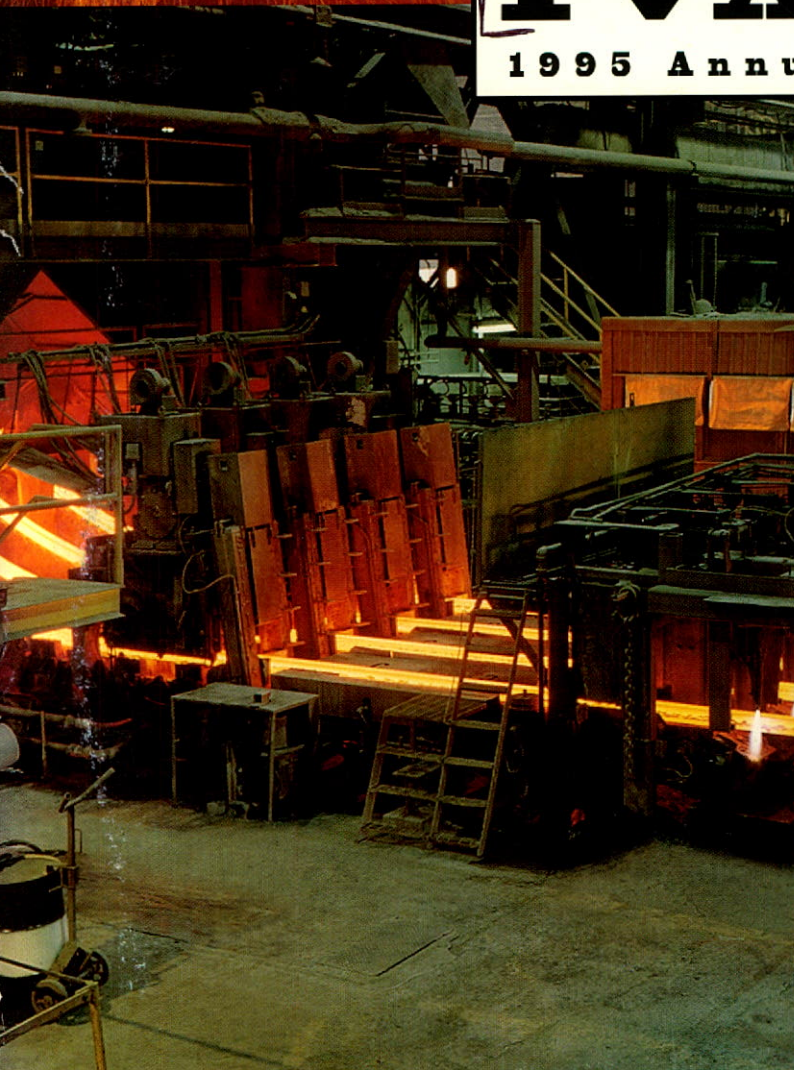
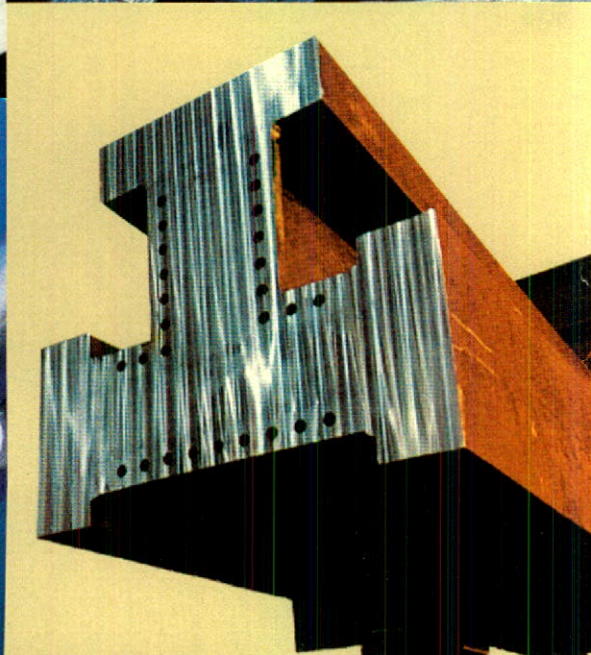
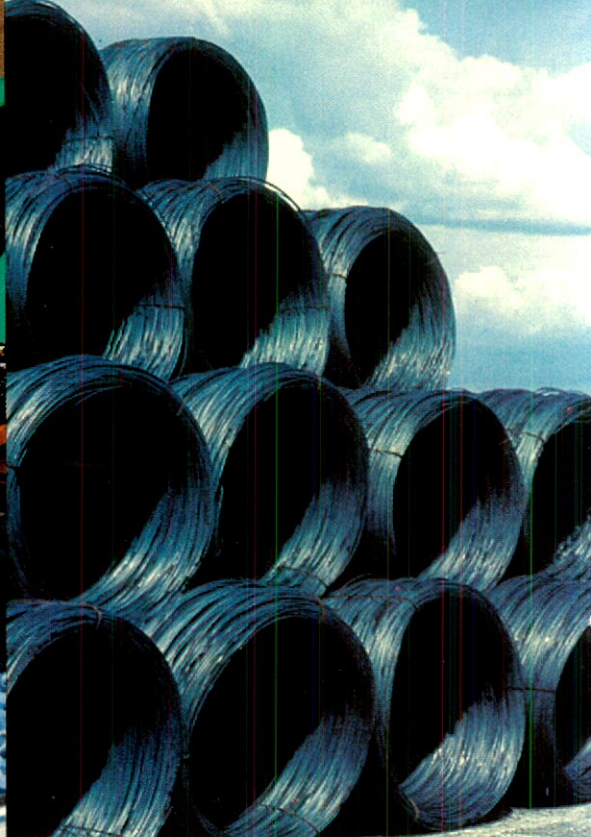
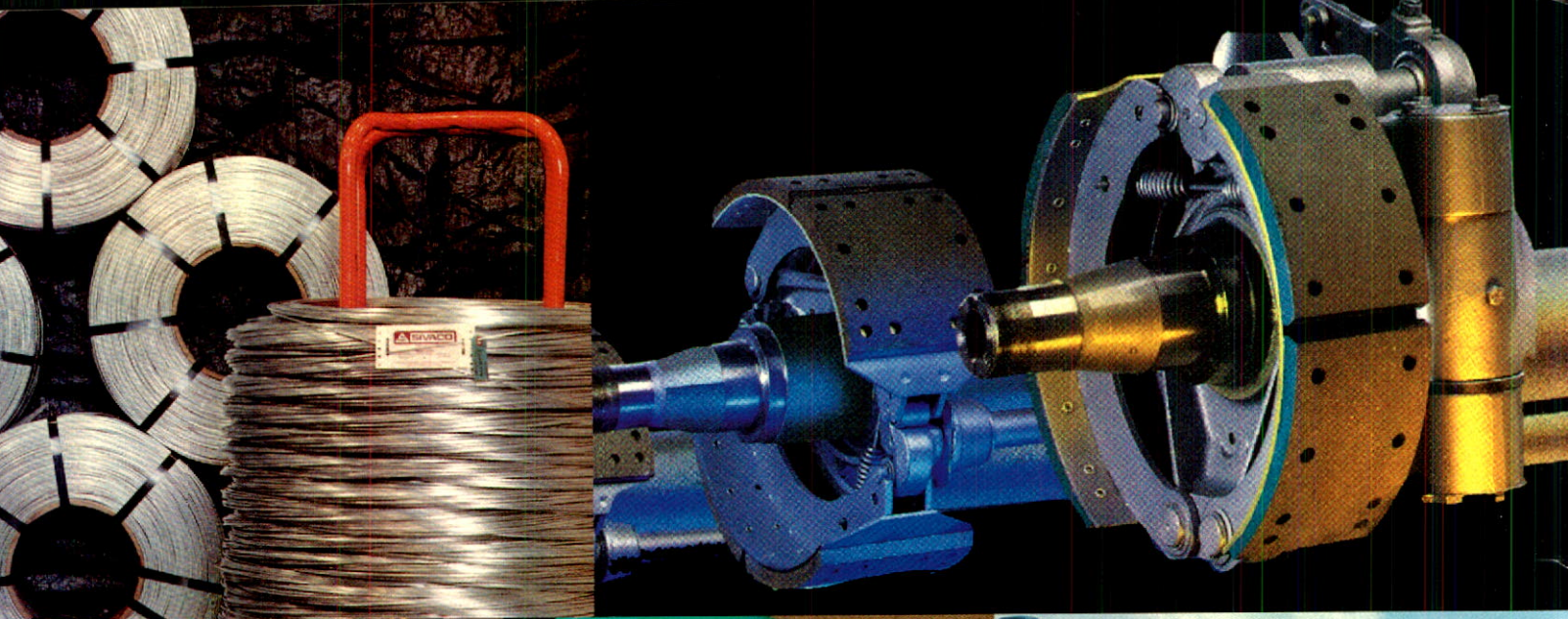


IVACO
1995 Annual Report





FINANCIAL HIGHLIGHTS

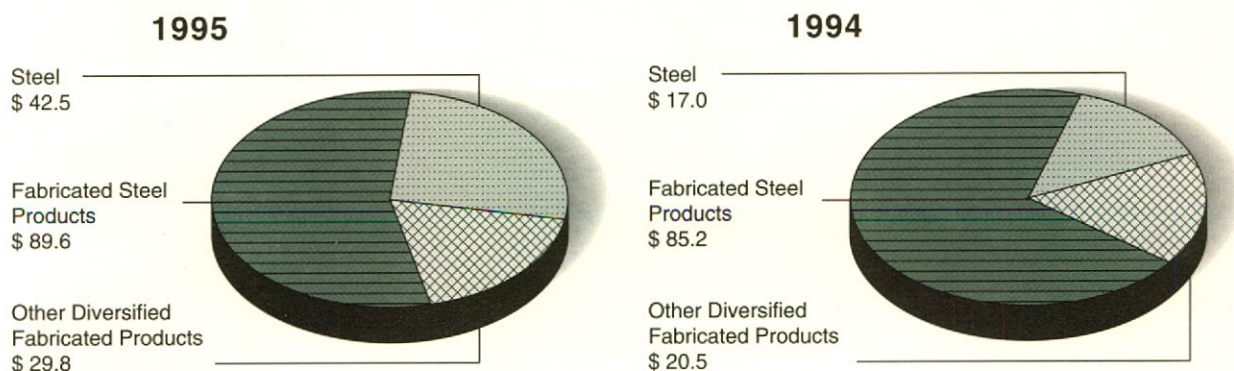
Thousands of dollars except per share amounts

	1995	1994
Sales	\$1,630,287	\$1,418,242
Operating earnings (EBITDA) ¹	\$ 161,851	\$ 122,731
Earnings from continuing operations before income taxes	\$ 74,459	\$ 45,013
Earnings from continuing operations	\$ 37,377	\$ 18,404
Net earnings	\$ 31,952	\$ 8,054
Earnings (loss) per share ²		
Continuing operations	\$ 0.66	\$ 0.13
Net earnings (loss) per share	\$ 0.47	\$ (0.25)
Working capital	\$ 336,992	\$ 263,037
Net additions to property, plant and equipment	\$ 43,851	\$ 33,559

¹ Earnings before interest, taxes and amortization.

² Declared and undeclared preferred share dividends have been deducted in calculating per share amounts.

EBITDA¹ (in millions)



¹ Earnings before interest, taxes and amortization.

COMPANY PROFILE

Ivaco is a leading North American producer of steel, fabricated steel products, and other diversified fabricated products with operations in Canada and the United States.

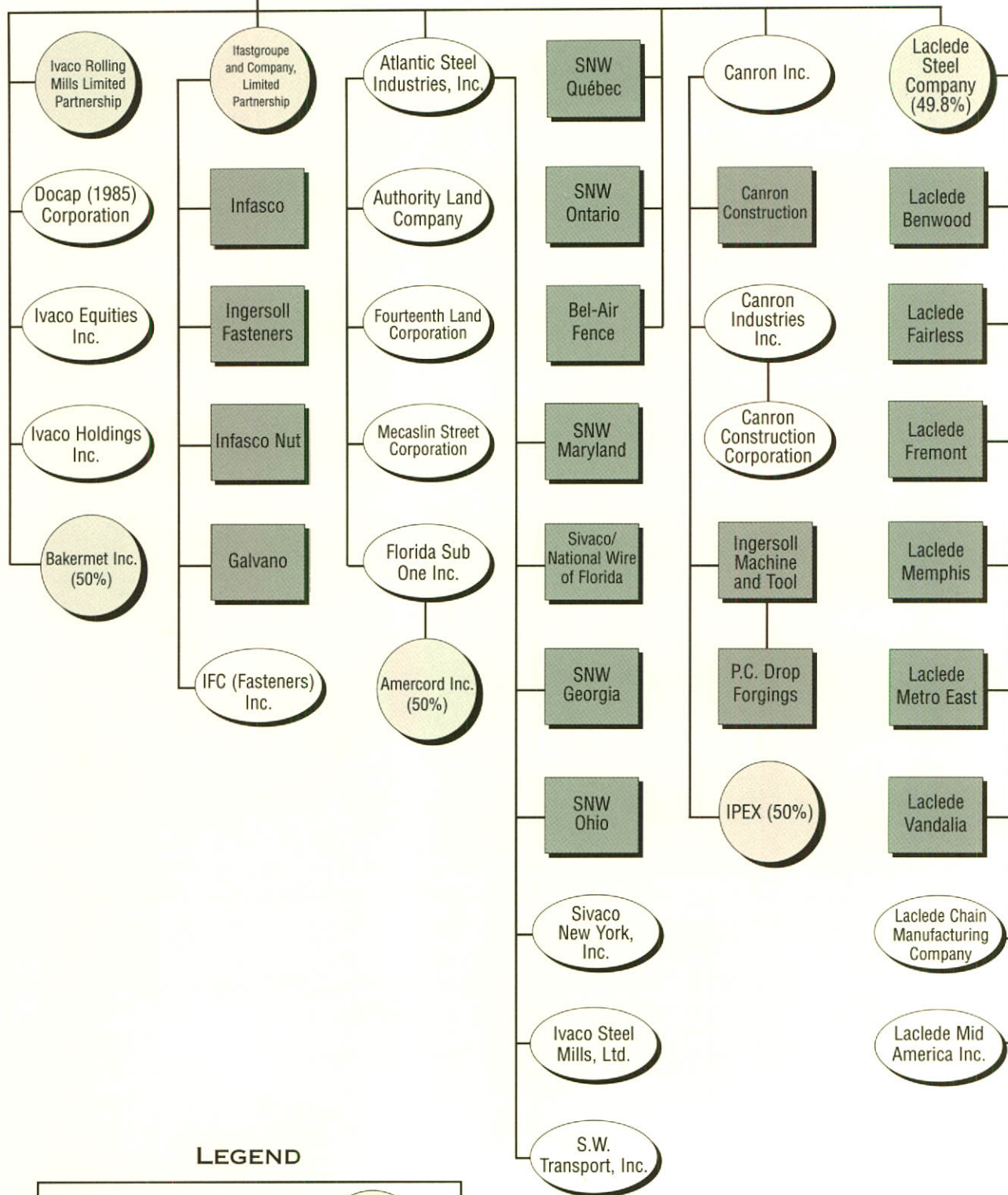
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IVACO

ORGANIZATION CHART

100% OWNED UNLESS NOTED OTHERWISE



LEGEND



To Our Shareholders:

March 28, 1996

Ivaco entered 1995 with the expectation that it would be a banner year. It is a very great pleasure to report that results for the year just past were a huge improvement compared with those of last year and that this was achieved despite the widespread economic softness which occurred in the fourth quarter. It was, in fact, a good year not only in terms of improved financial performance but, perhaps most significantly, because most of the Company's major operating units continued to achieve productivity gains which will benefit the coming year.

At the beginning of the year, the North American economy was on a roll which, in the opinion of most economic pundits, would result in continued strong demand for industrial goods such as steel and steel products for a period expected to last well into 1997. During the third quarter of 1995, your Company's management concluded that this optimistic consensus might be correct in the macro sense, but that some temporary weakness would occur as a result of a general softening in the North American economy and inventory reductions by customers. It was anticipated that such weakness would affect the fourth quarter of 1995 and the first quarter of 1996.

