

Dominion Bridge

1977 ANNUAL REPORT



Dominion Bridge Company, Limited

Financial highlights (\$ millions)	1977	1976* (restated)
Sales and other revenue	595.9	522.1
Net income	37.5	29.4
Total assets	432.1	376.4
Long term debt	67.8	30.9
Shareholders' equity	193.7	166.0
Per share data (\$)		
Net income	3.53	2.77
Cash flow from operations	4.45	3.81
Dividends (rounded)	0.94	0.98
Book value	18.21	15.62

*To reflect the previously reported change (effective January 1, 1977) in the calculation of Canadian earnings from the "completed contract" method to the "progress" basis employed in the U.S. and other operations.

Dominion Bridge Company, Limited
1155 Dorchester Boulevard West,
Montreal, Que. H3B 4C7

Incorporated under the Companies Act of Canada, 30th July, 1912. (As successor to a company of the same name incorporated in 1882).

Shareholders' meeting

The annual general meeting of shareholders will be held in the auditorium of The Royal Bank of Canada, Place Ville Marie, Montreal, on Friday, April 28, 1978, at 11:30 a.m.

Other reports available

Copies of previous annual reports and quarterly statements and the latest pictorial review "The World of Dominion Bridge" may be obtained by writing to the Secretary, Dominion Bridge Company, Limited, 1155 Dorchester Boulevard West, Montreal, Que. H3B 4C7.

Rapport annuel 1977

Si vous désirez recevoir un exemplaire de ce rapport, des rapports précédents et des sommaires des résultats trimestriels en français, veuillez vous adresser au secrétaire, Dominion Bridge Company, Limited, 1155 ouest, boulevard Dorchester, Montréal, Qué. H3B 4C7.

Table of contents

Highlights	IFC
Annual meeting	IFC
Management's report	1
Operating philosophy	2
Sales and operating income	3
Industrial products group report	4
Special products group report	6
Steel group report	8
Span Holdings Limited report	10
Profit improvement	12
Employee relations	13
Financial review and summary	14
Management discussion	16
Financial statement and notes	17
Auditors' report	24
Income by quarters and stock data	25
Directors and officers	26
Subsidiaries and affiliates	28
Group and divisional management	28
Report on Amtel	29

Cover photograph

Typical Single Point Mooring (SPM) terminal system used for mooring bulk carriers while loading and unloading various liquid cargos, primarily crude oil and refined petroleum products, and also solids in slurry form. It was designed and produced by Imodco Inc. of Los Angeles, California, a subsidiary of Amtel, Inc. Amtel, Inc. was recently acquired (see pages 29-32).

Management's report to shareholders



K. S. BARCLAY
Chairman and Chief Executive Officer

The year 1977 was a good one for your company. Highlights included:

The achieving of record levels in sales and earnings for the eighth consecutive year.

The acquisition by our wholly-owned U.S. subsidiary, AMCA International Corporation, of Amtel, Inc. The latter development, as matters presently stand, increases your company's annual sales by about \$400 million to something approaching \$1 billion and accordingly represents a major change in the evolution of the company's affairs.

Further progress, in fact solid headway, in terms of meeting the long-term objectives, relating to the growth of the company (the 10 year plan) as formulated at the beginning of this decade and which progress is more specifically commented upon on page 2 of this 1977 Annual Report.

The successful coming together of our Canadian and U.S. management forces into one top-notch managerial group functioning effectively together (as discussed in earlier communications to shareholders) and without which the progress referred to would not have been made.

In retrospect, 1977 turned out very much as planned. In that context, and as predicted at last year's annual meeting of shareholders, the company did not enjoy buoyant markets in Canada for its products. The economic environment in that sector of the company's business continues to leave

much to be desired and is, of course, substantially affected by political factors. Fortunately, as previously reported, our acquisition efforts in this decade have contributed a much-needed balance and diversity to the company's affairs with 78% of earnings in 1977 derived from operations in the U.S. and in the international sector. Management sees no change in the latter trend in the foreseeable future and, as a result, investment decisions continue to be made accordingly.

The accompanying Annual Report elaborates, for your greater understanding, on a number of facets of the company's affairs including —

- some of management's operating philosophies and objectives,
- sales and operating income by major product groups,
- comments on results and outlook by operating units in an improved format,
- our basic thinking on profit improvement and related matters,
- some vital matters affecting the company's lifeblood — people and,

all in addition to the usual financial commentary accompanying the presentation in this report of the company's 1977 statements. Management believes you will find this additional information helpful.

In view of the significance of the Amtel acquisition to the company's future affairs and whereas the acquisition had no material impact on 1977 results (coming as it did more or less at the end of the year) we have also decided to include an addendum to this report starting on page 29 providing information on Amtel which we also feel will be informative.

