991 — 42,300) such shares were purchased and cancelled. Further purchases and redemptions will not be made while dividends are in arrears. Dividends of $4.1 million are in arrears at December 31, 1992.

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 of $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. During the year nil (1991 — 57,900) such shares were purchased and cancelled. Further purchases and redemptions will not be made while dividends are in arrears. Dividends of $5.6 million are in arrears at December 31, 1992.

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 $25.25 per share to 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 nil (1991 — 30,900) such shares were purchased and cancelled. Further purchases and redemptions will not be made while dividends are in arrears. Dividends of $3.4 million are in arrears at December 31, 1992.

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: (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, plus (ii) 1%.

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 exchangea-

10. Capital Stock *(Continued)*

ble 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 Ivaco Inc. 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. Dividends of $6.3 million are in arrears at December 31, 1992.

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. During the year shareholders exchanged 5,500 (1991 — 7,300) such shares for common shares of Dofasco.

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.

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, 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
Conversion from:				
Class B to Class A	56,878	(56,878)	192	(192)
Shares issued under:				
Employees' Stock Option Plan	3,167	—	10	—
Dividend reinvestment plan	46,161	—	141	—
Private Placement	1,199,564	—	4,206	—
Balance at December 31, 1992	14,870,374	6,962,717	$173,466	$18,434

Stock options
At December 31, 1992, options for 1,445,173 (1991 — 691,440) Class A shares granted under the employees' stock option plan were outstanding at $3.40 per share.

11. Income Taxes

The recovery of (provision for) income taxes is comprised of:

	Thousands of dollars	
	1992	1991
Current	**$ 785**	$(5,211)
Deferred	**10,912**	30,381
	$11,697	$25,170

The effective rate of income taxes is as follows:

	1992	1991
Combined basic federal and provincial income tax rate	**39.9%**	39.9%
Income tax adjustments resulting from:		
Losses carried forward	—	(2.2)
Items not subject to tax	**(9.9)**	(9.2)
Other items	**(4.1)**	4.4
Effective income tax rate	**25.9%**	32.9%

Certain U.S. subsidiaries have accumulated unrecorded income tax losses of approximately $69.0 million (U.S. $54.3 million) which may be applied against future years' taxable income. These losses expire from 1998 to 2007.

12. Scepter/Canron Inc.

Effective July 17, 1992, the Company contributed certain of the net assets of Canron's plastic pipe business into a limited partnership in exchange for a 50% interest in the Scepter/Canron Inc. joint venture which now operates the combined Scepter/Canron plastic pipe business. The Company's 50% share of the joint venture operations included in the consolidated financial statements is summarized below:

	Thousands of dollars
Assets	$98,963
Liabilities	$45,635
Net sales	$52,813
Expenses	$46,610

13. Gain (loss) from Discontinued Operations

During 1991, certain operations of the Sivaco Wire Group were closed. The results of these operations and the provisions for their respective shut down costs have been classified as discontinued in 1992 and 1991.

During 1992 the Company sold the business and operating assets of its wholly-owned Florida Wire and Cable Company and Canron's Tamper Corp. which together are classified as discontinued.

The gain (loss) from discontinued operations for 1992 and 1991 has been reported separately in the consolidated statements of earnings. Summarized below are the activities of the operations which have been reported in the consolidated statements of earnings as Gain (loss) from discontinued operations.

	Thousands of dollars	
	1992	1991
Net sales	**$160,786**	$200,262
Earnings (loss) before income taxes and other items	**4,575**	(4,842)
Provision for (recovery of) income taxes	**1,056**	(1,831)
	3,519	(3,011)
Gain on sale of net assets, net of applicable income taxes of $6,624	**13,323**	—
Gain (loss) from discontinued operations	**$ 16,842**	$ (3,011)

The consolidated statements of financial position include the following amounts relating to the discontinued operations:

	Thousands of dollars	
	1992	1991
Current assets	**$ 433**	$ 63,062
Current liabilities	**17,193**	50,458
Fixed assets	**9,000**	31,968
Other assets	**33,067**	42,742
Long-term liabilities	**10,025**	31,512
Net assets	**$ 15,282**	$ 55,802

14. 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 the lower of prime rates and U.S. dollar Libor rates. At no time during the year have drawings by these persons exceeded the short-term funds loaned by them to the Company.

15. Comparative Figures

The 1991 figures have been reclassified to conform with the presentation adopted in 1992.