One of the outstanding achievements within the 1995 financial results is the strengthened top line. The increase in sales by 15% to \$1.6 billion is attributable to improved performance within the operating units. One important contributor to revenue growth was the Company's continued emphasis on evolving the product lines of the operating companies to increase the proportion of higher value-added products. This successful program also had a similar beneficial effect on earnings.

We were pleased to report that after tax earnings from continuing operations, before deducting a special restructuring charge, reached \$43.6 million in 1995, up by some \$25 million from \$18.4 million achieved in 1994. Only once in the Company's history — and that was the boom year of 1988 have these earnings been exceeded.

The earnings from continuing operations number is particularly important to shareholders because it significantly reflects the performance and the probable future capability of the operating businesses within the Company.

The special charge mentioned above, which warrants special attention, represents a non-cash, special restructuring charge related to 49.8%-owned Laclede Steel. Ivaco's share was \$6.2 million, net of tax. Laclede had taken the charge to reflect the shutdown of its blooming mill and the halt of production of hot rolled wire rods. By way of explanation, the blooming mill was used in earlier technology which Laclede has replaced by adding sophisticated ladle metallurgy technology and by becoming 100% continuous cast. Similarly, Laclede has decided that the capital required to bring the rod mill to current technological excellence would be more wisely invested elsewhere. Accordingly, it will benefit from purchasing its wire rod requirements in the open market.

In 1994, two of Ivaco's large operating units reported losses. These were Atlantic Steel and Cannon's Construction Division. It is a great pleasure to report that Atlantic cut its losses considerably in 1995, and in fact reported the single largest improvement of any Ivaco company. Cannon's Construction Division also

improved its results in a significant way and reported an operating profit in 1995. For 1996, its objective is to report a further improvement in earnings.

One of Ivaco's strengths is the maturing of a long-term program referred to within the Company as its "*accordion*" strategy. In simplified form, the "*accordion*" represents the Company's ability to create an optimum balance for the sale of wire rods into the open market. One reason it works so well, is that Ivaco is not only one of the largest producers of wire rods in North America, but in addition, its downstream fastener and wire and wire products manufacturing operations are also very large consumers of wire rods.

Under normal business conditions, Ivaco's downstream business units collectively consume over 50% of Ivaco's wire rod production. When demand weakens, the downstream operations purchase more of their wire rod requirements from Ivaco's own mills and, as a consequence, the "*accordion*" is expanded, thus enabling our rod mills to continue to operate at high levels of capacity. It is a strategy that also fits the Company's long-term objective to be the low cost producer in each of the major manufacturing sectors in which it operates. In fact, the importance of value-added fabricated products is clearly illustrated elsewhere in this report in the sections reviewing the operations of the individual businesses. Each section is headed by information with respect to each business' operations including the earnings of each group before interest, taxes and amortization (EBITDA).

EBITDA is financial industry jargon for a popular tool used by financial analysts. It strips out non-production artificialities to become an effective measurement of operating efficiency and cash flow. Over time, it gives an accurate reading

of the capability of a business to grow and prosper, and Ivaco is pleased to introduce this financial disclosure tool in its financial reporting. As a whole, Ivaco reported EBITDA of \$161.9 million in 1995 compared to \$122.7 million in the prior year.

These positive results are the cumulative effect of the comprehensive cost reduction program which was implemented during the depths of the recession in 1992. Throughout these four years, each operating unit meticulously examined every aspect of its operations with the view to applying innovative and creative programs to cut costs, enhance productivity, and increase its share of value added products. In a dramatic manner, Ivaco's EBITDA has grown from \$43.1 million in 1992 to \$161.9 million in 1995.

The Steel segment, including wire rod and bar products had a good year and achieved EBITDA of \$42.5 million in 1995. Ivaco Rolling Mills in Canada and Atlantic Steel in the U.S. were both impacted by scrap prices, which had spiked seemingly irrationally in late 1994 and remained high in 1995. On average, in fact, prices were slightly higher for the year as a whole. Steel scrap is the major raw material cost in steelmaking and increases in scrap prices impact costs immediately, while price increases for steel and steel products, to recover the additional costs, generally take upwards of three months to impose.

Notwithstanding the stresses created by higher scrap prices, the Steel segment recorded improved operating results and Atlantic Steel made excellent progress during the year. Atlantic is in the midst of implementing a multitude of small budget, short payback investments to enhance plant efficiency and reduce costs.

Both of the Company's 100%-owned steel-making and rolling mill complexes improved their productivity during the year and each operated at, or near, capacity.

The Fabricated Steel Products segment, which includes Ifastgroupe and the Sivaco/National Wire Group, also had a very good year in 1995 and achieved EBITDA of \$89.6 million.

Ifastgroupe continued to excel, as it has for several consecutive years. It has built itself into North America's largest producer of bolts and nuts through disciplined attention to product quality at the manufacturing stage combined with an extraordinarily high level of customer service, made possible by having large scale inventory available at strategic locations throughout the continent.

Sivaco/National Wire Group has undergone radical changes in recent years and the principal one has been to move from the production of huge volumes of commodity grade products to increase its share of quantities of premium and special quality products and this effort is continuing.

The Other Diversified Fabricated Products segment consists of the business units under the management of Canron. These include the fabrication and erection of structural steel, the manufacture of precision machined components and steel forgings and the production of plastic pipe and fittings. This segment had EBITDA of \$29.8 million in 1995.

All three of these business units delivered positive results in 1995. In particular, the structural steel division was awarded important jobs as the construction climate began to improve.

Ingersoll Machine and Tool and its forging unit, P.C. Drop Forgings, continued to grow successfully during the year, as a result of increased demand for axle products.

IPEX, which is 50%-owned by Canron, continues to be Canada's largest manufacturer of plastic pipe and fittings. The major markets for these products are plumbing, electrical, industrial, agricultural and municipal. Increased revenues and earnings were reported despite deferred infrastructure spending by provincial governments and lower housing starts during the year.

Equity Investments consist of Ivaco's 49.8%-owned Laclede Steel, 50%-owned Amercord, and 50%-owned Bakermet. Collectively, these three businesses contributed \$2.5 million to Ivaco's earnings from continuing operations.

Laclede is a midwestern U.S. steelmaker which has substantial downstream fabricated product operations and Ivaco has indicated a willingness to divest its interest in Laclede. Meanwhile, Laclede is expected to become 100% continuous cast during the second quarter of 1996 which should positively affect its cost structure.

Amercord is another of Ivaco's successful joint ventures. It continues to grow in stature within the tire reinforcement industry and further market share gains are expected again this year. Based on customer indications, Amercord anticipates operating at full capacity during 1996.

Bakermet is one of Ivaco's windows into the scrap steel industry. It is a successful processor of scrap which supplies about a third of Ivaco Rolling Mill's scrap requirements. It also provides Ivaco with an insider view of scrap markets in its operating areas.

The joint venture concept continues to make a great deal of sense for Ivaco. These principally are businesses which have intrinsic value and could benefit by joining forces with a partner which would provide significant synergistic benefits. As a result your Company is continuing to pursue joint ventures in specific areas of its operations.

On the subject of synergy, your Company has disposed of the operating assets of Wrights Canadian Ropes in its high carbon wire rope business and acquired a 15% interest in Wire Rope Industries, a large producer of wire ropes and cables and a subsidiary of Noranda Inc. In addition to receiving an investment in Wire Rope Industries, Ivaco also realized net proceeds of approximately \$6.5 million from Wrights' working capital and disposing of the operating assets. Wrights also has valuable property located in Richmond, British Columbia which has been listed for sale.

In 1995, your Company made two very positive moves concerning its financial position.

The first was the successful acceptance by shareholders of its plan to resolve the arrears on the four series of Second Preferred Shares. Shareholders overwhelmingly approved the plan and, in addition to receiving 75% of the arrears and the resumption of regular quarterly dividends, they also received in early 1996 the first of three equal annual instalments which will completely eliminate the arrears.

The second major financial event was the closing of an issue of U.S. \$150 million of unsecured Senior Notes. The Senior Notes were issued at par, bear interest at 11.5% and are due in one payment in 2005. They have been listed for trading on The New York Stock Exchange. The proceeds from the issue were used primarily to prepay bank debt which otherwise would have been due over the next three years. The issue has had a positive effect on Ivaco's financial position by increasing working capital, considerably reducing required annual loan repayments, and fixing the rate of interest for a ten year period.

The outlook for 1996 is for a very weak first quarter, followed by improvement for the balance of the year.

We would like to take this opportunity to thank Mr. Herbert B. McNally for his valuable service rendered as a director to the Company over the last 21 years.

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

On behalf of the Board of Directors,



Paul Ivanier

President and Chief Executive Officer

The Ivaco Group

The Ivaco Group is comprised of three main business segments: Steel, which includes wire rod and bar products; Fabricated Steel Products produced from wire rods, which includes fasteners, wire and wire products; and, Other Diversified Fabricated Products, which includes structural steel, precision machined components and plastic pipe and fittings. The Company also has a 49.8% interest in Laclede Steel Company, a 50% interest in Amercord Inc. and a 50% interest in Bakermat Inc., all of which are accounted for using the equity method.

The following pages describe each of the abovementioned business segments in detail.

STEEL

(Wire rod and bar products)

	<i>(in millions)</i>	
	<u>1995</u>	<u>1994</u>
<i>Sales</i>	\$ 466.8	\$435.5
<i>EBITDA¹</i>	\$ 42.5	\$ 17.0
<i>Capital expenditures</i>	\$ 19.1	\$ 12.7
<i>Total assets</i>	\$334.7	\$333.7
<i>Tons shipped²</i>	1,393,800	1,322,400

¹ Earnings before interest, taxes and amortization.

² Includes shipments to downstream affiliates.

Your Company's Steel business consists of wholly-owned Ivaco Rolling Mills, at L'Original, Ontario and Atlantic Steel at Atlanta and Cartersville, Georgia.

1995 was a particularly positive and eventful year for Ivaco's Steel segment. The segment achieved record production and collectively generated the best financial results in many years. Demand for product remained relatively high throughout the year. The raw material cost escalation which occurred late in 1994 resulted in moderately higher scrap costs in 1995

and pricing for steel products increased slowly through most of the year toward more appropriate levels.

Of particular significance to Ivaco was that both steelmaking operations improved their performance compared with the prior year, and each made meaningful progress toward improved operating efficiencies, which will beneficially affect the cost of production in the coming year.

Each of the Company's steelmaking and rolling mill units produced at or close to capacity throughout the year and as a result, achieved important productivity benefits.

The Company produces steel in highly efficient electric arc furnaces and is 100% continuous cast.

The Company is developing increasing flexibility to utilize different feedstocks. All of the steelmaking plants utilize as part of the furnace feed stock, iron substitutes as a supplement to scrap. These include such materials as pig iron, direct reduced iron, and hot briquetted iron.

Both Ivaco Rolling Mills and Atlantic Steel's steelmaking and rolling mill operations successfully improved productivity and energy utilization during the year. Also, the proportion of value-added premium grade compared to commodity grade finished products continued to increase, as it has in recent years.

For 1996, the demand for product remains relatively high and the Company's successful emphasis on continued investment in cost control and productivity improvements will be maintained, with the result that 1996 should be a relatively good year for Ivaco's Steel segment.

IVACO ROLLING MILLS

Ivaco has developed an extremely successful, synergy-oriented steelmaking and rolling mill complex at L'Original, Ontario. While it is called Ivaco Rolling Mills (IRM), the complex actually consists of two contiguous mills, one of which is a steelmaking plant that produces steel billets specifically to size and chemistry to feed the adjacent highly specialized rolling mill operation. Both mills achieve extraordinarily high standards of productivity on account of the combined operation being focused on producing a single family of end products: hot rolled wire rods. Hot rolled wire rods, in turn, are the basic raw material for a host of large tonnage steel products such as fasteners, wire and wire products, nails, and tire reinforcements, all of which are produced on a large scale by Ivaco's downstream manufacturing plants.

The complex was specifically designed so that rolling capacity would exceed steelmaking output. As a result, a number of significant benefits are achieved. These include (i) the ability to run the steelmaking operation at full capacity year round; (ii) the ability to roll special quality purchased billets which have either physical or chemical characteristics that would be difficult or uneconomic for the melt shop to produce, and (iii) the opportunity to expand the steelmaking plant continuously in small and discrete steps while ensuring that the contiguous rolling mill has the capacity to consume 100% of billets produced.

In 1995, Ivaco Rolling Mills achieved record production as a result of (i) a strengthened North American economy, (ii) increased operating efficiencies at both the melt shop and the rolling mill, and (iii) continued gains in the proportion of higher margin value-added products in the overall product mix.

IRM has taken several steps resulting in significant cost savings over the last year. An energy management program was implemented to streamline operating procedures which include energy management objectives. This was supported by an extensive training program which drove an organization wide culture change. The result has been a significant and continued reduction in total energy expenditures. Also, a continued emphasis on safe working practices, and the achievement of employee participation in safety programs, are resulting in more reductions in accident rates and severity. Safety at IRM is very much more than an economic issue. It is vitally important for human and community reasons and remains a top management priority.

The steel plant's product development group has been successful in developing new products to replace certain steels purchased from rolled billets. This has resulted in savings from the lower cost continuous casting process. In addition, product chemistries have been modified to lower cost mixes to take advantage of the capabilities of the new electromagnetic stirring (EMS) units started up in the second quarter. A further cost saving from the EMS installation has been the continuing increase in the percentage of on-spec material produced. Some examples of the steels developed are low carbon aluminum killed steels which, because of enhanced formability, are in demand in the fastener industry; a low alloy, high carbon steel containing chromium which is used in automotive applications (IRM is the first North American facility to make this product on a continuous caster); a substitute for rimmed steel previously supplied from rolled steel to the welding industry; and other low alloy and boron steels used in fastener manufacturing. Over two-thirds of IRM's wire rod production is in value-added grades.

A new billet conditioning facility was started up in 1995. This included a high performance shotblaster to clean the billets, allowing defects to be seen more readily and removed prior to rolling. In addition, the incorporation of fully automatic billet rotation has improved the safety of the process. This production facility has lowered the cost of conditioned billets produced for the premium quality products.

In addition to those changes aimed at specific, quantifiable cost reductions, IRM has also worked at improving the quality of its operations and products. To this end, IRM applied for ISO certification of its quality system in late 1995. ISO certification is recognized in more than 60 countries worldwide and is increasingly used by the purchasers of goods and services as a measure of operational and quality control performance and as a condition for purchase contracts. It is a pleasure to report that IRM's quality system was certified to the requirements of ISO 9002-94 on its first audit in the first quarter of 1996.

IRM's highly efficient operations on the steel-making side consist of two electric arc furnaces, a ladle metallurgy furnace and a four-strand continuous billet caster. On the rolling side it consists of a high-speed twin-strand rod mill which is equipped with state-of-the-art no-twist finishing, real-time electronic controls for precision dimensional and surface quality characteristics, along with customer friendly compacting and packaging of finished product.

While the steel plant is capable of operating each of its two furnaces, only one is used on a regular basis. The second furnace acts as an on-line insurance policy.

The move to single furnace production was initiated in 1990. Since that time, the Company has learned how to produce more

steel in one furnace than it ever had been able to do in two. This increase in capacity has not involved large capital expenditures. Instead it has been achieved through a significant number of small, important and relatively inexpensive technical advances.

Current plans call for a continued "capacity creep" utilizing its single furnace operation. Similar to the capacity increases achieved during the past five years, the increased production to come in the future will result from the installation of more efficient, longer lasting furnace components and other new designs which permit, among other benefits, higher electric power input. Increased tonnage will result principally from shorter tap-to-tap times and reduced downtimes.

1995 was also a very successful year for the rolling mill at IRM which produces one of the broadest assortments of wire rod diameters in North America, ranging in size from 5.5 mm to 20.0 mm. The rod mill achieved its highest level of production ever in 1995, largely due to increased productivity resulting from technological upgrades.

Among the rod mill improvements which were either implemented during the year or fine tuned following installation in the previous year were (i) modifications to the initial reduction process at the roughing stands and (ii) the successful use of ring distributors at the end of the rolling process.