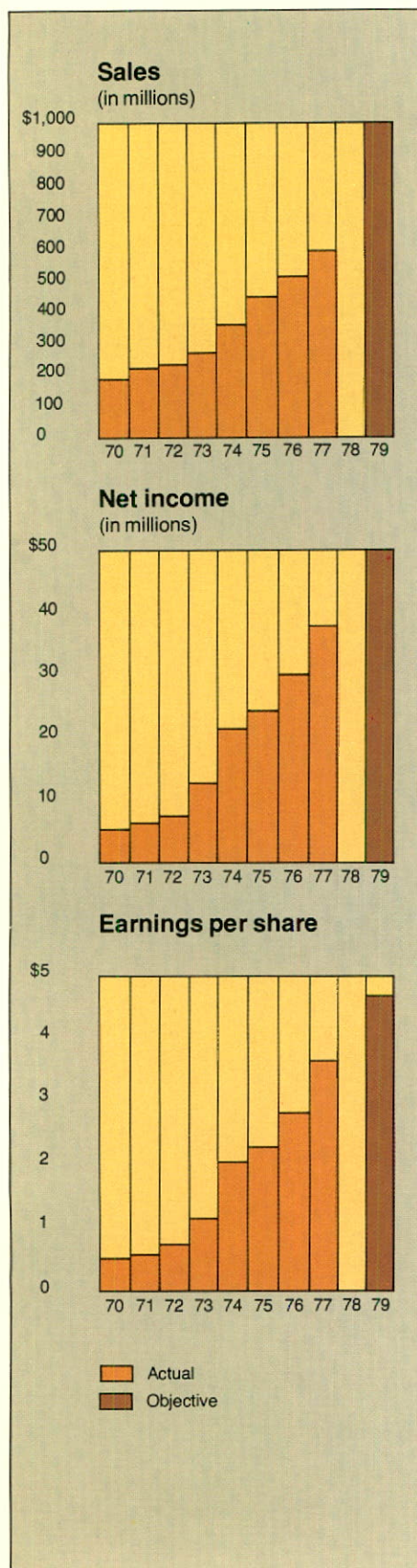
The current business environment, if viewed in the aggregate, is mixed. Another difficult winter is very much a part of the current scene with the lengthy U.S. coal strike and energy related considerations in North America impacting, in some degree, the short-term picture. On the other hand, this type of problem represents, for the most part, work deferred rather than lost. Accordingly: —

management looks forward to 1978 and beyond with undiminished confidence in your company's ability to continue to progress. Your support as shareholders and the invaluable help and assistance of the Board of Directors plus the major contribution by all of the company's people is gratefully acknowledged.

Chairman and Chief Executive Officer

March 31, 1978

The Dominion Bridge operating philosophy and objectives



Philosophy

Dominion Bridge formed in 1882 was, prior to 1970, primarily a structural steel fabricator serving the Canadian market. At the beginning of this decade the company embarked on a program of acquiring other companies which has resulted in substantial growth and diversification primarily in the U.S. The corporation is, at this point, a major diversified international group of companies selling products in over 100 countries and operating 53 plants plus a substantial number of engineering and sales offices in Canada, the United States, Europe, the United Kingdom and the Caribbean.

The acquisition program was founded on the principle of balanced diversification designed to afford protection against economic cycles and product obsolescence and to promote participation in new markets and new technologies. The overriding philosophy is to maintain the broadest posture possible, straddling a number of industries, and a significant number of international markets, so as to avoid the instability and unfavorable consequences invariably associated with one industry and single nation identification.

The company allocates resources (men, money and materials) accordingly and invests (and divests) only for "return" avoiding emotional attachments to any product or physical location in recognition that each has its day in the sun. Continuing stress is placed on margins (profitability) and upon turnover (asset utilization relative to volume generated) so as to maximize return on investment. At any point in time, management is guided by three basic priorities; namely, to avoid catastrophe, to meet and beat the current business plan, and to organize for future profit improvement.

Objectives

Prior to the beginning of this decade (1969), the company was operating at an annual sales level of \$168 million. Earnings were \$4.1 million. Management set out to improve those results and to grow the organization via the acquisition route and through internally generated growth with the intent of reaching the billion dollar sales level by the end of the 1970's with earnings thereon of \$50 million net or \$4.70 per share. The latter goals were ambitious and implied that over the 10-year target period the corporation was out to increase sales and earnings at what would generally be called unsustainable average annual compound rates of 20% and 30% respectively. Notwithstanding, as of the end of 1977, the end of the eighth year, as illustrated in the accompanying charts, the following progress has been made:

Sales have grown at an average annual compound rate of 17% (the latter does not include any sales of Amtel, Inc. acquired in December 1977. Amtel's 1977 sales were approximately \$400 million).