16. Segmented Information

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

Transfers between geographic segments are made at fair market value. Canadian sales to outside customers include export sales in 1992 of $312 million (1991 — $286 million) primarily to customers in the United States. Highlighted on the following page is the breakdown of net sales, earnings from operations and identifiable assets by industry and geographic segments.

16. Segmented Information *(Continued)*

Industry Segment

Thousands of dollars

	1992 Steel	1992 Plastic Pipe and Fabrication/ Erection of Structural Steel	1992 Consolidated	1991 Steel	1991 Plastic Pipe and Fabrication/ Erection of Structural Steel	1991 Consolidated
Net sales	**$ 813,745**	**$280,595**	**$1,094,340**	$ 769,960	$345,853	$1,115,813
Operating earnings before:	**$ 29,244**	**$ 18,061**	**$ 47,305**	$ 7,118	$ 19,989	$ 27,107
Depreciation and amortization			**(43,829)**			(45,629)
Earnings (loss) from operations			**3,476**			(18,522)
Interest expense			**(45,320)**			(57,492)
Investment income			**904**			4,779
Earnings (loss) from continuing operations before income taxes and other items			**(40,940)**			(71,235)
Restructuring and other non-recurring charges			**(4,191)**			(5,225)
Recovery of income taxes			**11,697**			25,170
Earnings (loss) from continuing operations before other items			**(33,434)**			(51,290)
Equity in earnings (loss) of affiliated companies			**3,872**			(5,095)
Earnings (loss) from continuing operations before special charge			**(29,562)**			(56,385)
Share of Laclede Steel's special charge			**(6,845)**			—
Earnings (loss) from continuing operations			**(36,407)**			(56,385)
Gain (loss) from discontinued operations			**16,842**			(3,011)
Net earnings (loss)			**$ (19,565)**			$ (59,396)
Assets identifiable by segment	**$ 974,092**	**$208,541**	**$1,182,633**	$1,103,276	$193,356	$1,296,632
Net additions to fixed assets	**$ 4,223**	**$ 2,749**	**$ 6,972**	$ 9,737	$ 14,922	$ 24,659
Depreciation and amortization	**$ 35,561**	**$ 8,268**	**$ 43,829**	$ 35,081	$ 10,548	$ 45,629