The modifications to the roughing stand area were initiated before the year began. The principal change consisted of redesigned roller housings at the first four stands where the reheated billet begins the reduction process. The new pass design permits gentler reduction of the billet to its progressively smaller diameter and elongated shape. The gentler process substantially enhances quality and, as a consequence, the

rate of production is increased because the mill can run at more consistent rates. The modified pass design results in greatly reduced stress to the steel, hence the beneficial outcome of fewer defects and better size retention.

The new ring distributors work exceedingly well. As the finished rods reach the end of the cooling conveyors, the ring distributors control the formation of the coil which forms the final coil package. The ring distributors produce a denser, smaller, more compact and uniformly layered coil. This significantly improved the quality of the finished coil and has won plaudits from customers because the rod pays off smoothly into their own conversion equipment.

Improvements to the production process, combined with continued success in achieving high standards for quality, have helped the rod mill (i) sell more tons of rods than ever before; (ii) maintain its high proportion of special quality steel rods, now over two-thirds of the total, despite the higher aggregate throughput; and (iii) increase the yield from billet to finished rod from the already high levels reached in the previous year.

One part of the IRM success story, as it relates to product quality, is that IRM has been a pioneer with respect to the installation of precision measuring devices. It was, for example, the first rod mill in North America to utilize ORBIS gauges for online measurement of rod diameter. In 1995, product quality was further advanced by the development and installation of a computerized gauge based on laser technology, which measures the cross-sectional area of irregular sections during the rolling process.

The outlook for Ivaco Rolling Mills is for continued improvements in productivity in both the steelmaking and rolling mill facilities and for continued profitability.

ATLANTIC STEEL

A turnaround of major proportions was achieved by Atlantic Steel in 1995. The year began on a highly positive note with the expectation that the significant loss recorded in 1994 could be reduced substantially and this was, in fact, attained.

Atlantic Steel has a modern and highly efficient electric furnace steelmaking plant at Cartersville, Georgia and rolling mills at both Cartersville and Atlanta. Atlantic produces steel bars for service centers, the automotive and construction industries as well as special quality bars for fasteners, machinery and cold finished bar producers. It also produces hot rolled wire rods for the manufacture of wire, fencing and welded wire fabric. The Company has a 132 ton electric arc melting furnace, which is an advanced technology eccentric bottom tapping (EBT) furnace which operated at full capacity throughout the year. Additionally, there is a separate ladle metallurgy furnace (LMF) which allows production of steels to very exacting specifications. The EBT unit permits the Company to produce more than 200 different steel chemistries, including merchant, special quality, alloy, and high strength/low alloy grades. The second furnace is employed as a standby unit. It is a 100 ton furnace and allows for expanded production during periods of unusually strong demand.

Atlantic Steel is particularly well positioned for the efficient production of steel billets. Not only is the steelmaking plant 100% continuous cast, but it has ten strands of continuous casting at one location at Cartersville, Georgia. These are made up of a six strand and a four strand caster. The Company currently produces six different billet sizes, and this caster configuration allows changes to be made between the various

billet sizes without hampering productivity in the furnace operations.

There are many reasons for Atlantic's dramatic improvement in operating results during 1995, but the most significant factor has been a wide ranging and comprehensive program to control costs.

In 1994, Atlantic Steel embarked upon a long-term detailed program to analyze every single production step in each of the Company's steelmaking and rolling mill operations. The Company's engineers, planners, supervisors and mill workers were asked to identify how things could be done better. The response has been extraordinary. Emphasis was placed on identifying small, incremental improvements to the production processes and before long a substantial flow of ideas was being generated. This has resulted in a large number of projects, most of which have a relatively low capital cost, which offer full payback within 24 months or less.

The early projects included the installation of automated flat stacking equipment at the 13" bar mill, the addition of an automatic hot metal sampling system for the EBT furnace and improvements to the movement of billets from the steel plant at Cartersville to the two rolling mills at Atlanta. During 1995, the Company initiated more than fifteen low budget, fast payback projects.

Among the larger scale refinements were:

- Replacement of the furnace electrode regulating system.
- Installation of a billet weighing system on the 6-strand caster.

- Addition of an ORBIS III Bar Gauge on the 12" bar mill.
- Installation of a new, online computer and business system.
- Addition of a post-combustion furnace lance on the EBT furnace.
- Installation of new roller bearings and guides on the 13" bar mill.

These, and the many other small projects either completed or initiated during the year, are expected to generate permanent continuing cost savings in the range of \$3 million per year. These savings are in addition to the significant savings achieved in the previous year through application of the same kind of thinking; and a large number of small scale, rapid payback projects have already been identified for completion in 1996.

Three of the projects noted above have significant importance. The new regulator is designed to reduce the consumption of both electric power and electrodes, each of which is a large cost component in the steelmaking process. The billet weighing system is a typical example of how the program reduces costs. This automated weighing system permits adjustments to the length of each individual billet so that its weight is controlled to a high standard of precision. By controlling the weight of the billet, wastage at the bar mills is substantially reduced when the billet is rolled into a finished product. Similarly, the installation of the ORBIS III precision dimensional gauge at the 12" bar mill helps to achieve faster set up, provides more exacting control of product dimensions, and results in production of a substantially more consistent product which reduces wastage and provides a major customer benefit.

The new, online computer and business system commenced operation in 1995 and will be fully on stream in the second quarter of 1996. This state-of-the-art system will fully integrate information from all functional areas of the Company and allow the introduction of new technologies such as electronic data interchange (EDI) and bar coding. It will introduce more sophisticated capabilities for controlling both production and inventories and will also provide improvements to customer service.

Demand for Atlantic Steel's products remained relatively high during 1995, and the Company successfully extended its marketing reach to pursue new customers further afield geographically from its regular territories in the Southeast, Midwest and Northeast.

The Company's two bar mills both operated full out on a four-crew basis throughout the year. Among the new products which helped sustain this volume are small-sized steel flats and larger round bars.

The new very small flats, such as 3/16" by 1", are generating attractive volume and achieving reasonable margins. They complement the Company's traditional range of high quality flats that are produced for pre-engineered metal buildings, cold finishing, general construction and other applications. The larger round bars

expand Atlantic Steel's capabilities to serve the forging, hand tool, cold finishing and fastener industries.

While the Company's two bar mills were running virtually flat out for all of 1995, the demand for products from its rod mill dropped somewhat in the second half of the year, principally due to an increase in imports into the southeastern U.S. and a slowing of the region's economy. The rod markets for welded wire fabric, concrete reinforcing mesh and commodity grade wire products were particularly hard hit during the second half of the year. However, it has become apparent that the heavy construction industry is coming back to life, and this should result in generally strong markets for many of the Company's products in 1996.

As mentioned in previous annual reports, Atlantic Steel is an enthusiastic participant with Ivaco Rolling Mills in a senior level joint committee to achieve the highest possible standards for safety at both companies. This program continues to have excellent results and the frequency rate and severity rate of accidents has dropped since its inception.

Atlantic Steel's outlook for 1996 is for continued benefits from cost reduction programs.

FABRICATED STEEL PRODUCTS

(Fasteners, wire and wire products)

	(in millions)	
	1995	1994
Sales	\$ 679.6	\$643.9
EBITDA ¹	\$ 89.6	\$ 85.2
Capital expenditures	\$ 18.7	\$ 16.3
Total assets	\$490.2	\$468.5
Tons shipped	729,900	693,400

¹ Earnings before interest, taxes and amortization.

Value-added Fabricated Steel Products produced from wire rods, includes the Company's extensive fastener and wire operations which together comprise 11 manufacturing plants.

FASTENERS

Ivaco's fastener operations, Ifastgroupe and Company, Limited Partnership, had an extremely successful year in 1995. Revenues continued to increase significantly and it is likely that Ifastgroupe manufactured and sold more tons of hot and cold forged standard bolts and nuts than any other producer in North America. In addition to being such a large producer of standard fasteners, Ifastgroupe is also a major manufacturer of specialty fasteners and specialty nuts.

It has four manufacturing facilities:

- Infasco in Marieville, Québec is one of the world's largest fastener manufacturing and warehousing complexes. Its mission is high speed, superior quality production of standard bolts and nuts.
- Ingersoll Fasteners in Ingersoll, Ontario is a large and sophisticated producer of specialty bolts and nuts.
- Infasco Nut in Mississauga, Ontario is the Company's specialist producer of cold formed standard and specialty nuts.

- Galvano in Beloeil, Québec produces high productivity surface coatings for fasteners and nails.

In addition, a fifth production unit called Vermont Fasteners Manufacturing, is in the process of being established at Swanton, Vermont. As Swanton is only a short distance from Marieville, this will facilitate the transfer of technology and supervision of the start-up, and it will be relatively easy to manage. Production is scheduled to commence in 1997. It will produce structural fasteners for which there is a very substantial market in the United States.

Steel bolts and nuts are produced from hot rolled wire rods and the Company's manufacturing units collectively consume huge quantities of wire rod, the majority of which comes from the affiliated steelmaking operations, Ivaco Rolling Mills. A large portion of the fastener output is made from premium grades of wire rod.

Ifastgroupe has been on a fast track to growth for more than three decades. It has achieved this growth by working within a disciplined strategy having the following principal elements:

- Continuously re-engineer the production equipment to remain state-of-the-art;
- Utilize volume production runs to contribute to being a low cost producer;
- Adhere rigorously to strict quality assurance and quality control guidelines; and
- Provide leadership for customer service through a policy of maintaining the largest and most comprehensive inventories at multiple locations for the many thousands of diverse bolts and nuts differentiated by

type, grade of steel, size, shape, and finish criteria.

The process begins with co-operative exchanges between the scheduling experts at the fastener plants and the rolling mill to ensure adequate supplies of hot rolled wire rods will be available when needed in the multitude of special grades that are used at each plant.

At Marieville, for example, the wire rod undergoes a fully automated process to prepare it for production. In swift, consecutive steps it is annealed, cleaned, descaled, lubricated if needed, and, of course, put through a comprehensive quality assurance process including complete documentation. It is then moved to one of the scores of cold heading boltmakers for high speed forging and finishing.

Bolts are produced in a multitude of shapes and sizes, some with diameters $\frac{1}{4}$ " through $1\frac{1}{4}$ " with lengths as long as 15". The production of nuts is by the hot forged process and is also a high tonnage operation.

The Infasco plant at Marieville is one of the largest fastener manufacturing and warehousing facilities in North America. Within its 700,000 square foot plant, it incorporates banks of boltmakers, automated heat treating furnaces, comprehensive inspection facilities, highly automated packaging lines, and what is probably North America's largest concentration of fastener inventory.

Of particular importance is the extensiveness and technical sophistication of the heat treating department. Heat treating is an important part of the manufacturing process for a very broad range of fasteners. Infasco has been a leader in the use of heat treating technology for years and in 1995 commenced installation of two new electrical continuous heat treating furnace lines. The new units will expand heat treating

capacity by 15% and will be operational in the first half of 1996.

Among the other internal expansion projects underway at Infasco in 1995:

- Bolt production capacity was increased by the addition of two new boltmakers and the transfer of two others from another facility;
- Several new pot annealing furnaces, each having atmosphere control, were put into production; and
- Two automated packaging lines were added to the existing extensive system.

For several years, the Company has undertaken a progressive policy to improve the environment within the plant by encasing boltmakers in cabin-like shelters as a means of reducing noise within the plant, as well as achieving smoke containment. A number of additional shelters were completed during the year with continuing beneficial effects to air quality.

Because of the strategic commitment to emphasize continuous re-engineering of the production equipment, Infasco has had a long standing routine practice of rebuilding its boltmakers and nut formers periodically to incorporate new technology as it becomes available. During 1995, this process was formalized within a new entity, called Revomac. Its purpose will be to manage the systematic overhaul of Ifastgroupe's production equipment.

Ingersoll Fasteners is the Ifastgroupe unit that makes specialty bolts and nuts. It experienced record sales levels in 1995, continuing the favorable trend established in the previous year.

Ingersoll concentrates on fastener products which do not fit the description for standard fasteners. As a general rule these specials constitute higher value, lower volume products rather than mass production items. Frequently, Ingersoll

will custom engineer a fastener for a particular industrial account usually because the customer requires a novel shape, an unusual grade of steel or some other unique characteristic.

Among the industries that most frequently need Ingersoll Fastener's expertise are energy producers and makers of autos, trucks, and heavy machinery.

While Ingersoll was successful in 1995, it was forced to cope with increased raw material costs combined with growing resistance to price increases by customers.

Sales increases in direct automotive, original equipment manufacturing, and U.S. automotive supplier areas continued in 1995. Sales to distributors and Canadian automotive suppliers declined moderately from 1994 and are expected to remain at 1995 levels throughout 1996. Sales of studs to the petrochemical industry showed strong growth in 1995. This trend is projected to continue in 1996.

In order to manage these sales increases effectively, Ingersoll's throughput capacity and flexibility were augmented by the installation of an additional cylindrical thread roller during the third quarter. In addition, the Company completed the rebuilding of one cold former in 1995 and placed orders for two high speed, four die boltmakers, equipped with quick changeover features. This equipment is scheduled for delivery and installation during the second quarter of 1996.

Planning was commenced during the year to begin putting into place all of the systems and procedures necessary for QS-9000 accreditation. This is the automotive quality system requirement comparable to ISO accreditation in other industries. It is anticipated that the system will be implemented and ready for audit toward the end of 1996.

Another key growth element in Ifastgroupe is Infasco Nut. It moved into much larger, more efficient premises in 1994 and, as a result, it was able to deliver stronger growth in 1995.

The Company makes specialty cold forged nuts, including flange locknuts, flange nuts, wheel nuts and connecting rod nuts, principally for the automotive industry.

One of its customers, a major automotive manufacturer, requires a supplier to requalify for its award whenever a manufacturing location is changed. Infasco Nut was gratified that not only did this company renew the award following its inspection, but also the Company's overall score was better than ever before.

The Company also continued to increase its sales during the year to several other major manufacturers, including a second major U.S. automotive manufacturer.

Currently, Infasco Nut is working at the request of a major automaker to develop a special torque locknut. This typical design challenge is strongly welcomed by the Company because it not only strengthens the concept of partnership but it opens the possibility of providing a specialty part for millions of vehicles.

While Infasco Nut is participating increasingly in the supply to automakers, it has also created a strong marketing thrust to diversify its customer base. Deliveries to non-automotive customers have started and are expected to increase over the next several years. Service to all customers can now be provided through an online computerized sales office which is open 24 hours per day.

The fourth manufacturing unit in Ifastgroupe is the Galvano Division which adds value to fastener products, as required, by applying surface coatings. These include zinc barrel electroplating, zinc phosphating, and hot dip galvanizing. It achieved positive results in 1995.

The Galvano plant at Beloeil, Québec has been designed to meet very stringent productivity criteria. In 1995, it achieved further improvements in productivity and also was able to reduce its waste treatment costs. It has made excellent progress to meet the requirements for ISO 9002 certification and completion is expected during 1996.

The outlook for the fastener business is for continued growth and excellent operating results.

WIRE AND WIRE PRODUCTS

Sivaco/National Wire Group (SNW), continued its emphasis on increasing the volume of customers for cold heading, high carbon, and other premium grade wire products.

SNW plays an important role within the Ivaco Group of companies because it has become one of the largest consumers of Ivaco made hot rolled wire rods. Hot rolled wire rods, of course, form a very large part of Ivaco's steelmaking and rolling mill output, thus making the relationship between SNW and the steel mills strongly beneficial for both business units. The wire mills end up having ready access to special chemistry or other grades of raw material while the steel mills benefit by having access to a very significant customer for their output.

This relationship is particularly important as SNW moves gradually but effectively to penetrate the extremely demanding markets for special quality or special chemistry wire products. The process must be gradual because of the need to build customer confidence over an extended period of time. Having the necessary grades of special chemistry wire rods in small quantities is an important part of the penetration process because the newly established customers for these premium products do not change their supplier relationships readily and deal with new suppliers only for token orders until credibility

is established. Fortunately for SNW, Ivaco's steel mills also are evolving their product mix at a similar deliberate pace to emphasize many of the same premium grades. The result is a strong and mutually beneficial relationship.

The extensive cost improvement program which began in 1993 has helped the Company achieve high standards of efficiency. By way of background, the upheaval felt by the entire wire products industry, in the wake of the industrial recession of the early 1990's, prompted a group-wide examination and reworking of SNW's operations. This focused on three main areas:

- Co-ordinated research and development, production, and marketing resources to increase the proportion of premium grade products in the production mix;
- Undertook deep analysis of every manufacturing step to reduce costs and increase productivity; and
- Employed selective capital spending specifically to permit production of high quality new products.