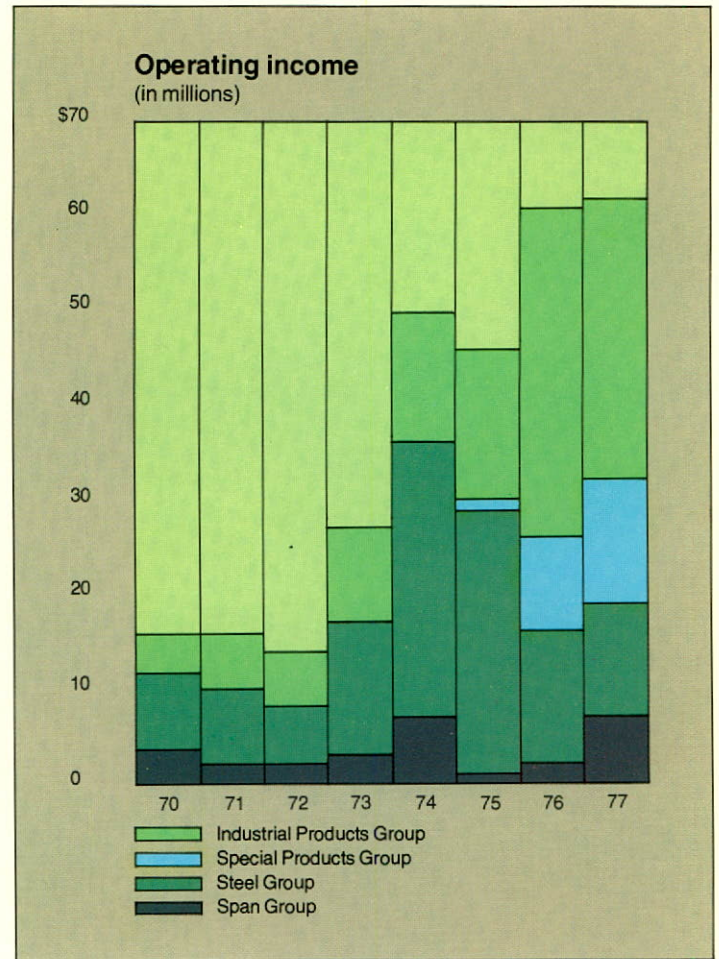
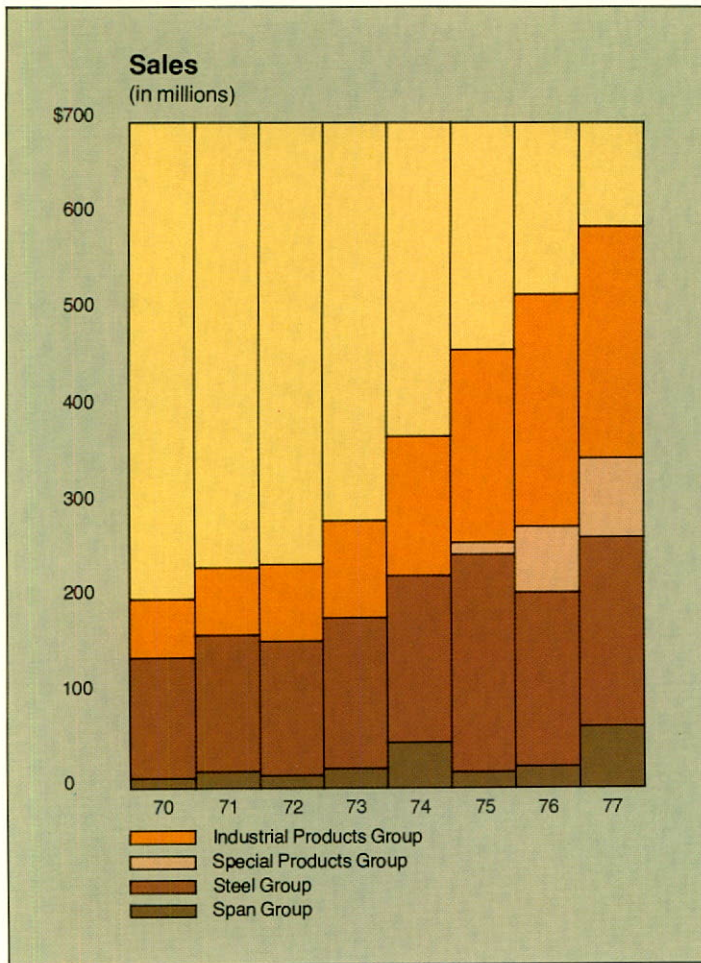
Net income has grown at an average annual compound rate of 32%. (Again, for the reasons noted, Amtel's contribution to 1977 results was not material.)

Net income per common share was 40¢ in 1969 and has continually increased in the years through 1977 to \$3.53 per share, resulting in an average annual compound rate of growth of 31%.

Finally, the company has, in the process of evolving the above —

- improved the quality of its earnings,
- developed an exceptionally capable management organization,
- acquired industry strengtheners and entered new industries compatible with the organization's basic skills,
- made the corporation more widely known and more highly regarded,
- achieved solid progress in the vital area of "return on shareholders' equity". In 1977, the company returned 20.9% versus 4.9% in 1969.

Sales and operating income by product group*



	Year	Industrial Products Group		Special Products Group†		Steel Group		Span Group		Total all groups	
		\$	%	\$	%	\$	%	\$	%	\$	%
Sales (in millions)	1970	62	32			125	63	9	5	196	100
	1971	76	32			144	62	15	6	235	"
	1972	83	35			142	60	12	5	237	"
	1973	101	36			160	58	18	6	279	"
	1974	145	39			180	49	45	12	370	"
	1975	203	44	15	3	227	50	14	3	459	"
	1976	244	47	69	13	187	36	20	4	520	"
	1977	245	41	84	14	201	34	62	11	592	100
Operating income (in millions)	1970	4	25			8	50	4	25	16	100
	1971	6	38			8	50	2	12	16	"
	1972	6	43			6	43	2	14	14	"
	1973	10	37			14	52	3	11	27	"
	1974	13	26			30	60	7	14	50	"
	1975	16	35	1	2	28	61	1	2	46	"
	1976	35	58	10	16	14	23	2	3	61	"
	1977	30	49	13	21	12	19	7	11	62	100