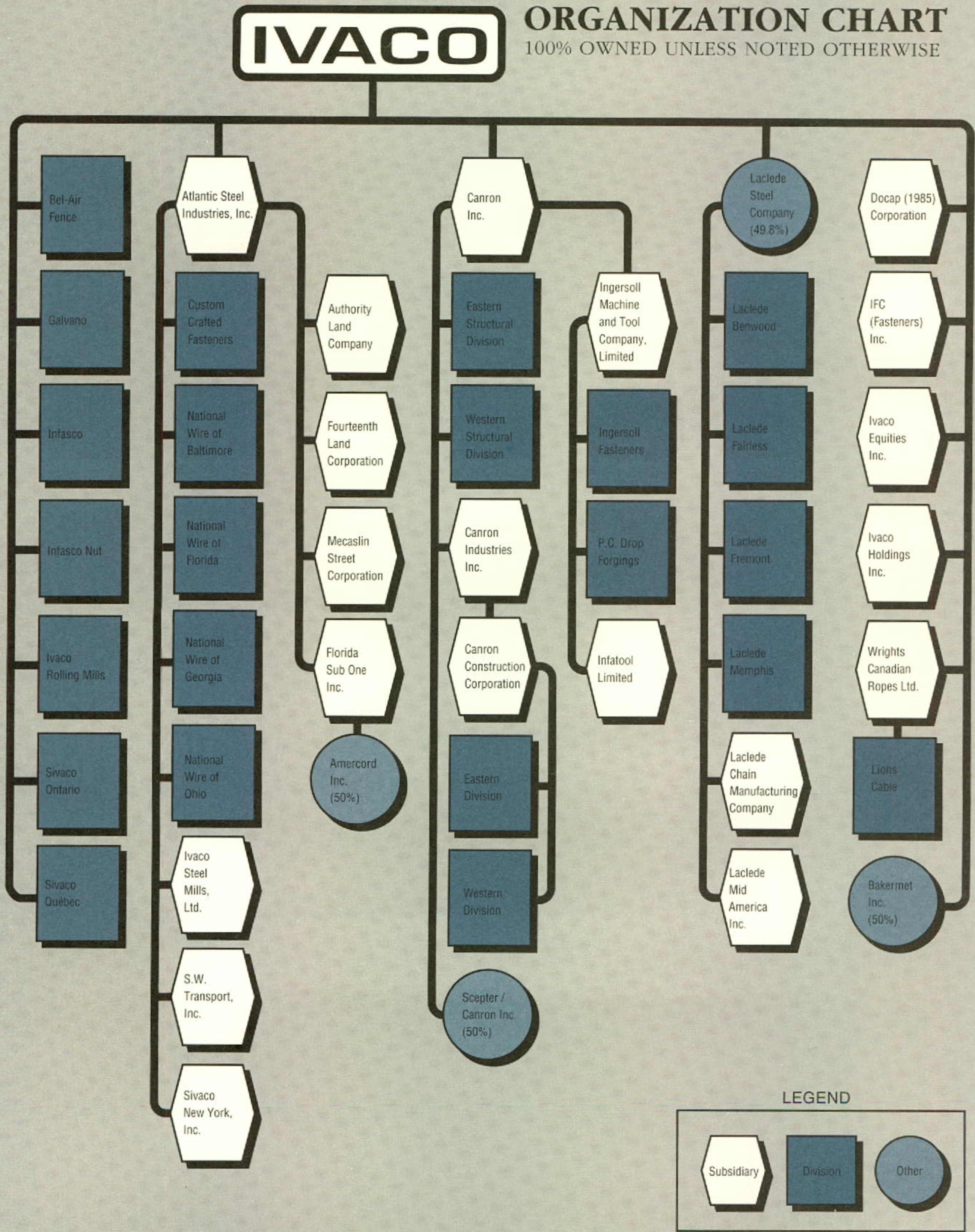
Geographic Segment

Thousands of dollars

	1992 Canada	1992 U.S.A.	1992 Consolidated	1991 Canada	1991 U.S.A.	1991 Consolidated
Net sales	**$ 731,757**	**$362,583**	**$1,094,340**	$ 794,138	$ 321,675	$1,115,813
Operating earnings before:	**$ 68,087**	**$(20,782)**	**$ 47,305**	$ 47,950	$ (20,843)	$ 27,107
Depreciation and amortization			**(43,829)**			(45,629)
Earnings (loss) from operations			**3,476**			(18,522)
Interest expense			**(45,320)**			(57,492)
Investment income			**904**			4,779
Earnings (loss) from continuing operations before income taxes and other items			**(40,940)**			(71,235)
Restructuring and other non-recurring charges			**(4,191)**			(5,225)
Recovery of income taxes			**11,697**			25,170
Earnings (loss) from continuing operations before other items			**(33,434)**			(51,290)
Equity in earnings (loss) of affiliated companies			**3,872**			(5,095)
Earnings (loss) from continuing operations before special charge			**(29,562)**			(56,385)
Share of Laclede Steel's special charge			**(6,845)**			—
Earnings (loss) from continuing operations			**(36,407)**			(56,385)
Gain (loss) from discontinued operations			**16,842**			(3,011)
Net earnings (loss)			**$ (19,565)**			$ (59,396)
Assets identifiable by segment	**$ 912,194**	**$270,439**	**$1,182,633**	$ 976,104	$ 320,528	$1,296,632