SNW has seven manufacturing plants, all strategically located to serve the entire Eastern seaboard of the U.S. and Canada in addition to a major portion of central Canada and the U.S. Midwest.

The wire and specialty products fabricated by SNW include: cold heading wire, bright and galvanized high carbon and low carbon wire, welded wire fabric, masonry reinforcement, processed wire rods, nails and other high quality wire products.

Of SNW's seven manufacturing plants, two are in Canada at Marieville, Québec and at Ingersoll, Ontario. The five plants in the U.S. are at Baltimore, Maryland; Tonawanda, New York; Newnan, Georgia; Tampa, Florida; and Toledo,

Ohio. SNW also operates Bel-Air Fence, a fence distribution business in Québec, which is the leading supplier of fencing and related products to Québec and the Maritime provinces.

The largest unit in the group is SNW Québec at Marieville, Québec. It is a 450,000 square foot complex which has achieved remarkable success in transforming itself from mass production, principally of commodity grade wire products, to volume production of high quality, premium grade products. These include such demanding high carbon products as:

- Spiral ducting wire and hose wire for the air conditioning and ventilating industries;
- Very high carbon spring wire in the extremely high tensile range, and music wire, which, despite its colorful name, is the industry's term for a grade of high carbon spring wire;
- Roping wire, a rapidly expanding product line sold to the wire rope industry;
- Galvanized high carbon wire for several different markets, including galvanized spring wire. This product requires very high quality standards which has the potential to become a significant high volume product; and
- High tensile wire reinforcement for high pressure concrete water pipes.

The spiral hose ducting wire product line has permitted SNW Québec to penetrate a very large market which, because of the quality criteria required, has relatively few producers. In addition to being drawn from high carbon steel, the galvanized ducting wire is drawn to a very fine diameter.

Currently, SNW Québec is evaluating a number of additional premium grade wire products to continue its thrust toward producing an

ever higher proportion of premium products. One recent and significant success in this area was the award of approved supplier status by a major automobile parts manufacturer which provides materials to several Japanese car makers. The product is a torsion bar formed from SNW wire and is required to meet stringent quality specifications. The selection of SNW as an approved supplier provides an important endorsement for the plant's high standards for quality.

Among the large tonnage premium products produced at Marieville is a broad range of galvanized wires. The plant has two high volume, precision galvanizing lines and both operated at or near full capacity throughout 1995.

SNW continues to de-emphasize the production of commodity grade nails, but this does not affect the continued large scale production of machine quality nails, a premium product for use in pneumatic nailing machines.

One of the key modernization steps taken in 1995 was the continuation of the program established in prior years for the replacement of older model wire drawers with state-of-the-art, high-speed machines. During 1995, a new unit consisting of nine reducing dies and a finishing block was installed in addition to other state-of-the-art units installed in previous years. The new machine is state-of-the-art technology and has been operating at full capacity since it was installed. In 1996, further efficiencies will be realized through the addition of a very high performance wire drawing unit which was delivered late in the first quarter.

As part of the overall value-added approach, SNW Québec management recognized the importance of ISO 9002 certification as one of the key industry indicators for high standards of service and quality control. Accordingly, in 1995 it completed the highly demanding process

of conforming to all ISO specifications and was awarded ISO certification.

SNW's other facility in Canada at Ingersoll, Ontario, produces drawn wire and annealed wire, and cleans and coats a variety of wire rods. It experienced a highly successful year in 1995. The plant was fully booked all year, even with the greatly increased output achieved through additions to the plant's machinery. In 1995, a second crane was added to the acid cleaning line, increasing output by 25%. In addition, overall annealing capacity was increased by more than 20% through the addition of two new furnaces. Planning for ISO certification was well advanced during the year and the precertification audit is expected in 1996.

The Company's production units in the U.S. experienced a loss in 1995. Those facilities which are strongly oriented to welded wire fabric, such as Tampa and Toledo, and, to a lesser extent, Newnan and Baltimore, all faced difficult competitive conditions. The mesh industry had to deal with the combination of surplus capacity and a low level of construction activity. The Baltimore plant manufactures many types of galvanized wire products in addition to welded wire fabric. Throughout most of 1995, the siz-

able and highly productive galvanizing line continued to operate at full capacity.

Sivaco New York, operating at Tonawanda, manufactures wire products such as premium grade cold heading wire, for which sales increased in 1995. This trend of improved sales volumes is expected to continue in 1996.

SNW's ongoing restructuring program has resulted in an overall increase in customer satisfaction as quality standards have improved. While 1995 was an improved year for SNW in terms of sales, there was, however some reduction of sales volumes in the fourth quarter due to a general economic slowdown. This trend emphasizes the importance of continuing to develop the more value-added part of the business and improve quality and efficiency. In 1996, SNW will continue its focus on emphasizing value-added products and reducing costs.

Meanwhile, the Company continues to develop sales for its successful specialty products, such as armoring wire for underwater fiber optic cables, and is concentrating on offshore exports from Marieville, Tonawanda, Ingersoll and Newnan.

The outlook is for improved performance in 1996.

OTHER DIVERSIFIED FABRICATED PRODUCTS

(Structural steel, precision machined components, and plastic pipe and fittings)

	<i>(in millions)</i>	
	<i>1995</i>	<i>1994</i>
<i>Sales</i>	<i>\$ 483.9</i>	<i>\$338.9</i>
<i>EBITDA¹</i>	<i>\$ 29.8</i>	<i>\$ 20.5</i>
<i>Capital expenditures</i>	<i>\$ 6.1</i>	<i>\$ 4.6</i>
<i>Total assets</i>	<i>\$556.6</i>	<i>\$507.1</i>

¹ *Earnings before interest, taxes and amortization.*

Other Diversified Fabricated Products comprises the Company's structural steel, precision machined components and plastic pipe and fittings businesses. All of these business units are operated through Canron Inc., which is wholly-owned by Ivaco Inc.

Canron's three business units contributed positively to earnings in 1995 and each of the three businesses increased sales revenues despite a widespread economic slowdown which became evident later in the year.

The Company's Canron Construction Division fabricates and erects structural steel; its Ingersoll Machine and Tool Division manufactures axles, precision machined components and steel forgings; and 50%-owned IPEX manufactures plastic pipe and fittings for the plumbing, electrical, industrial, agricultural and municipal markets.

STRUCTURAL STEEL

Canron fabricates and erects structural steel in North America from four locations:

- a 240,000 square foot plant in Rexdale, Ontario
- a 62,000 square foot plant in Conklin, New York
- a 180,000 square foot plant in Vancouver, British Columbia
- a 123,000 square foot leased facility in Portland, Oregon

Canron also provides construction services to the mechanical, electrical and civil trades, as well as construction management and design.

Canron specializes in providing highly engineered, heavy-duty steel structures for a wide variety of customers. The fabrication of structural steel involves the cutting, drilling, milling, punching, coping and welding of steel to form the structural components which are then shipped to the job site. Skilled erection crews then assemble the components into bridges, high rise buildings, industrial plants or institutional buildings, and leisure facilities.

In 1995, construction activity in North America increased from the low 1994 levels and demand for Canron's expertise was high, particularly in the building of bridges, arenas, industrial facilities and convention centers. As a result, revenues increased considerably over the previous year and the division has a sizable order backlog going into 1996. Some of the contracts which were awarded to Canron in 1995, and on which work is ongoing include:

- the fabrication and erection of a manufacturing plant for a major Japanese auto company in Cambridge, Ontario;
- the new Board of Trade building in Chicago, Illinois;
- public sector projects in New York City, including the restoration of Grand Central Terminal;
- a large bridge linking the U.S. and Canada at Sarnia, Ontario;
- major projects for oil and gas producers in Alberta, including mechanical installations to be used in the recovery and refining of oil from oil sands.

- a Federal courthouse in Portland, Oregon; and
- a convention center in Honolulu, Hawaii.

In addition to fabricating structural steel, Canron has a plant in British Columbia which produces specialized pressure vessels and tanks for customers in the pulp and paper, petroleum, and chemical industries. Another of Canron's specialty plants in Calgary, Alberta produces open web steel joists, for use as floor and ceiling supports in large commercial buildings. Both specialty plants serve customers primarily in British Columbia and Alberta.

1995 was a very successful year for Canron's joists, pressure vessels and tanks business. Increased demand and improved pricing, particularly for joists, resulted in increased margins. Order backlog is continuing strong into 1996.

The outlook for the construction division is for continued strong results, with Canron's plants operating at or near capacity.

INGERSOLL MACHINE AND TOOL

The Ingersoll Machine and Tool Division (IMT) has two Ontario plants and is a producer of truck trailer axles, precision machined components, defense products, and steel forgings. In 1995, the division's sales were higher than the previous year despite the lowering of sales volumes toward the end of 1995 as a result of a general softening in the North American economy.

IMT produces a broad range of truck trailer axles in addition to precision machined components used in the automotive, oil and gas, transportation and agricultural industries. For most of 1995, demand for IMT's products strengthened over the previous year.

The division's other unit, P.C. Drop Forgings at Port Colborne, Ontario, forges steel products for both original equipment manufacturer

contracts and produces materials for further machining by the Ingersoll plant. Although stronger demand was experienced for most of 1995, some weakening in the demand for forgings occurred toward the end of the year. The Company is currently examining the potential for growth into additional types of forgings.

The Ingersoll plant achieved ISO 9002 certification in 1995 and P.C. Drop Forgings became the first drop forge facility in North America to be awarded ISO 9000 certification. For customers and prospective customers of both companies, ISO certification is an important seal of assurance with regards to both service and quality standards.

The outlook is for continued growth in sales and improvement in margins.

IPEX

IPEX, which is 50%-owned by Canron, is Canada's largest manufacturer of plastic pipe and fittings. It operates 13 production units and a large network of distribution facilities across Canada to serve its customers in the plumbing, electrical, industrial, agricultural and municipal markets.

IPEX achieved satisfactory results in 1995, with increased sales revenues up from the extremely strong levels reported in 1994. This was accomplished despite a drastic decrease in housing starts and erratic raw material prices throughout the year.

In 1995, IPEX successfully continued its program of growth through development or acquisition of complementary businesses which serve to enhance IPEX's range of quality pipes and fittings. In August 1995, IPEX acquired the assets of Multi Fittings Inc. of London, Ontario, a North American manufacturer and marketer of plastic fittings. This new division was successfully

integrated into IPEX's operations and began contributing to revenues in the third quarter. In its first year of operation it is expected that Multi Fittings will contribute positively to IPEX's total revenues. An additional benefit, of course, is the added service and selection IPEX can now offer to its customers.

The outlook for IPEX for 1996 is very positive.

DOCAP

The Docap unit, which is a small component of the Other Diversified Fabricated Products businesses, headquartered in Toronto, manages a substantial distribution enterprise supplying automotive and industrial products to various diverse markets across Canada. During 1995, its sales were up modestly from the prior year. Although its EBITDA is included in the Other Diversified Fabricated Products business, Docap's business is administered by Ifastgroupe.

It maintains six distribution centers from coast to coast to provide rapid availability of product and other service to customers.

There are in excess of 28,000 different items among the product offerings which are sourced from vendors around the world as part of Docap's program to continually upgrade product lines. One of the Company's most successful strategies has been to focus on versatile products which are in high demand in several different industries. In 1995, for instance, the introduction of a line of hydraulic jacks was very successful and Docap is expanding the number of jacks offered in 1996.

In 1996, the Company will continue to expand its lines by launching a major marine program. The program will increase the number of marine products offered to form a very attractive, comprehensive product line.

In 1995, Docap increased its revenues slightly and in order to operate more efficiently has completed a search for larger premises for its main operation.

The outlook for Docap is for an improved year in 1996.

EQUITY INVESTMENTS

(Includes 49.8% interest in Laclede Steel, 50% interest in Amercord Inc., and 50% interest in Bakermet Inc.)

LACLEDE STEEL

Laclede Steel, which is 49.8% owned by Ivaco, is reaching the final steps in its strategic plan which began several years ago. The plan includes extensive restructuring of its production facilities. Initially, the program called for reorganization and expansion of tubular and wire operations. Now that these have been completed satisfactorily, the final phase of the strategic plan calls for the restructuring of steelmaking facilities at its Alton, Illinois plant, now scheduled to be fully effective in the second half of 1996.

Laclede is a midwestern producer of steel at Alton, Illinois. Among its products at Alton and at its strategically located downstream manufacturing plants are continuous weld pipe and electric resistance weld tubing, Special Bar Quality (SBQ) and alloy steels, wire and oil tempered spring wire, and chain.

A key element within the final phase of the restructuring program is the commissioning of a ladle furnace facility which is expected to become operational in the second quarter. The new ladle furnace facility will have a positive effect on productivity because it will permit 100% of all steel to be produced using the more efficient continuous cast method. During the past year, the Alton plant was approximately 75% continuous cast. As a result, Laclede has decided to shut down its blooming mill operations. In a related move, the Company has also decided to shut its rod mill operations and take advantage of the benefits of purchasing its wire rod requirements for its wire mills on the open market.

These changes will be fully effective in the second quarter and should make a positive con-

tribution to operating results starting in the second half.

Laclede's Tubular Products Group is one of North America's largest steel pipe manufacturers. It finishes pipe at four plants: Alton, Illinois; Fairless Hills, Pennsylvania; Benwood, West Virginia; and Vandalia, Illinois.

One of the Company's major competitive advantages is that it is the only U.S. producer to make its own steel pipe skelp. This, combined with high standards for productivity at all four finishing plants, makes it possible to deliver excellent customer service.

The plant at Fremont, Indiana, undertook major equipment modifications during 1995 to prepare for production of a special quality oil tempered wire product for the automotive suspension spring market. Testing of this exceptionally high quality wire has been completed and increasing sales are expected as 1996 develops.

Laclede Chain continued to make a substantial contribution to operating results. It manufactures a broad range of traction, hardware, and industrial chain.

Although Ivaco recorded its \$6.2 million share of Laclede's special non-cash restructuring charge in 1995, to reflect the steelmaking and rolling restructuring and some inventory re-adjustments, the outlook for 1996 is for improved operations.

AMERCORD

Ivaco owns 50% of Amercord Inc., a successful manufacturer of tire cord, tire bead and other technologically advanced wire products, all drawn from high carbon steel.

Amercord had a busy year in 1995. Both revenues and earnings were up for the year, reflecting operations at or near capacity.

Amercord is one of the leading suppliers of tire steel reinforcement products in North America. It sells to most of the major tire manufacturers on the continent.

Tire cord is the steel reinforcement used to strengthen the tread of the tire while tire bead holds the tire onto the rim. Both products must be produced to the most exacting quality and reliability standards known to the wire industry. Some tire cord wire, for example, is drawn to .006 of an inch. Amercord does it at very high speed and with consistent high quality.

During 1995, the Company successfully started up a new technology brass plating line that provides both a major quality benefit and an opportunity to increase high-tensile cord volume. Quality brass plating ensures adherence of the rubber to the steel tire cord and bead wires. The first phase of the new system can plate 20 lines simultaneously and a second 20-wire phase will be commissioned in 1996.

Amercord is developing plans for the next generation technology wire drawing system. The Company needs to increase its capacity to draw fine wire to keep up with anticipated increases in demand for tire cord.

The Company's export business increased meaningfully during the year and its production and sale of armouring wire to the undersea fibre optic cable industry remained stable.

Amercord's customers routinely demand quality systems more stringent than those required for ISO 9000 certification. The Total Quality Assurance system is in place and is expected to facilitate the completion of the ISO application procedures in 1996. Certification will be applied for during the year.

Based on customer indications, Amercord anticipates operating at full capacity during 1996.