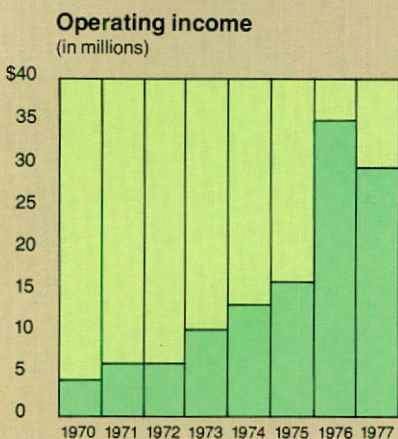
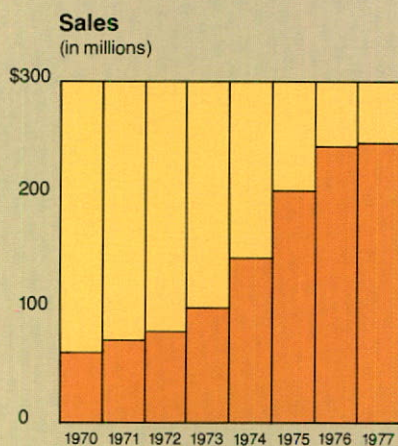
*Operating income as used means before corporate expense, exchange gains or losses on the balance sheet, and income taxes where applicable.
 †This group was formed with the acquisition of Cherry-Burrell and DESA Industries in late 1975.

Results:

Sales reached a record \$245 million and yielded an operating income of \$30 million. New orders received in 1977 exceeded those in 1976 on a divisional basis and for the group. A decrease in operating income reflected primarily softer markets for crane products.

Outlook:

The group entered 1978 with a backlog of \$117 million — an increase of \$7 million over last year. With this substantial backlog, anticipated market conditions and management's continued cost reduction thrust, the group is poised for another excellent year in 1978.



Equipment Systems Division (Sales over \$50 million)

This division embraces crane builders Morgan Engineering in Alliance, Ohio, Clyde Iron in Duluth, Minn., Provincial Crane in Niagara Falls, Ont. and the marine construction facility of Wiley Manufacturing in Port Deposit, Md.

Cranes take time to build and the unprecedented demand in 1974 and 1975 for cranes to construct oil search facilities and equip base metal producers yielded record sales and earnings in 1976. Although the market conditions following that period were, by comparison, more difficult, 1977 bookings exceeded those of 1976 by 20 percent to leave a good backlog at the start of 1978.

While 1977 operating income was below that of the record preceding year, the return on capital invested in the division remained outstanding.

Engineered Products Division (Sales over \$75 million)

This Canadian based division consists of the Engineered Products Division — East, making waste heat boilers, incinerators, components for nuclear reactors and a variety of other technological work; the Engineered Products Division — West which produces plate-work for the petroleum, natural gas and chemical industries; MBE Limited in Winnipeg, Manitoba, making line hardware and engineered products; and a Buildings Unit that designs and builds commercial and industrial structures.

Both units of the Engineered Products Division continued their successful performance with energy related equipment.

MBE in Winnipeg started the year in a loss position but recovered after closing its foundry and divesting itself of the lighting pole standard subsidiary NAPCO.

The Buildings Unit suffered from the depressed state in its primary market area.

The aggregate of these conditions caused a moderate decline in sales and earnings in 1977. However, a five percent increase in bookings during the same period augurs well for 1978. Improved operational efficiency, a substantial backlog and the prospects for new international trade in 1978 lay the foundation for an excellent 1979.