ORGANIZATION CHART

100% OWNED UNLESS NOTED OTHERWISE



FINANCIAL SUMMARY

MILLIONS OF DOLLARS EXCEPT PER SHARE AMOUNTS

Operating Results	**1992**	**1991***	**1990**	**1989**	**1988**	**1987**	**1986**
Net sales	**$1,094.3**	1,115.8	1,868.5	2,001.1	2,013.3	2,127.8	1,944.8
Operating earnings before:	**$ 47.3**	27.1	133.9	167.7	216.9	198.7	187.9
Depreciation and amortization	**$ 43.8**	45.6	55.0	51.8	56.9	56.7	56.3
Earnings (loss) from operations	**$ 3.5**	(18.5)	78.9	115.9	160.0	142.0	131.6
Earnings (loss) from continuing operations before income taxes and other items	**$ (45.1)**	(76.5)	10.6	57.1	108.3	89.0	81.7
Provision for (recovery of) income taxes	**$ (11.7)**	(25.2)	0.1	20.9	41.5	42.1	32.7
Earnings (loss) from continuing operations before other items	**$ (33.4)**	(51.3)	10.5	36.2	66.7	46.9	49.0
Earnings (loss) from continuing operations	**$ (36.4)**	(56.4)	7.2	28.2	55.6	39.9	43.1
Net earnings (loss)	**$ (19.6)**	(59.4)	17.0	12.9	41.9	31.8	44.1
Earnings (loss) per share**							
Continuing operations	**$ (2.51)**	(3.71)	(0.76)	0.29	1.77	0.91	1.05
Earnings (loss) per share	**$ (1.71)**	(3.86)	(0.25)	(0.55)	1.03	0.46	1.11
Return on sales	**% (1.8)**	(5.3)	0.9	0.6	2.1	1.5	2.3
Financial Position	**1992**	**1991***	**1990**	**1989**	**1988**	**1987**	**1986**
Current assets	**$ 453.4**	533.2	620.7	951.8	970.2	913.4	861.0
Current liabilities	**$ 325.8**	354.9	369.3	466.1	464.3	441.8	374.2
Working capital	**$ 127.5**	178.2	251.4	485.7	505.9	471.6	486.8
Net additions to fixed assets	**$ 7.0**	24.7	39.6	68.0	89.8	88.5	84.4
Total assets	**$1,182.6**	1,296.6	1,411.8	1,838.2	1,853.9	1,764.7	1,698.4
Long-term liabilities	**$ 309.4**	356.7	355.7	550.6	508.2	449.8	436.0
Exchangeable debentures	**$ 95.2**	95.2	95.2	95.2	95.2	95.2	95.2
Shareholders' equity	**$ 422.3**	446.9	535.5	548.2	577.3	582.6	604.1
Dividends	**$ 3.2**	19.1	33.0	34.0	34.1	34.2	33.7
Book value per share**	**$ 8.32**	10.35	14.65	15.76	16.91	16.48	16.64

* 1991 results have been restated to reflect the effect of operations classified as discontinued in 1992.

** Per share amounts are calculated after providing for declared and undeclared preferred share dividends.

1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973
1,342.7	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
138.9	129.3	67.7	52.6	99.1	82.0	96.7	57.0	28.4	20.5	14.1	43.7	17.7
39.5	34.5	27.0	23.9	19.6	14.9	11.4	8.0	6.8	6.1	3.6	3.3	2.4
99.4	94.8	40.7	28.7	79.5	67.1	85.3	49.0	21.6	14.4	10.5	40.4	15.3
57.6	54.4	(0.3)	(25.7)	33.9	41.1	69.0	41.1	14.6	7.2	6.4	37.6	14.2
18.3	15.8	(5.9)	(15.3)	8.6	12.4	25.4	16.7	4.6	1.6	1.7	16.5	5.8
39.3	38.6	5.6	(10.4)	25.3	28.7	43.6	24.4	10.0	5.6	4.7	21.1	8.4
35.1	32.3	2.9	(9.9)	25.2	28.3	42.7	24.0	9.8	5.4	4.5	20.4	8.1
35.1	33.8	0.8	(9.9)	28.4	28.3	42.7	24.0	9.8	5.4	5.4	20.4	8.1
1.04	1.53	(0.17)	(1.20)	2.08	2.47	3.98	2.20	0.89	0.52	0.43	2.12	0.87
1.04	1.64	(0.34)	(1.20)	2.37	2.47	3.98	2.20	0.89	0.52	0.52	2.12	0.87
2.6	2.8	0.1	(1.5)	3.9	4.6	8.6	9.0	5.9	4.0	5.2	13.5	9.0

1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973
623.1	536.0	461.8	347.6	335.5	273.7	257.3	131.2	105.9	100.6	88.6	76.8	44.0
228.1	263.2	191.0	204.7	223.3	143.8	147.0	74.1	69.5	69.6	59.5	45.9	25.6
395.0	272.8	270.8	142.9	112.2	129.9	110.3	57.1	36.4	31.0	29.1	30.9	18.4
46.3	39.5	16.6	42.6	60.8	64.2	34.3	27.6	19.7	7.4	16.0	32.4	14.6
1,281.4	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
300.5	350.8	263.4	273.4	207.3	187.5	143.2	58.4	30.8	32.2	33.5	29.8	18.6
95.3	—	—	—	—	—	—	—	—	—	—	—	—
520.6	366.9	303.3	194.9	206.3	187.8	151.7	116.8	95.6	74.2	70.8	67.3	48.1
28.4	19.4	10.3	7.0	9.3	8.4	7.9	5.3	2.6	1.9	1.9	1.7	0.4
15.01	14.29	13.22	14.25	16.23	14.46	12.61	9.49	7.68	7.04	6.68	6.34	4.37

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