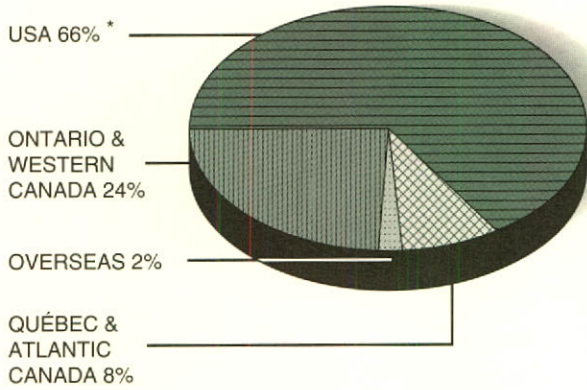
BAKERMET

Bakermet Inc. is owned 50% by Ivaco and processes recyclable metals from eastern Ontario, western Québec, and upstate New York at its facility at Ottawa, Ontario. Its ferrous items are principally sold to nearby Ivaco Rolling Mills. Bakermet's primary product, shredded steel derived from scrap automobiles and light gauge metal, is of the highest quality available competitively and more than 30% of Ivaco Rolling Mills' raw material requirements are supplied by Bakermet.

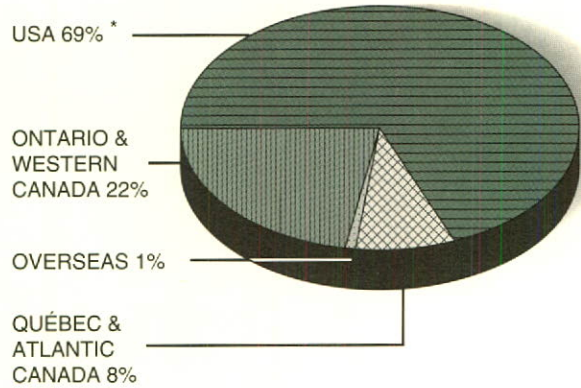
The firm also trades in recyclable non-ferrous metals, including copper, brass, aluminium, as well as stainless steel. Its non-ferrous handling capabilities will be significantly enhanced by the installation during 1996 of a heavy duty hydraulic baling press.

SALES DISTRIBUTION

1995



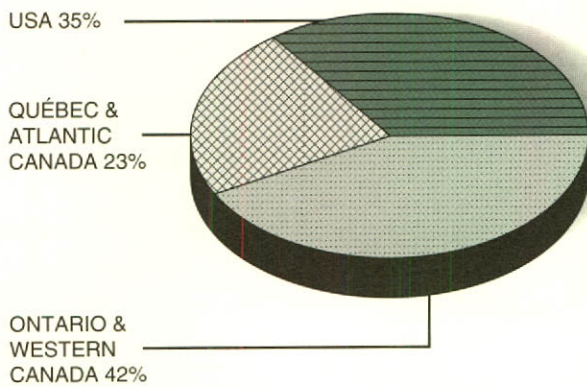
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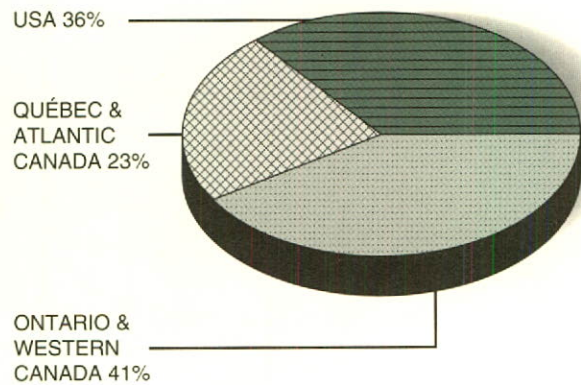
* Includes sales of U.S. operations and exports into the U.S. from Canadian operations.

PROPERTY, PLANT AND EQUIPMENT DISTRIBUTION

1995



1994



MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

The Company's products are used by a broad spectrum of industries, and demand for most of its products is sensitive to general economic conditions, including, as applicable, trends in commercial and residential construction, investment in new plant and facilities, automobile production, government spending on infrastructure projects, and consumer spending. The Company believes that, as a result, its operations are influenced more by general economic conditions than the economic condition of any one specific end-user industry group.

The following discussion and analysis is a review of the Company's operating results and financial position based upon accounting principles generally accepted in Canada ("GAAP"). These principles conform in all material respects with GAAP in the United States, except as described in Note 19 to the Consolidated Financial Statements appearing elsewhere in this Annual Report.

Net sales for the year ended December 31, 1995 were \$1.63 billion, an increase of 15% over 1994 net sales of \$1.42 billion. Sales improvements were realized in all operations. Cost of sales and operating expenses increased by 13% to \$1.47 billion in the twelve months ended December 31, 1995 from \$1.3 billion in 1994. Cost of sales, as a percentage of sales, decreased to 90% from 91% for the corresponding period in 1994. Earnings before interest, taxes and amortization ("EBITDA") increased 32% to \$161.9 million during the twelve months ended December 31, 1995 compared to \$122.7 million in the corresponding period in 1994, reflecting higher sales and the benefits of the Company's cost control and productivity enhancement programs, higher levels of asset utilization, and favorable market conditions for the Company's products.

During 1995, the Company regrouped its activities for financial reporting purposes into three main business segments:

- Steel, including wire rod and bar products;
- Fabricated Steel Products produced from wire rods. These include fasteners, wire and wire products; and
- Other Diversified Fabricated Products, including structural steel, precision machined components and plastic pipe and fittings.

Operating Results — 1995 compared to 1994

Sales in the Steel segment increased by 7% to \$466.8 million in 1995 compared to sales of \$435.5 million in 1994. Ivaco Rolling Mills increased sales by 18% due to both increased sales volumes and improved selling prices. Total tons shipped increased by 9%. Of total tons shipped, 55% were shipped internally to the Company's downstream operations. Value-added sales to both trade and affiliates increased 18% over the same period in 1994 and accounted for 67% of total sales volume as compared with 61% in 1994. Atlantic Steel, generated positive EBITDA for the year ended December 31, 1995, after incurring negative EBITDA for the same period in 1994. Atlantic's year over year improvement was due to sales increasing by approximately 2% as a result of steady demand, increased pricing for its products and a better product mix, while increased productivity and the benefits of its cost reduction program helped reduce manufacturing and overhead costs. Both Ivaco Rolling Mills and Atlantic Steel incurred higher scrap and consumable costs during 1995 compared to the previous year.

The Fabricated Steel Products segment reported a 6% increase in sales over 1994.

Shipments at Ifastgroupe for the year ended December 31, 1995 remained level with those attained in 1994, although increased prices allowed Ifastgroupe to report a 5% increase in sales. The Infasco division experienced 12% higher sales revenues on 6% higher volume, while the Infasco Nut Division experienced significant gains in both volume and price. Volumes shipped at Ingersoll Fasteners remained flat while sales revenues increased by 4% due to price increases. SNW sales increased by 7% due to increased shipments of wire both in Canada and the United States, although nail shipments declined slightly. Selling prices for nail and wire products declined in the fourth quarter in both markets.

Both the fastener and wire operations experienced higher costs of wire rod and other raw materials over the same period in 1994. However, as a result of increased pricing and productivity improvements, operating margins for the fastener operations improved. Selling prices increased for wire products in both Canada and the United States, however, in some areas the increases were not sufficient to fully recover the increased cost of purchasing wire rod and, as a result, operating margins for the wire operations were lower.

On a comparative basis with 1994, the Other Diversified Fabricated Products segment reported improved revenues of 97% at Canron's Construction Division; 15% at Ingersoll Machine and Tool; and 9% at IPEX. Construction activity recovered strongly in both Canada and the United States in 1995, particularly in the infrastructure, industrial, sports and municipal sectors. Ingersoll Machine and Tool's sales revenues were higher than the previous year due to stronger broad based demand in the earlier part of the year for axles and forgings. IPEX's sales improved over the same period last year despite a decrease in housing starts throughout the year, and deferred infrastructure spending by provincial governments.

Although prices of purchased steel for Canron's construction business were higher in 1995, the adverse effects were offset by the Company's achievement of improved margins as a result of good contract performance. PVC resin prices which fell progressively through the year, and underabsorption of manufacturing overhead due to lower plant operating rates, negatively impacted IPEX's operating margins.

Ivaco's consolidated amortization expense as a percentage of sales was 2.9%, down from 3.2% experienced last year. In absolute terms, amortization expense increased to \$47.0 million, up \$1.6 million over the same period last year.

Equity in earnings of affiliated companies declined 55% to \$2.5 million in 1995 from \$5.5 million in 1994, largely due to the lower operating results of Laclede Steel Company which were offset by improved earnings from 50%-owned Amercord Inc. In addition, Laclede recorded a non-cash net of tax special charge, relating to the restructuring of the steelmaking facility at its Alton plant. Ivaco recorded \$6.2 million in 1995, as its 49.8% share of this special charge, net of tax.

Net interest expense increased by 13% to \$42.8 million in 1995 from \$37.8 million in the previous year due to increases in bank indebtedness incurred in connection with higher inventories and accounts receivable, higher interest rates on the Company's floating rate indebtedness, and interest costs relating to additional long-term liabilities, including the U.S. \$150 million Senior Notes issued in September 1995.

The Company's provision for income taxes in 1995 was \$30.9 million which equates to an effective tax rate of 41.5% versus \$26.6 million or an effective tax rate of 59.1% in 1994. Reduced operating losses in 1995 in the United States, were the principal reason for the reduction in the effective tax rate. These losses are not tax effected for financial reporting purposes. At December 31, 1995, certain U.S. sub-

sidiaries have accumulated losses which have not been tax effected of approximately \$128 million (U.S. \$93.9 million) which may be applied against future years' income.

During 1995, the Company reported a net of tax loss associated with discontinued operations of \$5.4 million, as compared to a loss of \$10.4 million in 1994. These charges relate to operations discontinued in previous years and in 1994 include \$6.0 million relating to the Company's share of environmental remediation costs with respect to the divestiture in 1992 of Florida Wire and Cable.

Operating Results — 1994 compared to 1993

The Company's earnings improved substantially in 1994 compared to 1993 due to the continued economic recovery throughout North America, improved demand and pricing for many of its products, a lower Canadian dollar versus the U.S. dollar and greater efficiencies achieved through cost containment programs, product mix improvements and productivity increases implemented since 1992. Sales in 1994 increased by 16% to \$1.42 billion, up from \$1.22 billion in 1993. Improvements in sales were realized in all of the Company's operating groups. Cost of sales and operating expenses in 1994 increased 15% to \$1.30 billion from \$1.13 billion in 1993 but declined as a percentage of sales to 91% from 92%. The Company generated EBITDA of \$122.7 million and earnings from continuing operations of \$18.4 million in 1994 compared to EBITDA of \$92.4 million and earnings from continuing operations of \$2.7 million in 1993. All of the Company's operating groups, with the exception of Atlantic Steel and Canon's structural steel unit, realized profits from their ongoing operations during 1994.

In the Steel segment, sales increased in 1994 by 18% over the previous year. Sales at Ivaco Rolling Mills increased by approximately 13% due to higher wire rod selling prices, a renewed penetration of the U.S. markets and a weaker Canadian dollar. Ivaco Rolling

Mills continued to improve operating margins through productivity improvements achieved as a result of the 1993 modification to one of its electric furnaces so that it could produce more steel in one furnace than was previously achieved with two. The benefits from this change resulted in significant reductions in energy, electrode and other costs. At Atlantic Steel, sales increased by 10% due to increased shipments and higher selling prices, despite higher levels of low priced imports of hot rolled wire rods into some market areas in the United States. Atlantic Steel posted operating losses before interest expenses for the year but operated at full capacity and several incremental mill upgrades have helped lower its steelmaking conversion costs. Increased costs at both Ivaco Rolling Mills and Atlantic Steel were caused primarily by substantially higher prices for scrap and other raw materials; however, margins in the steelmaking operations improved markedly during the year as scrap cost increases were passed on to customers through higher selling prices.

In the Fabricated Steel Products segment, Ifastgroupe reported record sales, up 24% compared to the prior year. This increase was a result of strong volumes, price increases, and a weaker Canadian dollar. Volumes shipped at SNW increased 15% and higher prices for its products resulted in an increase in sales of 24% in 1994, as construction activity in both Canada and the United States began to pick up. At SNW, cost cutting, plant modernizations and continued upgrading of the product mix to include more premium grades, together with improvements in general economic conditions in North America, resulted in SNW improving its profits from ongoing operations in 1994 over the previous year.

In the Other Diversified Fabricated Products segment, Canon's structural steel fabrication and erection business continued to be impacted negatively by the extremely weak activity in the industrial construction sector. As a result, slightly reduced operating losses were recorded in 1994 compared to the previous year.

Canon's Ingersoll Machine and Tool Division reported increased sales and earnings for 1994 over the previous year. Sales and order backlogs for both axles and forgings remained high throughout the year.

IPEX achieved a meaningful increase in product volume and recorded stronger earnings in 1994 despite significant price increases for PVC resin.

Ivaco's equity in earnings of affiliated companies for 1994 was \$5.5 million, down slightly from \$5.7 million in 1993. Laclede Steel achieved improved operating results in 1994 while Amercord reported lower earnings due to strikes at several of its customers' plants.

Net interest expense in 1994 remained at \$37.8 million compared to \$37.7 million in 1993 as a result of a lower level of indebtedness offset by higher interest rates.

The Company's provision for income taxes in 1994 was \$26.6 million reflecting an effective tax rate of 59.1%. This high rate was largely because operating losses of U.S. subsidiaries could not be offset against the income of the Company's other subsidiaries and thus were not tax effected. At December 31, 1994, certain U.S. subsidiaries had accumulated losses of approximately \$115 million (U.S. \$81.9 million), which may be applied against future years' taxable income.

During 1994, the Company reported a net of tax loss associated with discontinued operations of \$10.4 million, as compared to a loss of \$2.4 million in 1993. Included in the 1994 amount is a charge of \$6.0 million relating to the Company's share of environmental remediation costs following the divestiture in 1992 of Florida Wire and Cable, a manufacturer of guy and pre-stressed concrete strand. Also a \$4.4 million charge in 1994 and \$2.4 million in 1993 were related to operations discontinued in previous years.

Liquidity and Capital Resources

In fiscal 1995, working capital provided from operations was \$101.5 million, an improvement of \$19.2 million or 23% over the \$82.3 million generated in the prior year. Working capital as at December 31, 1995 increased by 28% to \$337 million from \$263 million as at December 31, 1994.

The increase in working capital can be attributed to increases in accounts receivable and inventories as a result of improved operating results during the year, the completion of the public offering of U.S. \$150 million Senior Notes, the net proceeds of which were used to prepay certain bank credit facilities which otherwise would have been repayable over the next three years (including the current portion).

Net additions to Property, Plant and Equipment during 1995 were \$43.9 million up from \$33.6 million in 1994. The most significant components of spending in 1995 were installation of electromagnetic stirring coils on each strand of the billet caster, and an upgrade to the conditioning department at Ivaco Rolling Mills; installation of an ORBIS III bar gauge on the 12" mill at Atlantic Steel's Cartersville facility; additional boltmaking equipment and furnaces at Ifastgroupe; and addition of annealing furnaces at SNW.

During the third quarter of 1995, Ivaco acquired a 15% interest in Wire Rope Industries, a large producer of wire ropes and cables. This transaction was made in connection with the disposition of some of the assets of Ivaco's Wrights Canadian Ropes unit which was in a similar line of business.

Also in 1995, IPEX acquired the assets of Multi-Fittings Inc., a North American manufacturer engaged in the design, manufacture and sale of plastic fittings.

On January 24, 1995, Ivaco received shareholder approval to amend the terms of its Series 1 to 4 Second Preferred Shares permitting the Company

to pay dividends on such preferred shares in cash, Series 5 Second Preferred Shares or Class A Subordinate Voting Shares, or any combination of the foregoing. On March 31, 1995, Ivaco paid 75% of the arrears on such four outstanding series of Second Preferred Shares comprised of \$8.5 million in cash and \$24.6 million in Series 5 Second Preferred Shares. Ivaco also resumed regular quarterly dividends on its Second Preferred Shares commencing in April 1995, and stated its intention to pay the remaining arrears in three equal payments of \$3.675 million on or prior to March 31, 1996, 1997 and 1998. The balance of the arrears are to be satisfied in cash, Series 5 Second Preferred Shares or Class A Subordinate Voting Shares or any combination of the foregoing. On February 9, 1996, the first such instalment was paid in cash.

The Company's net cash position (after deducting bank indebtedness) improved by \$9.5 million in 1995. Non-cash working capital items increased to \$45.3 million from \$25.9 million in the prior year, primarily due to increases in accounts receivable and inventories.