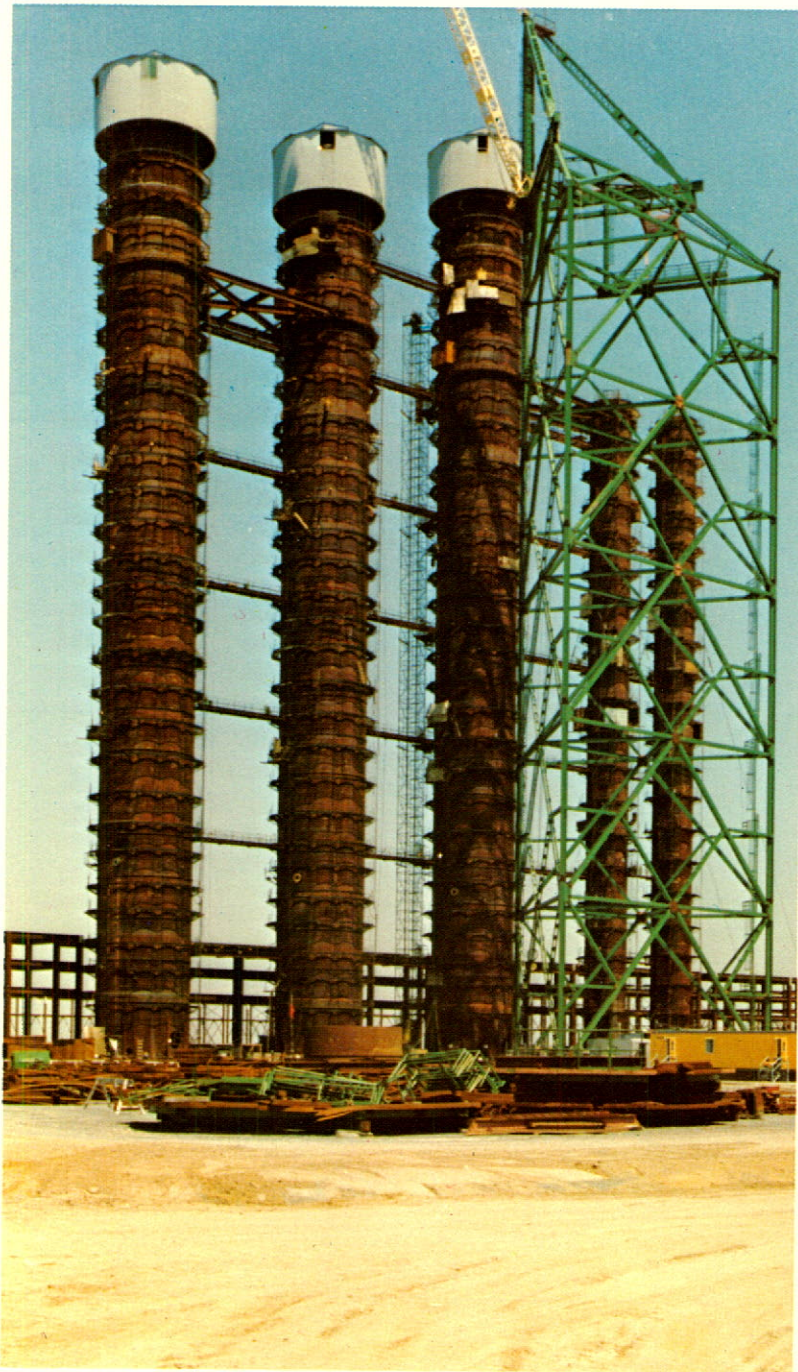
Varco-Pruden Division (Sales over \$75 million)

Varco-Pruden, designers and manufacturers of pre-engineered metal buildings, continued its high rate of growth and achieved record sales and earnings. It confirmed itself as the second largest manufacturer of metal buildings in the world by again increasing market share. Sales of the standing seam roof system, introduced in late 1976, and the division's continued emphasis on international markets yielded better than expected results. The division continued to accomplish planned productivity and cost reduction objectives.

Varco-Pruden moves into 1978 with a good backlog and based on its current booking rate, expects to record another outstanding performance in 1978.

Insley Manufacturing (Sales under \$50 million)

Insley Manufacturing entered 1977 with a small backlog. By substantially increasing its market share and implementing an effective cost reduction program, Insley Manufacturing achieved near record sales and earnings. This unit expects better results in 1978 as the demand for hydraulic excavators continues to parallel that of United States housing starts.



Main process towers for the LaPrade Heavy Water Plant under construction near Gentilly, Québec are among the largest ever built. Plate material for the vessels was formed at the Dominion Bridge plant in Montreal and assembled on site.

One of three steel tubes fabricated by Wiley for an underwater rapid rail twin transit tunnel. Each section is 340 feet long, 21½ feet high and 37½ feet wide.

Another "Metal Building of the Year" award winner. This building houses an insurance agency in Gainesville, Florida. The structure earned honors for the Varco-Pruden builder as well as the architect of the project.

Special products group*

Results:

Sales reached a record \$84 million or 22 percent ahead of 1976. Operating income rose to \$13 million or 30 percent ahead of 1976 as a result of the increased sales and the effect of productivity improvements and cost reduction programs.

Outlook:

The group entered 1978 with an excellent backlog and a highly favorable outlook for increased sales and earnings.

Cherry-Burrell (Sales over \$50 million)

Cherry-Burrell has plants in Cedar Rapids, Iowa, and Little Falls, N.Y. It makes processing and packaging equipment for the dairy, beverage, chemical, cosmetic, pharmaceutical and other fluid handling industries.

Its performance in 1977 was outstanding. Sales and earnings were significantly ahead of the record performance of the previous year and were achieved through increased penetration of international markets and the implementation of comprehensive cost and inventory reduction programs.

Cherry-Burrell enters 1978 with a good backlog and excellent prospects for continued growth.

DESA Industries (Sales under \$50 million)

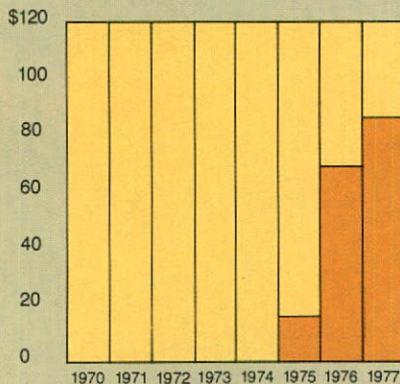
DESA Industries has operations in Park Forest, Ill. and Toronto, Ont. It manufactures and sells Remington electric and gasoline chain saws and other power tools for home and industry.

Results in 1977 were much better than in 1976. A new generation of consumer gasoline chain saws designed and developed in 1976 and introduced in early 1977 enjoyed exceptional market acceptance. The U.S. gasoline chain saw market rebounded from depressed levels and this, together with the introduction of several new products and a strengthening of management and sales efforts, was responsible for the improvement.

New products and a good backlog indicate accelerated growth in sales and earnings in 1978.

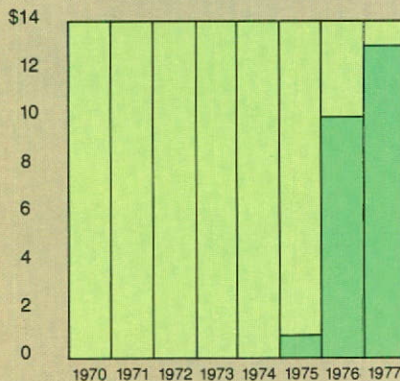
Sales

(in millions)

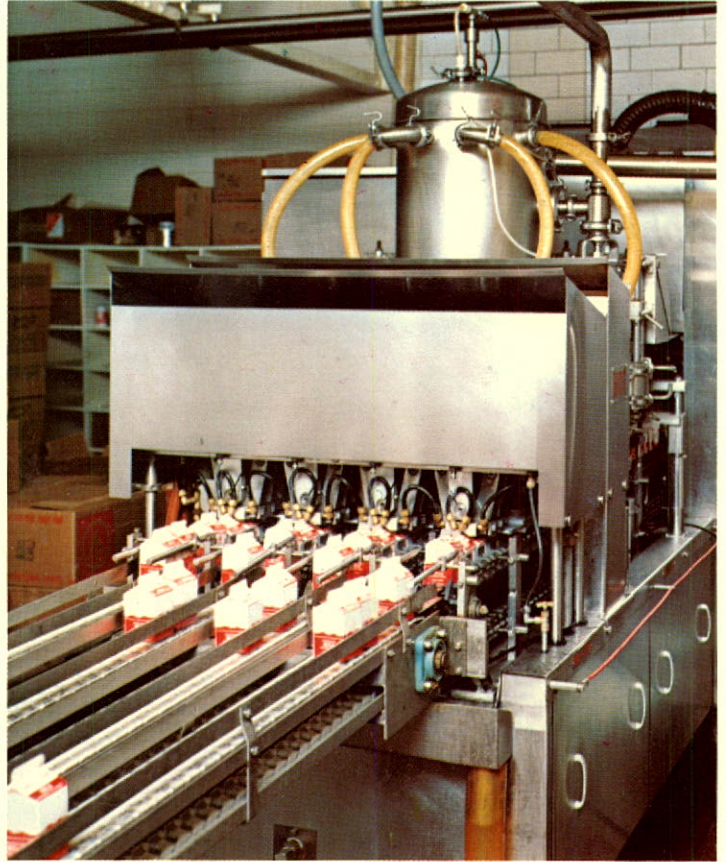


Operating income

(in millions)



*This group was formed with the acquisition of Cherry-Burrell and DESA Industries in late 1975.



Remington chain saws are private-branded for Montgomery Ward. A complete line of electric and gasoline saws are sold in Montgomery Ward stores throughout the United States.

Because they are used primarily by dairies, Cherry-Burrell's carton fillers must comply with rigid sanitation laws. They are made of stainless steel and carefully engineered to assure product purity.

Results:

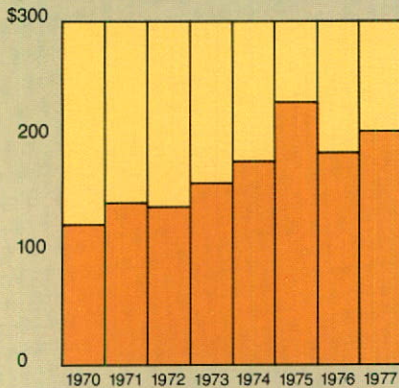
Sales were \$201 million, about 7% higher than a year ago. Operating income fell to \$12 million or 14% below last year. 1977 was a year of negative growth and severe price competition in the markets served by the steel group.

Outlook:

The group entered 1978 with a backlog of \$88 million, equal to that of a year ago. The unfavorable market conditions of 1977 will prevail well into 1978. Sales are expected to be higher because of broader market penetration but prices will remain at unsatisfactory levels. Despite a continuing emphasis on productivity improvements and cost reductions, a significant improvement in earnings is unlikely in 1978.

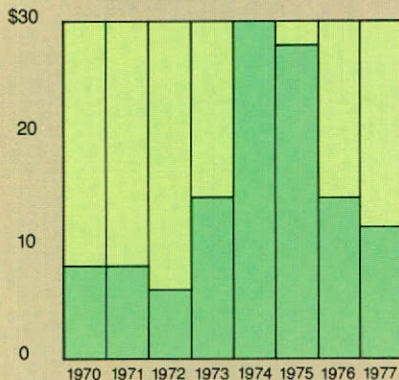
Sales

(in millions)



Operating income

(in millions)



Manitoba Rolling Mills (Sales under \$50 million)

Manitoba Rolling Mills is a modern mini-mill with an annual capacity of 200,000 tons offering a wide range of steel products in Canada and the U.S.

Both sales and earnings at Manitoba Rolling Mills for 1977 fell below expectations due to difficult market conditions and start-up problems. Reduced activity in construction, mining and the agricultural implement industry led to lower demand and depressed selling prices. The breaking in of the new No. 4 mill has taken longer than planned and adversely affected costs and service. A steady improvement in output in the latter part of the year has, however, permitted M.R.M. to increase sales in eastern Canada and the north central U.S. market.