The ratio of current assets to current liabilities increased to 2.2:1 in 1995 compared to 1.9:1 in the prior year.

Long-term liabilities, excluding convertible and exchangeable debentures, were \$408.8 million in 1995 compared to \$337.9 million last year. In 1995, the Company completed its financing for U.S. \$150 million of Senior Notes. The Senior Notes are unsecured, bear interest at 11.5%, and are traded on The New York Stock Exchange. They are due in one payment on September 15, 2005. Proceeds were used predominantly to repay certain bank credit facilities which otherwise would have been repayable over the next three years and the balance was retained in cash and used to pay down bank credit lines, which continue to remain available. The issuance of the Senior

Notes had a positive impact on working capital and has considerably reduced the Company's annual required debt repayments.

Required payments of long-term liabilities over the next ten years are now as follows:

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
(millions of dollars)									
\$21.7	\$26.1	\$27.8	\$32.3	\$27.5	\$22.8	\$21.6	\$21.7	\$16.3	\$205.1

At December 31, 1995, the ratio of long-term liabilities to shareholders' equity increased to 45:55 compared to 41:59 at December 31, 1994 primarily as a result of the previously mentioned issuance of Senior Notes.

Certain financial restrictions are contained in lending agreements of the Company's Ifastgroupe and Ivaco Rolling Mills units which limit their ability to make cash distributions to their parent, Ivaco Inc. Under the terms of these lending agreements, each of these units is permitted to distribute up to 75% of its pre-tax earnings to Ivaco Inc. based on their maintenance of certain financial ratios. As at December 31, 1995, 75% of Ifastgroupe's and 75% of Ivaco Rolling Mill's pre-tax earnings in future years is available for such distribution. However, there are no assurances that either or both of these companies will be able to maintain such levels of distribution. For the year ended December 31, 1995, Ivaco reported consolidated EBITDA of \$161.9 million. The parent company, Ivaco Inc., reported EBITDA of \$59.8 million including \$49.6 million of distributions received from its other operations, including Ifastgroupe and Ivaco Rolling Mills. Net interest expense of Ivaco Inc. for the same period was \$15.1 million and included interest for only part of the year on the U.S.\$150 million Senior Notes which were issued on September 27, 1995. This resulted in a ratio of EBITDA to net interest of Ivaco Inc. of 4.0 times.

Financial Risk Management

Ivaco is subject to some risk associated with currency and interest rate fluctuations. Of the Company's \$408.8 million in long-term liabilities outstanding at December 31, 1995, 93% is at fixed rates with a weighted average of 9.75% for terms ranging up to 10 years and 7% is at floating rates averaging 7.7%, as compared with the previous year when 84% was at fixed rates with a weighted average of 7.9% and 16% was at floating rates averaging 8.3%.

The Canadian operations of the Company generate substantial revenues in U.S. dollars, primarily through exports to the United States of products manufactured in Canada. For 1995, the Company's export sales were \$510 million (\$473 million in 1994), substantially all of which were to United States customers. The Company's Canadian operations also incur substantial costs in U.S. dollars related to materials used in the manufacturing process, and for principal and interest payments on its U.S. dol-

lar denominated debt. Any increase in the Canadian dollar relative to the U.S. dollar adversely affects the Company's consolidated earnings; whereas, any decrease in the Canadian dollar relative to the U.S. dollar has a positive effect on earnings.

From time to time, the Company enters into forward exchange contracts to partially hedge accounts receivable and future revenues denominated in U.S. dollars, net of expected U.S. dollar outlays including principal and interest payments on U.S. dollar denominated debt. The extent of such hedging varies from time to time and there can be no assurance that such strategy will be successful in the future in materially reducing the Company's exposure to currency fluctuations.

Outlook

The outlook for 1996 is for a very weak first quarter followed by improvement for the balance of the year.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31		Thousands of dollars	
		1995	1994
Current assets	Cash and short-term investments	\$ 19,367	\$ 18,573
	Accounts receivable	201,340	195,058
	Inventories (Note 2)	399,877	352,519
	Prepaid expenses	7,740	5,315
	Total current assets	628,324	571,465
Current liabilities	Bank indebtedness, secured	14,820	23,508
	Accounts payable and accrued liabilities		
	Trade and other	236,921	243,206
	Directors	2,774	4,755
	Income taxes payable	15,074	—
	Current maturities of long-term liabilities	21,743	36,959
	Total current liabilities	291,332	308,428
Working capital		336,992	263,037
	Portfolio investments, at cost (Note 3)	116,979	116,979
	Investments, at equity (Note 4)	78,680	82,298
	Property, plant and equipment (Note 5)	481,545	472,106
	Other assets (Note 6)	75,913	66,389
Total investment		1,090,109	1,000,809
	Deduct:		
	Long-term liabilities (Note 7)	408,838	337,918
	Convertible debentures (Note 8)	15,000	15,000
	Exchangeable debentures (Notes 3 & 9)	95,223	95,223
	Accrued costs of pension plans (Note 10)	15,818	17,073
	Deferred income taxes	64,632	52,878
		599,511	518,092
Shareholders' equity		\$ 490,598	\$ 482,717
Represented by	Capital stock (Note 11)	\$ 490,969	\$ 462,634
	Retained earnings (deficit)	(9,042)	11,878
	Cumulative translation adjustment	8,671	8,205
		\$ 490,598	\$ 482,717

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	1995	1994
Net sales	\$1,630,287	\$1,418,242
Cost of sales and operating expenses	1,468,436	1,295,511
Operating earnings (EBITDA) before:	161,851	122,731
Amortization	(47,046)	(45,397)
Share of earnings of equity accounted investments (Note 4)	2,463	5,526
Earnings from operations before interest and other items	117,268	82,860
Net interest expense (Note 7)	(42,809)	(37,847)
Earnings from continuing operations before income taxes and special charge	74,459	45,013
Provision for income taxes (Note 12)	30,897	26,609
Earnings from continuing operations before special charge	43,562	18,404
Share of Laclede Steel's special restructuring charge	(6,185)	—
Earnings from continuing operations	37,377	18,404
Loss from discontinued operations (Note 14)	(5,425)	(10,350)
Net earnings	\$ 31,952	\$ 8,054
Earnings (loss) per share		
Continuing operations	\$ 0.66	\$ 0.13
Net earnings (loss) per share	\$ 0.47	\$ (0.25)
Fully diluted earnings per share		
Continuing operations	\$ 0.57	\$ —
Net earnings per share	\$ 0.42	\$ —

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

		Thousands of dollars	
YEARS ENDED DECEMBER 31		1995	1994
Operating activities	Operations		
	Earnings from continuing operations	\$ 37,377	\$ 18,404
	Amortization	47,046	45,397
	Deferred income taxes	13,126	23,410
	Share of earnings of equity accounted investments	(2,463)	(5,526)
	Share of Laclede Steel's special restructuring charge	6,185	—
	Other items	255	611
	Working capital provided from operations	101,526	82,296
	Increase in non-cash working capital items	(45,321)	(25,977)
	Other items	(3,465)	(5,610)
	Cash provided by operating activities	52,740	50,709
	Cumulative translation adjustment	2,828	(1,621)
Financing activities	Dividends	(12,851)	(1,724)
	Dividends - arrears paid in cash	(8,515)	—
	Additional long-term liabilities	253,391	81,336
	Repayment of long-term liabilities	(195,906)	(93,647)
	Net proceeds from issue of capital stock	—	29,533
	Increase in other assets	(10,691)	(8,945)
	Other items	(1,686)	(127)
	Cash provided by financing activities	23,742	6,426
Investing activities	Net additions to property, plant and equipment	(43,851)	(33,559)
	Business acquisition (Note 15)	(16,638)	—
	Discontinued operations	(6,809)	(11,273)
	Other items	(2,530)	80
	Cash used in investing activities	(69,828)	(44,752)
Cash, net of	Increase in cash	9,482	10,762
Bank indebtedness	Balance at beginning of year	(4,935)	(15,697)
	Balance at end of year	\$ 4,547	\$ (4,935)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

YEARS ENDED DECEMBER 31	Thousands of dollars	
	1995	1994
Balance at beginning of year	\$ 11,878	\$ 7,056
Add:		
Net earnings	31,952	8,054
	43,830	15,110
Deduct:		
Preferred dividends - paid in cash	12,851	1,724
Preferred dividends - paid in stock	5,584	—
Preferred dividends - arrears paid in cash	8,515	—
Preferred dividends - arrears paid in stock	24,574	—
Flow through of Dofasco Inc. common dividend to Series 4, exchangeable second preferred shareholders (Note 11)	300	599
Costs relating to issue of capital stock net of income taxes of \$580 (1994 - \$498)	1,048	909
	52,872	3,232
Balance at end of year	\$ (9,042)	\$11,878

See accompanying notes to consolidated financial statements.

AUDITORS' REPORT

To the Shareholders of
Ivaco Inc.

We have audited the consolidated statements of financial position of Ivaco Inc. as at December 31, 1995 and 1994, 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, 1995 and 1994, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1995 AND 1994

(all dollar amounts in tables are presented in thousands)

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 property, plant and equipment and is being amortized over the estimated useful lives of the respective assets.

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

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' property, plant and equipment.

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 long-term liabilities. 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.

Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated amortization. Interest costs related to major capital expenditures are capitalized during the period of construction. Amortization is provided 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

1. **Significant Accounting Policies**
(Continued)

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.

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 amortized on commencement of operation or commercial production over appropriate future periods.

Deferred Financing Costs

Certain costs relating to new financings are deferred and amortized over the term of the related financing agreements.

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 during the year was 28,650,096 (1994 - 27,647,812).

2. Inventories	1995	1994
Finished and semi-finished*	\$188,468	\$162,615
Raw materials and supplies	211,409	189,904
Total inventories	\$399,877	\$352,519

* Includes costs to date of uncompleted contracts for the fabrication and erection of structural steel of \$10,581 (1994 - \$13,208) less progress billings of \$1,558 (1994 - \$15,200).

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 2,986,500 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	Laclede Steel Company		Others	Total
Carrying value, December 31, 1993	\$58,912	\$17,012		\$75,924
Share of earnings of equity accounted investments	4,311	1,215		5,526
Other	112	736		848
Carrying value, December 31, 1994	63,335	18,963		82,298
Share of earnings of equity accounted investments	908	1,555		2,463
Share of Laclede Steel's special restructuring charge	(6,185)	—		(6,185)
Dividends received	—	(500)		(500)
Other	33	571		604
Carrying value, December 31, 1995	\$58,091	\$20,589		\$78,680
Share of equity, December 31, 1995	\$58,539	\$20,777		\$79,316

5. Property, Plant and Equipment	1995			1994		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Land	\$ 30,799	\$ —	\$ 30,799	\$ 30,261	\$ —	\$ 30,261
Buildings	167,791	62,116	105,675	166,913	58,300	108,613
Machinery and equipment	746,277	401,206	345,071	714,469	381,237	333,232
Total property, plant and equipment	\$944,867	\$463,322	\$481,545	\$911,643	\$439,537	\$472,106

Amortization for the year amounted to \$39,523 (1994 - \$38,667)

6. Other Assets		1995	1994
	Net assets of discontinued operations, primarily real estate	\$ 33,208	\$ 33,105
	Deferred preproduction and development costs and other deferred charges, less amortization	7,258	9,304
	Deferred financing costs, less amortization	15,537	7,645
	Deferred translation adjustment, less amortization	8,244	8,752
	Loans to officers at prime interest rates, due in 1997	7,106	6,631
	Other investments	2,000	—
	Other items	2,560	952
	Total other assets	\$ 75,913	\$ 66,389
7. Long-Term Liabilities		1995	1994
	Secured		
	Bank Term Loans maturing to 2000 (1994 - \$48.5 million are in U.S. funds)*	\$ 20,753	\$106,684
	Revolving Bank Loan repaid in 1995 (1994 - \$23.0 million are in U.S. funds)	—	32,236
	Senior Notes at 7.29% maturing to 2004 (\$67.5 million U.S.; 1994 - \$70 million U.S.)	91,947	98,126
	Industrial Revenue Bonds at 5.3% maturing to 2009 (\$4.3 million U.S.; 1994 - \$4.7 million U.S.)	5,886	6,581
	Mortgages averaging 10.6% maturing to 2010	13,358	15,323
	Unsecured		
	Revolving Bank Loans maturing to 1999*	600	22,600
	Senior Notes at 11.5% maturing in 2005 (\$150 million U.S.)	204,600	—
	Senior Notes at 8.44% maturing to 2004 (\$45 million U.S.; 1994 - \$45 million U.S.)	61,380	63,081
	Others averaging 7.6% maturing to 2000 of which \$14 million (1994 - \$11.4 million) are in U.S. funds	32,057	30,246
		430,581	374,877
	Less current maturities	21,743	36,959
	Total long-term liabilities	\$408,838	\$337,918

Required payments of long-term liabilities over the next five years are:

\$21.7 million in 1996; \$26.1 million in 1997; \$27.8 million in 1998; \$32.3 million in 1999; and \$27.5 million in 2000.

*These loans bear interest generally at the lower of prime rates, bankers' acceptance rates, or U.S. dollar LIBOR rates. This debt aggregating \$21.4 million bears interest at an average floating rate of 7.71% at December 31, 1995.

Interest expense on long-term liabilities, convertible debentures and exchangeable debentures amounted to \$42,851,000 in 1995 (1994 - \$33,596,000).

8. Convertible Subordinated Debentures	The 9.5% Convertible Subordinated Debentures, maturing on November 21, 1997, are convertible at the option of the holders at any time prior to maturity, into Class A subordinate voting shares at a conversion price of \$3.25 per Class A share. The Debentures are redeemable and retractable by the Company in specified circumstances.
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9. Exchangeable Debentures The Exchangeable Debentures maturing in 2010, 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%.

The Dofasco shares are carried at a cost of \$19.62 per share, have a market value of \$17.50 per share at December 31, 1995, and are reflected as Portfolio Investments.

10. 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:

	1995	1994
Actuarial present value of accrued pension obligations	\$ 311,417	\$ 283,218
Less: Market value of pension fund assets	(233,911)	(205,358)
Accrued costs of pension plans and other amounts recorded in Consolidated Statements of Financial Position	(17,138)	(20,885)
Net unrecorded pension obligations	\$ 60,368	\$ 56,975

Pension expense for 1995 was \$18.1 million (1994 - \$18.1 million)

11. 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			
	1995	1994	1995	1994
Preferred Shares				
\$4.425 Series C	161,650	161,650	\$ 8,083	\$ 8,083
\$2.50 Series D	34,443	34,443	861	861
\$2.40 Series E	384,385	384,385	9,610	9,610
			18,554	18,554
Second Preferred Shares				
\$2.00 Series 1	1,353,473	1,353,873	33,837	33,847
\$2.00 Series 2	1,871,839	1,871,939	46,796	46,798
\$2.25 Series 3	997,752	997,752	24,944	24,944
\$2.625 Series 5	1,153,259	—	28,296	—
			133,873	105,589
Exchangeable Second Preferred Shares				
Series 4 (Note 3)	2,986,500	2,986,500	95,568	95,568
Class A Shares	21,986,345	21,962,230	225,524	225,441
Class B Shares	6,670,528	6,680,111	17,450	17,482
			242,974	242,923
Total capital stock			\$490,969	\$462,634

11. Capital Stock (Continued)

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 1995 and 1994 no 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 of \$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 1995 and 1994 no 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 \$25.50 per share prior to October 1, 1996; \$25.25 per share from October 1, 1996 to 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 8,500 shares for cancellation on the open market in each calendar quarter at prices not exceeding \$25 per share. During 1995 and 1994 no such shares were purchased and cancelled.

Second Preferred Shares

The Second Preferred Shares rank 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. As a result thereof, and for so long as the dividends on the Second Preferred Shares remain in arrears in the aggregate of eight calendar quarters, holders of Second Preferred Shares are entitled to attend and vote at all meetings of shareholders of the Company. 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.

On March 31, 1995, the Company paid \$33.1 million in respect of the dividend arrears on its existing Second Preferred Shares, comprised of \$8.5 million in cash and \$24.6 million in Series 5 Second Preferred Shares. It is intended that the remaining arrears of \$11.1 million will be paid in three equal instalments on or prior to March 31 in each of 1996, 1997 and 1998. On February 9, 1996, the first such instalment of arrears of \$3.7 million was paid in cash.