Increased sales and earnings are expected in 1978 from improved productivity, extended market penetration and higher sales to other units in the Dominion Bridge family. Market conditions are expected to be moderately better and the new mill should reach rated productivity by mid-year.

Steel Service Centre (Sales under \$50 million)

The Steel Service Centre Division operates thirteen centres from Halifax to Vancouver and is one of the largest steel distributors in Canada. Each centre maintains a full inventory of rolled steel products and is equipped to handle custom sizing and shaping.

The demand for the products of the Steel Service Centres continued to be depressed through 1977. The results were particularly acute in Quebec, and to a lesser extent in Ontario and British Columbia. In spite of this, sales tonnage targets were met and substantial market share improvements were achieved. New service centres in Edmonton and Vancouver participated fully in this progress. Prices and profit margins, however, remained depressed and the financial results for the year were unsatisfactory.

The steel grating plant in Toronto, which was recently expanded, had another successful and busy year, even though its operations were adversely affected by a three-month strike.

Improved operating and price levels in the second half of 1977 point to improved earnings in 1978.

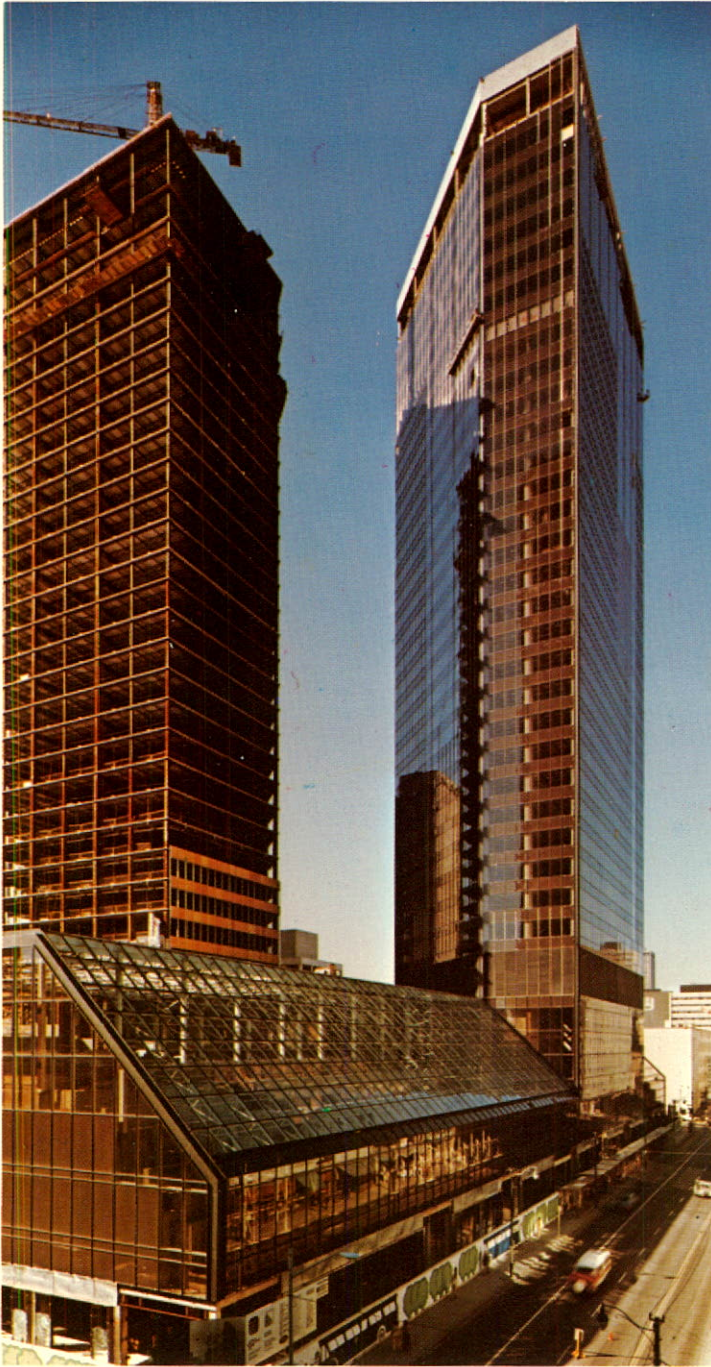
Structural Division (Sales over \$150 million)

The Structural Division with nine plants is Canada's largest structural steel fabricator. It also fabricates plate, open web joists, reinforcing steel, and builds such varied items as pressure vessels and transmission towers. A broad range of engineering and construction services is offered from each location.

Despite the lowest structural steel market in twenty years, and in the face of fierce competition, the Division increased market share and achieved near record sales and adequate earnings. Increased participation in export markets and in project construction maintained volume at reasonable levels.

During 1977 the Division was involved in such diverse construction projects as the installation of mill equipment, material handling systems, nuclear reactor components, piping, heating, ventilating and air conditioning systems.

Market conditions are not expected to improve in 1978 and earnings will be lower, reflecting conditions described in the second paragraph of this section. Backlog, although less profitable, is equal to that of a year ago. Results for 1978 will also depend on export sales, construction opportunities and constant control of costs.