11. Capital Stock

(Second
Preferred
Shares
continued)

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. No purchases or redemptions can be made while dividends are in arrears. Dividends of \$2.4 million are in arrears at December 31, 1995.

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. No purchases or redemptions can be made while dividends are in arrears. Dividends of \$3.3 million are in arrears at December 31, 1995.

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 of \$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. No purchases or redemptions can be made while dividends are in arrears. Dividends of \$2.0 million are in arrears at December 31, 1995.

Series 4, Exchangeable Second Preferred Shares

The Series 4 Cumulative Redeemable Exchangeable Second Preferred Shares are exchangeable, at the option of the holder, into one common share of Dofasco Inc. for each Series 4 Second Preferred Share. Dividends are determined by applying to \$32 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 expressed as a percentage, plus (ii) 1%.

On September 4, 1991, the Company announced that it had temporarily omitted payment of dividends on its Second Preferred Shares including the 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 is required to pay, on a pro rata basis to the holders, the cash amount of any dividends received on the Dofasco Inc. common shares as soon as practical after receipt thereof. The amount of this payment is credited against any future amounts to be declared by Ivaco Inc. For so long as the dividends on the Exchangeable Second Preferred Shares remain in arrears in the aggregate of eight calendar quarters, holders of Exchangeable Second Preferred Shares are entitled to attend and vote at all meetings of shareholders of the Company. Dividends of \$3.4 million are in arrears at December 31, 1995.

The Company may redeem Series 4 Exchangeable Second Preferred Shares at \$32 per share. No such redemption can be made while dividends are in arrears. During 1995 and 1994, no such shares were exchanged for common shares of Dofasco Inc.

11. Capital Stock

*(Second
Preferred
Shares
continued)*

Series 5

The \$2.625 Series 5 Cumulative Redeemable Retractable 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. On March 31 in each of the years indicated hereafter, the Company will purchase shares for redemption, at \$25 per share, provided however that the number of shares that may be so redeemed may not exceed the following percentages outstanding in each such year: 10% in 2001; 15% in 2002; 15% in 2003; 20% in 2004; and 100% in 2005. During 1995, 982,942 shares were issued to satisfy dividend arrears with a stated capital of \$24.6 million and 170,317 shares with a stated capital of \$3.7 million were issued to satisfy, in part, regular dividends on Series 1 to 4 Second Preferred Shares.

Class A Subordinate Voting and Class B Voting Shares

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

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

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

The following transactions occurred during 1994 and 1995 in the Class A Shares and the Class B Shares:

	Number of shares			
	Class A	Class B	Class A	Class B
Balance at December 31, 1993	18,084,260	6,782,031	\$193,685	\$17,826
Conversion from:				
Class B to Class A	101,920	(101,920)	344	(344)
Shares issued during 1994:				
Employees' Stock Option Plan	132,910	—	451	—
Dividend Reinvestment Plan	3,140	—	21	—
Issued for cash	3,640,000	—	30,940	—
Balance at December 31, 1994	21,962,230	6,680,111	\$225,441	\$17,482
Conversion from:				
Class B to Class A	9,583	(9,583)	32	(32)
Shares issued during 1995:				
Employees' Stock Option Plan	13,550	—	46	—
Dividend Reinvestment Plan	982	—	5	—
Balance at December 31, 1995	21,986,345	6,670,528	\$225,524	\$17,450

Stock Options

At December 31, 1995, options for 2,648,340 (1994 - 2,684,890) Class A Shares granted under the Employees' Stock Option Plan were outstanding, including 1,426,200 options exercisable to 2004 at \$7.50 per share, 10,000 options exercisable to 2004 at \$7.19 per share and 1,212,140 options exercisable to 2002 at \$3.40 per share.

12. Income Taxes

The provision for income taxes is comprised of:

	1995	1994
Current	\$17,771	\$ 3,199
Deferred	13,126	23,410
	\$30,897	\$26,609

The effective rate of income taxes is as follows:

	1995	1994
Combined basic federal and provincial income tax rate	36.7%	36.9 %
Income tax adjustments resulting from:		
Losses not tax effected	4.8	22.8
Other items	—	(0.6)
	41.5%	59.1 %

Certain U.S. subsidiaries have accumulated losses, which have not been tax effected, of approximately \$128 million (U.S. \$93.9 million) which may be applied against future years' taxable income. These losses expire from 1998 to 2009.

13. Joint Venture Operations

The Company's 50% proportionate share of the joint venture operations included in the consolidated financial statements before income taxes is summarized below:

	1995	1994
Consolidated Statements of Financial Position		
Current assets	\$ 52,423	\$ 55,099
Non-current assets	\$ 58,189	\$ 48,279
Current liabilities	\$ 25,194	\$ 34,610
Non-current liabilities	\$ 18,435	\$ 9,628
Consolidated Statements of Earnings		
Net sales	\$149,595	\$137,456
Expenses	\$130,394	\$117,390
Earnings from continuing operations	\$ 19,201	\$ 20,066
Consolidated Statements of Changes in Financial Position		
Cash provided by (used in):		
Operating activities	\$ 20,524	\$ 14,435
Financing activities	\$ 11,813	\$ (22,082)
Investing activities	\$ (21,710)	\$ (4,597)

14. Loss from Discontinued Operations

The loss from discontinued operations for 1995 and 1994 has been reported separately in the consolidated statements of earnings.

Summarized below are the results of the operations which were previously discontinued.

	1995	1994
Loss before income taxes	\$ (6,581)	\$(11,608)
Recovery of deferred income taxes	1,156	1,258
Loss from discontinued operations	\$ (5,425)	\$(10,350)

The net sales of the discontinued operations were NIL in 1995 and \$305 thousand in 1994.

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

	1995	1994
Current assets	\$ 98	\$ 160
Current liabilities	(4,081)	(6,090)
Property, plant and equipment	6,565	6,871
Other assets	33,208	33,105
Long-term liabilities	(4,384)	(6,342)
Net assets	\$31,406	\$ 27,704

15. Business Acquisition

During 1995, IPEX, a 50%-owned joint venture acquired the assets and shares of the Multi Fittings Group for a total cash consideration of \$35.6 million, including the assumption of \$10.2 million of long-term liabilities. The excess of the purchase price over the underlying book value of the net assets acquired resulted in goodwill of \$3.4 million which is being amortized over ten years. The Company's share of this goodwill is included in Other Assets.

16. 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 rates equal to the Company's borrowing rate.

17. Environmental Matters

The Company's operations are subject to numerous environmental laws, regulations and guidelines adopted by various governmental authorities in the jurisdictions in which the Company operates. Liabilities are recorded when environmental remediation obligations are either known or considered probable and can be reasonably estimated.

18. Comparative Figures

The 1994 figures have been reclassified to conform with the presentation adopted in 1995.

19. Summary of Material Differences Between Generally Accepted Accounting Principles (GAAP) in Canada and the United States

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP") which conform in all material respects with accounting principles generally accepted in the United States ("U.S. GAAP") except as set forth below (adjustments where appropriate are net of related income tax effects) for the years ended December 31:

	1995	1994
Net earnings under Canadian GAAP	\$31,952	\$ 8,054
<i>Adjustments</i> (net of income taxes thereon):		
Post-retirement benefits other than pensions (a)	(10,432)	(11,964)
Deferred preproduction, development and financing costs (b)	(139)	(1,797)
Deferred foreign exchange (c)	1,101	(5,159)
Income taxes (d)	(138)	(388)
Net earnings (loss) under U.S. GAAP	\$22,344	\$(11,254)

	1995		1994	
	U.S. GAAP	Canadian GAAP	U.S. GAAP	Canadian GAAP
Earnings (loss) per share (e)				
Continuing operations	\$0.36	\$0.66	\$(0.53)	\$ 0.13
Net earnings (loss) per share	\$0.13	\$0.47	\$(0.92)	\$ (0.25)
Fully diluted earnings per share (e)				
Continuing operations	\$0.34	\$0.57	\$ —	\$ —
Net earnings per share	\$ —	\$0.42	\$ —	\$ —

19. Summary of Material Differences Between Generally Accepted Accounting Principles (GAAP) in Canada and the United States (Continued)

	1995	1994
Total assets under Canadian GAAP	\$1,381,441	\$1,309,237
<i>Adjustments:</i>		
Portfolio investments (f)	(12,640)	(4,442)
Investments, at equity (a)	(7,277)	(4,755)
Deferred preproduction, development and financing costs (b)	(10,297)	(9,261)
Deferred foreign exchange (c)	(9,082)	(10,735)
Share purchase loans (g)	(5,756)	(5,280)
Total assets under U.S. GAAP	\$1,336,389	\$1,274,764
Total liabilities under Canadian GAAP	\$ 890,843	\$ 826,520
<i>Adjustments:</i>		
Post-retirement benefits other than pensions (a)	28,492	20,050
Deferred income taxes	(13,556)	(10,790)
Income taxes (d)	(3,516)	(3,654)
Redeemable preferred shares (h)	37,906	9,610
Share issue costs (i)	(1,248)	(200)
Total liabilities under U.S. GAAP	\$ 938,921	\$ 841,536
Total shareholders' equity under Canadian GAAP	\$ 490,598	\$ 482,717
<i>Adjustments:</i>		
Post-retirement benefits other than pensions (a)	(33,886)	(23,506)
Deferred preproduction, development and financing costs (b)	(4,887)	(4,771)
Deferred foreign exchange (c)	(6,232)	(7,333)
Income taxes (d)	3,516	3,654
Share purchase loans (g)	(5,756)	(5,280)
Redeemable preferred shares (h)	(37,906)	(9,610)
Share issue costs (i)	1,248	200
Portfolio investments (f)	(9,227)	(2,843)
Total shareholders' equity under U.S. GAAP	\$ 397,468	\$ 433,228

The areas of material difference between Canadian and U.S. GAAP and their impact on the consolidated financial statements are described as follows:

a. Post-retirement Benefits Other than Pensions

Under Canadian GAAP, the Company's cost of providing group health care and life insurance benefits to its retirees is expensed when incurred. Under U.S. GAAP, the expected costs of such benefits are expensed during the years that the employees render service. For U.S. GAAP purposes, the Company adopted Statement of Financial Accounting Standard ("SFAS") No. 106, "Employers' Accounting for Post-retirement Benefits Other than Pensions" effective January 1, 1993 and has elected to amortize the transition obligation over a 20 year period.

b. Deferred Preproduction, Development and Financing Costs

Under Canadian GAAP, certain preproduction, development and financing costs are deferred and amortized over the periods benefitted. Under U.S. GAAP, such costs are included in the statement of earnings as incurred.

19. Summary of Material Differences Between Generally Accepted Accounting Principles (GAAP) in Canada and the United States (Continued)

c. Deferred Foreign Exchange

Under Canadian GAAP, exchange gains and losses arising on the translation, at exchange rates prevailing on the balance sheet date, of long-term monetary items denominated in a foreign currency, are deferred and amortized over the remaining life of the related long-term monetary items. Under U.S. GAAP, such exchange gains and losses are included in the statement of earnings.

d. Accounting for Income Taxes

For U.S. GAAP purposes, the Company adopted Statement of Financial Accounting Standard ("SFAS") No. 109, "Accounting for Income Taxes", for all fiscal periods beginning after January 1, 1993. Consequently, the cumulative effect resulting from the first time application of SFAS No. 109 is presented for the year ended December 31, 1994.

SFAS 109 provides for changes to the Company's method of accounting for income taxes from the deferred method as recorded under Canadian GAAP, to an asset and liability method. Under the asset and liability method of SFAS No. 109, deferred tax assets and liabilities are recognized on the future tax consequences attributable to differences between the financial statement carrying accounts of existing assets and liabilities and their respective tax basis. Similarly, under SFAS No. 109, the rate of taxes must be adjusted to reflect expected tax rates at which the tax liability will be discharged.

e. Earnings (Loss) Per Share

Earnings (loss) per share in Canadian GAAP is based on the weighted average number of shares outstanding during each year. The weighted average number of shares outstanding under Canadian GAAP was 28,650,096 in 1995 and 27,647,812 in 1994. Primary earnings (loss) per share in U.S. GAAP is based on the weighted average number of shares outstanding during each year after giving effect to dilutive stock options and warrants using the treasury stock method. The weighted average number of shares and share equivalents, under U.S. GAAP was 29,081,691 in 1995 and 28,384,954 in 1994.

Fully diluted earnings per share in Canadian GAAP is based on the weighted average number of shares outstanding during each year after giving effect to dilutive stock options, warrants, and convertible debentures using the if-converted method. The weighted average number of shares outstanding under Canadian GAAP was 35,920,595 in 1995. Fully diluted earnings per share in U.S. GAAP is based on the weighted average number of shares outstanding during each year after giving effect to dilutive stock options and warrants using the treasury stock method and after giving effect to the dilutive convertible debentures using the if-converted method. The weighted average number of shares and share equivalents, under U.S. GAAP was 33,697,076 in 1995. Fully diluted earnings per share are not disclosed for periods where the effect is anti-dilutive.

f. Portfolio Investments

Under Canadian GAAP, long-term portfolio investments are carried at cost. For U.S. GAAP purposes, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities", which requires the reporting of changes in fair value in a separate component of shareholders' equity until realized.

g. Share Purchase Loans

Under Canadian GAAP, share purchase loans to employees are classified as assets; under U.S. GAAP, they are deducted from the stated value of Capital Stock.

h. Redeemable Preferred Shares

Pursuant to Regulation S-X of the U.S. Securities and Exchange Commission, the Series E Redeemable Preferred Shares and the Series 5 Redeemable Second Preferred Shares, which are redeemable at the option of the holder, are classified as Long-Term Liabilities.

i. Share Issue Costs

Under Canadian GAAP, share issue costs may be shown as a reduction of retained earnings. Under U.S. GAAP, these costs must be shown as a reduction of the stated value of Capital Stock.

20. Segmented Information

The Company operates principally in Canada and the United States in three business segments. The Steel Segment includes wire rod and bar products; the Fabricated Steel Products Segment includes fasteners, wire and wire products; and the Other Diversified Fabricated Products Segment includes structural steel, precision machined components and plastic pipe and fittings.

Canadian sales to outside customers include export sales in 1995 of \$510 million (1994 - \$473 million) primarily to customers in the United States. Highlighted below is the breakdown of net sales, earnings from operations before interest and other items, and identifiable assets by business and geographic segments.

Business Segments	1995				1994			
	Steel	Fabricated Steel Products	Other Diversified Fabricated Products	Consolidated	Steel	Fabricated Steel Products	Other Diversified Fabricated Products	Consolidated
Net sales	\$466,827	\$ 679,558	\$ 483,902	\$1,630,287	\$ 435,499	\$ 643,881	\$ 338,862	\$1,418,242
Operating earnings (EBITDA) before:	\$ 42,449	\$ 89,568	\$ 29,834	\$ 161,851	\$ 16,979	\$ 85,214	\$ 20,538	\$ 122,731
Amortization	(17,822)	(16,393)	(12,831)	(47,046)	(16,080)	(15,756)	(13,561)	(45,397)
	\$ 24,627	\$ 73,175	\$ 17,003	\$ 114,805	\$ 899	\$ 69,458	\$ 6,977	\$ 77,334
Share of earnings of equity accounted investments				\$ 2,463				\$ 5,526
Earnings from operations before interest and other items				\$ 117,268				\$ 82,860
Assets identifiable by segment	\$334,716	\$ 490,153	\$ 556,572	\$1,381,441	\$ 333,696	\$ 468,469	\$ 507,072	\$1,309,237
Net additions to property, plant and equipment	\$ 19,055	\$ 18,669	\$ 6,127	\$ 43,851	\$ 12,685	\$ 16,282	\$ 4,592	\$ 33,559

Geographic Segments	1995			1994		
	Canada	U.S.A.	Consolidated	Canada	U.S.A.	Consolidated
Net sales	\$1,033,535	\$ 596,752	\$1,630,287	\$ 905,081	\$ 513,161	\$1,418,242
Operating earnings (EBITDA) before:	\$ 153,245	\$ 8,606	\$ 161,851	\$ 132,485	\$ (9,754)	\$ 122,731
Amortization	(33,434)	(13,612)	(47,046)	(31,845)	(13,552)	(45,397)
	\$ 119,811	\$ (5,006)	\$ 114,805	\$ 100,640	\$ (23,306)	\$ 77,334
Share of earnings of equity accounted investments			\$ 2,463			\$ 5,526
Earnings from operations before interest and other items			\$ 117,268			\$ 82,860
Assets identifiable by segment	\$1,013,775	\$ 367,666	\$1,381,441	\$ 949,733	\$ 359,504	\$1,309,237

FINANCIAL SUMMARY

Millions of dollars except per share amounts

Operating Results	1995	1994	1993	1992	1991	1990	1989
Net sales	\$1,630.3	1,418.2	1,220.9	1,094.3	1,115.8	1,868.5	2,001.1
Operating earnings (EBITDA) before:	\$ 161.9	122.7	92.4	43.1	21.9	133.9	165.9
Amortization	\$ 47.0	45.4	43.8	43.8	45.6	55.0	51.8
Share of earnings (loss) of equity accounted investments	\$ 2.5	5.6	5.8	3.9	(5.1)	1.5	1.8
Earnings (loss) from operations	\$ 117.3	82.9	54.4	3.2	(28.8)	80.4	115.9
Earnings (loss) from continuing operations before income taxes	\$ 74.5	45.0	16.7	(41.3)	(81.6)	12.2	57.1
Provision for (recovery of) income taxes	\$ 30.9	26.6	14.0	(11.7)	(25.2)	0.1	20.9
Earnings (loss) from continuing operations	\$ 43.6	18.4	2.7	(29.6)	(56.4)	7.2	28.2
Net earnings (loss)	\$ 32.0	8.1	0.3	(19.6)	(59.4)	17.0	12.9
Earnings (loss) per share*							
Continuing operations	\$ 0.66	0.13	(0.52)	(2.51)	(3.71)	(0.76)	0.29
Net earnings (loss) per share	\$ 0.47	(0.25)	(0.63)	(1.71)	(3.86)	(0.25)	(0.55)
Return on sales	% 2.0	0.6	0.0	(1.8)	(5.3)	0.9	0.6
Financial Position	1995	1994	1993	1992	1991	1990	1989
Current assets	\$ 628.3	571.4	484.8	453.3	533.1	620.7	951.8
Current liabilities	\$ 291.3	308.4	264.2	325.8	354.9	369.3	466.1
Working capital	\$ 337.0	263.0	220.6	127.5	178.2	251.4	485.7
Net additions to property, plant and equipment	\$ 43.9	33.6	18.1	7.0	24.7	39.6	68.0
Total assets	\$1,381.4	1,309.2	1,203.4	1,182.6	1,296.6	1,411.8	1,838.2
Long-term liabilities	\$ 408.8	337.9	340.5	299.4	356.7	355.7	550.6
Convertible debentures	\$ 15.0	15.0	15.0	10.0	—	—	—
Exchangeable debentures	\$ 95.2	95.2	95.2	95.2	95.2	95.2	95.2
Shareholders' equity	\$ 490.6	482.7	442.8	422.3	446.9	535.5	548.2
Dividends	\$ 51.5	1.7	1.7	3.2	19.1	33.0	34.0
Book value per share*	\$ 7.91	7.36	7.51	8.32	10.35	14.65	15.76

*Declared and undeclared preferred share dividends have been deducted in calculating per share amounts.

1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976
2,013.3	2,127.8	1,944.8	1,342.7	1,193.9	754.7	681.7	718.3	621.9	495.4	265.9	166.8	136.0
215.7	197.5	186.6	138.5	128.8	63.5	54.4	96.4	81.2	96.7	57.0	28.0	19.6
56.9	56.7	56.3	39.5	34.5	27.0	23.9	19.6	14.9	11.4	8.0	6.8	6.1
1.2	1.2	1.3	0.4	0.5	3.0	(3.3)	2.7	0.8	—	—	—	—
160.0	142.0	131.6	99.4	94.8	39.5	27.2	79.5	67.1	85.3	49.0	21.2	13.5
108.3	89.0	81.7	57.6	54.4	(0.3)	(25.7)	33.9	41.1	69.0	41.1	14.6	7.2
41.5	42.1	32.7	18.3	15.8	(5.9)	(15.3)	8.6	12.4	25.4	16.7	4.6	1.6
55.6	39.9	43.1	35.1	32.3	2.9	(9.9)	25.2	28.3	42.7	24.0	9.8	5.4
41.9	31.8	44.1	35.1	33.8	0.8	(9.9)	28.4	28.3	42.7	24.0	9.8	5.4
1.67	0.64	1.11	1.04	1.64	(0.17)	(1.20)	2.08	2.47	3.98	2.20	0.89	0.52
1.03	0.46	1.11	1.04	1.64	(0.34)	(1.20)	2.37	2.47	3.98	2.20	0.89	0.52
2.1	1.5	2.3	2.6	2.8	0.1	(1.5)	3.9	4.6	8.6	9.0	5.9	4.0
1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976
970.2	913.4	860.1	623.1	536.0	461.8	347.6	335.5	273.7	257.3	130.2	105.9	100.6
464.3	441.8	373.0	228.1	263.2	191.0	204.7	223.3	143.8	147.0	73.1	69.5	69.5
505.9	471.6	487.1	395.0	272.8	270.8	142.9	112.2	129.9	110.3	57.1	36.4	31.1
89.8	88.5	84.4	46.3	39.5	16.6	42.6	60.8	64.2	34.3	27.6	19.7	7.4
1,853.9	1,764.7	1,697.5	1,281.4	1,117.3	890.0	740.4	706.3	572.7	483.7	277.5	224.9	203.5
508.2	449.8	436.0	300.6	350.8	263.4	277.6	207.3	187.5	143.2	58.4	30.8	32.2
—	—	—	—	—	—	—	—	—	—	—	—	—
95.2	95.2	95.2	95.3	—	—	—	—	—	—	—	—	—
577.3	581.7	604.1	520.6	366.9	303.3	194.9	206.3	187.8	151.7	116.8	95.6	74.2
34.1	34.2	33.7	28.4	19.4	10.3	7.0	9.3	8.4	7.9	5.3	2.6	1.9
16.91	16.48	16.64	15.01	14.29	13.22	14.25	16.23	14.46	12.61	9.49	7.68	7.04

DIRECTORY OF OPERATIONS

Amercord Inc.

Industrial Park
P.O. Box 458
Lumber City, Georgia 31549
(912) 363-4371
Fax: (912) 363-4991
Steel tire cord, tire bead wire,
and armor wire for fibre optic cables

Atlantic Steel Industries, Inc.

1300 Mecaslin St. N.W.
Atlanta, Georgia 30318
P.O. Box 1714
Atlanta, Georgia 30301
(404) 897-4500
Fax: (404) 897-4623
Hot rolled merchant and special quality
bars and wire rod

Atlantic Steel Industries, Inc.

384 Old Grassdale Road, N.E.
P.O. Box 1418
Cartersville, Georgia 30120
(404) 387-3300
Fax: (404) 387-3327
Billets, hot rolled merchant and special
quality bars, and reinforcing bars

Bakermet Inc.

2555 Sheffield Road
Ottawa, Ontario K1B 3V6
(613) 745-6000
Fax: (613) 745-0692
Processing of scrap metal

Bel-Air Fence Division

400, rue Deslauriers
Saint-Laurent, Québec H4N 1V8
(514) 335-4455
Fax: (514) 335-4495
2400, rue Chappe
Ancienne-Lorette
Québec, Québec G2E 4W6
(418) 871-1155
Fax: (418) 871-2945
Distribution of fencing products
and accessories

Canron Inc.

100 Disco Road
Rexdale, Ontario M9W 1M1
(416) 675-6400
Fax: (416) 675-0366
Corporate Office

Canron Construction Corporation

Eastern Division
P.O. Box 421, Shaw Road
Conklin, New York 13748
(607) 723-4862
Fax: (607) 723-4882

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

Canron Construction

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

Western Division
1168 Derwent Way
New Westminster, British Columbia
V3M 6E9
(604) 524-4421
Fax: (604) 524-4465
Plants: Vancouver and
New Westminster,
British Columbia; Calgary, Alberta
Structural steel fabrication, erection and
construction services; open web
steel joists; pressure vessels and tanks

Docap (1985) Corporation

21 Fasken Drive
Etobicoke, Ontario M9W 5M2
(416) 675-7571
Fax: (416) 675-6787
Distributors of automotive and
industrial products

Ifastgroupe and Company, Limited Partnership

700, rue Ouellette
Marieville, Québec J3M 1P6
(514) 658-8741
Fax: (514) 447-0114
Corporate Office

Galvano

(Division of Ifastgroupe and Company, Limited Partnership)

2620, rue Bernard-Pilon
Beloeil, Québec J3G 4S5
(514) 464-0547
Fax: (514) 464-8553
Electro-galvanizing and hot dip
galvanizing of fasteners and nails

I.F.C. (Fasteners) Inc.

700, rue Ouellette
Marieville, Québec J3M 1P6
(514) 658-8741
Fax: (514) 447-0114
Bolts and nuts

Infasco

(Division of Ifastgroupe and Company, Limited Partnership)

700, rue Ouellette
Marieville, Québec J3M 1P6
(514) 658-8741
Fax: (514) 447-0114
Bolts, nuts and fastener products

Infasco Nut

(Division of Ifastgroupe and Company, Limited Partnership)

3990 Nashua Drive
Mississauga, Ontario L4V 1P8
(905) 677-8920
Fax: (905) 677-6295
Nuts

**Infatool
(Division of Ifastgroupe and
Company, Limited Partnership)**

Ingersoll Street
P.O. Box 40
Ingersoll, Ontario N5C 3K3
(519) 485-4531
Fax: (519) 485-2435
Dies and specialty tooling

**Ingersoll Fasteners
(Division of Ifastgroupe and
Company, Limited Partnership)**

390 Thomas Street
P.O. Box 40
Ingersoll, Ontario N5C 3K3
(519) 485-4610
Fax: (519) 485-2435
Bolts, nuts and fastener products

Ingersoll Machine and Tool Division

347 King Street West
P.O. Box 250
Ingersoll, Ontario N5C 3K6
(519) 485-2210
Fax: (519) 485-2163
Precision machined components
and axles

IPEX

Head Office:
50 Valleybrook Drive
Don Mills, Ontario M3B 2S9
(416) 445-3400
Fax: (416) 445-4461

Administrative Office:
1st Floor, Wing 3
Port of Montréal Building
Cité du Havre
Montréal, Québec H3C 3R5
(514) 861-7221
Fax: (514) 861-7424

Plants: Saint-John, New Brunswick;
St. Jacques, St. Laurent,
St. Eustache and Laval, Québec;
Rexdale, Scarborough, Toronto, London
and Mississauga, Ontario; Weyburn,
Saskatchewan; Edmonton,
Alberta; and Langley, British Columbia
Plastic Pipe Systems

**Ivaco Rolling Mills
Limited Partnership**

P.O. Box 322
L'Original, Ontario K0B 1K0
(613) 675-4671
Fax: (613) 675-2707
Hot rolled wire rods and steel billets

Laclede Steel Company

One Metropolitan Square
211 North Broadway
St. Louis, Missouri 63102
(314) 425-1400
Fax: (314) 425-1561
Corporate Office

Laclede - Alton Plant

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

Laclede - Benwood

Benwood Industrial Court
8th & McMechen Street
P.O. Box 10
Benwood, West Virginia 26031
(304) 233-5168
Fax: (304) 233-5173
Tubular products

**Laclede Chain Manufacturing
Company**

One Metropolitan Square
211 North Broadway
St. Louis, Missouri 63102
(314) 425-1540
Fax: (314) 425-1538

Plant: 3865 Northwest St. Helens Road
Post Office Box 10636
Portland, Oregon 97210
(503) 224-8326
Fax: (503) 224-8358
Chain manufacturing

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

Laclede - Fairless

Fairless Works
Fairless Hills, Pennsylvania 19030
(215) 428-4300
Fax: (215) 428-4308
Continuous welded pipe

Laclede - Fremont

Feather Valley Road
P.O. Box 629
Fremont, Indiana 46737
(219) 495-5360
Fax: (219) 495-2666
Oil tempered wire

Laclede - Memphis

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

Laclede - Metro-East Processing

Washington Avenue & Race Street
 Madison, Illinois 62060
 (618) 452-3011
 Fax: (618) 452-3012
 Steel processing facility

Laclede - Vandalia

1201 Janette Avenue
 Vandalia, Illinois 62471
 (618) 283-6000
 Fax: (618) 283-6003
 Pipe finishing and shipping facility

P.C. Drop Forgings Division

837 Reuter Road
 P.O. Box 100
 Port Colborne, Ontario
 L3K 5V7
 (905) 834-7211
 Fax: (905) 834-5094
 Steel forgings - upset and drop

Sivaco / National Wire Group (SNW)

Overlook III, Suite 1900
 2859 Paces Ferry Road
 Atlanta, Georgia 30339
 (770) 431-5100
 Fax: (770) 431-5102
 Corporate Office

Sivaco / National Wire of Florida

1314 - 31st Street
 Tampa, Florida 33605
 (813) 248-4135
 Fax: (813) 248-3057
 Wire and welded wire fabric

SNW Georgia

24 Herring Road
 Newnan, Georgia 30265
 (770) 253-6333
 Fax: (770) 253-3550
 Wire and welded wire fabric,
 masonry wall reinforcement products
 and masonry accessories

SNW Maryland

8203 Fischer Road
 Baltimore, Maryland 21222
 (410) 477-1700
 Fax: (410) 388-0770
 Wire, galvanized wire and welded
 wire fabric, masonry wall reinforcement
 products

Sivaco New York, Inc.

3937 River Road
 P.O. Box 646
 Tonawanda, New York 14151-0646
 (716) 874-5681
 Fax: (716) 874-4440
 Wire products and wire rod processing

SNW Ohio

832 North Lallendorf Road
 Toledo, Ohio 43616
 (419) 698-8037
 Fax: (419) 698-4325
 Wire and welded wire fabric

SNW Ontario

330 Thomas Street
 P.O. Box 220
 Ingersoll, Ontario N5C 3K5
 (519) 485-4150
 Fax: (519) 485-3039
 Wire products and wire rod processing

SNW Québec

800, rue Ouellette
 Marieville, Québec J3M 1P5
 (514) 658-8741
 Fax: (514) 460-3082
 Wire, welded wire fabric, galvanized
 wire and nails

OFFICERS

PAUL IVANIER
President and Chief Executive Officer

SYDNEY IVANIER
Senior Vice-President

MICHAEL HERLING
Senior Vice-President

ALBERT A. KASSAB
Senior Vice-President
and Chief Financial Officer

GEORGE GOLDSTEIN
Senior Vice-President

HUGH W. BLAKELY
Vice-President and Controller

GUY-PAUL MASSICOTTE
General Counsel and Secretary

MARIE BAILLARGEON
Assistant General Counsel and
Assistant Secretary

THE BOARD OF DIRECTORS

PIERRE CÔTÉ
Chairman, Celanese Canada Inc.

WILLIAM S. CULLENS
Non-Executive Chairman,
Canron Inc.

GEORGE GOLDSTEIN
Senior Vice-President of the Company

MICHAEL HERLING
Senior Vice-President of the Company

PAUL IVANIER
President and Chief Executive
Officer of the Company

SYDNEY IVANIER
Senior Vice-President of the Company

ALBERT A. KASSAB
Senior Vice-President and
Chief Financial Officer of the Company

DONALD G. LAWSON
Chairman, Moss Lawson & Co. Limited

HERBERT B. McNALLY
Partner, Byers Casgrain

SHARES LISTED

The Montréal Exchange
The Toronto Stock Exchange

TRANSFER AGENT AND REGISTRAR

The R-M Trust Company in Montréal, Toronto,
Calgary, Winnipeg, Regina, Vancouver and Halifax.

ANNUAL MEETING

The annual meeting of the Company will
be held on May 30, 1996 at 10:00 a.m. at the
Ritz-Carlton Hotel, Montréal, Québec.

HEAD OFFICE

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

*Pour recevoir un exemplaire de la version française
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Place Mercantile 770, rue Sherbrooke ouest,
Montréal (Québec) Canada H3A 1G1.*



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MONTRÉAL (QUÉBEC) CANADA H3A 1G1

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