The south tower of the Oxford Square development in Calgary, Alberta, nears completion. Steelwork for the north tower was topped off earlier. In addition to the two office towers, the complex includes a three-level retail podium and the 2¼ acre glassed-in park in foreground.

The control room of the new Manitoba Rolling Mills plant in Selkirk, Manitoba.

A CM100 tape-driven burning machine in an Ontario Steel Service Centre. It shaped out the eleven foot diameter gear blank shown here.

Results:

Sales reached a record \$62 million and yielded an operating income of \$7 million. This compares with \$20 million and \$2 million in 1976. Gross margins were lower in the steel trading business and significantly higher in proprietary lines with the latter making the major contribution to the results. \$9.6 million in cash was generated from 1977 operations. The Group's return was approximately one hundred percent on net capital employed.

Outlook:

The Group entered 1978 with a lower backlog reflecting completion in 1977 of the major Middle East project. Markets in the Far East, the Middle East and in Europe strengthened late in 1977 and promise well for the next twelve months.

Span Holdings Limited, from its corporate offices in Nassau, Bahamas, manages a variety of international investments and activities, including: —

Span International Limited, also based in the Bahamas, a company in which Span Holdings holds a 60% interest, the 40% minority interest being held by a consortium of major Canadian and British banks. This company, either directly or through subsidiaries, has offices in Brussels, Belgium; Athens, Greece; Boras, Sweden; Hamilton, Bermuda; Manila, Philippine Islands; Khartoum, Sudan; and has representation in most countries in the world. It purchases, from world-wide sources, raw steel and other materials for resale in North America and all parts of the world where it has established markets.

Span International owns or has under license rights to market a variety of the products of AMCA International Corporation throughout the world, excluding North America. Among these products are Varco-Pruden pre-engineered metal buildings, Clyde Whirley cranes, ship deck machinery, hoists, derricks and barges. These activities have been successful and continue to grow at a satisfactory rate.

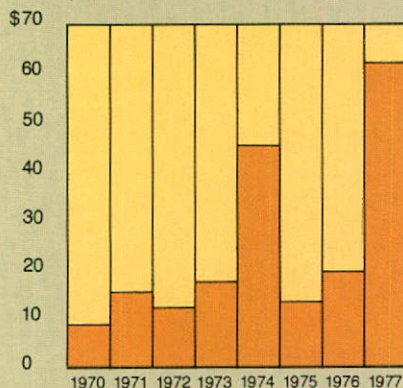
Over the years the Span Group has developed substantial in-house expertise through its established professional contacts around the world. It is now able to provide consulting services in international marketing, market surveys, freight, insurance and shipping services as well as short and long term financing for export projects.

In 1977 Span International successfully concluded a major contract in the Middle East for the design, construction and installation of a series of related Varco-Pruden buildings. This contract was the largest ever secured by Dominion Bridge or its associated companies. The company continued its steel marketing efforts and produced sales comparable to 1976. The Middle East project clearly established Span's ability to secure, coordinate and complete major international projects on which the Group will be devoting substantial effort in the years ahead.

A number of staff changes took place in 1977 in the Span organization to strengthen its ability to meet growing world-wide commitments. The marketing effort was broadened by organizing on a global basis so that the Group has coverage in all parts of the world and will be better able to capitalize on opportunities now developing in the Far East, Middle East and Africa. Marketing in 1978 will be particularly concentrated in the sale of offshore and industrial cranes and large scale pre-engineered metal building projects.

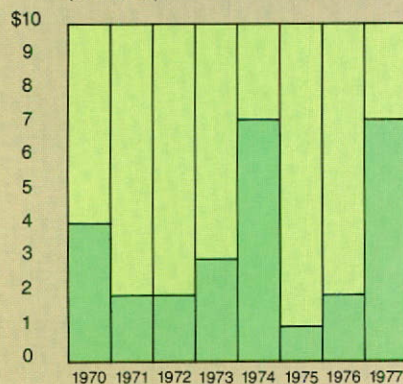
Sales

(in millions)



Operating income

(in millions)





Right to left, G. A. Law, Chairman; M. J. Ucci, President and Chief Executive Officer; D. E. Walsh, Vice-President, Finance.

F. deGraff, Span Vice-President — Raw Materials, (right) with E. S. Berry in the Brussels offices of Span International (Belgium) S.A./N.V.

P. G. Wassitsch, Span Vice-President — South America, in Caracas.

R. M. John Wallis, Span Regional Manager for Europe, in London.

Profit improvement

Continued profit improvement is one of the company's three basic objectives. Accomplishment of this objective takes many forms, including formal cost reduction programs, improving the profitability of acquired companies, product development and disposition of redundant assets so as to achieve optimum goals for return on capital. Profit improvement at all levels in all operations is a way of life and is closely and frequently monitored by management.

The company has long realized profit improvement by up-dating technology in the custom design and fabrication businesses. This technology relates to welding, engineering, material selection, stress analysis, corrosion protection, and the development of specialized manufacturing equipment and processes. More recently, the company's acquisition program has resulted in a substantial shift towards proprietary products with a significant engineering content and has thus placed greater emphasis in the product development area.

Asset management

The cornerstone of the company's profit improvement programs is to maximize the use of assets. The company is dedicated to controlling the use of working capital and carefully planning investment in fixed assets. The performance of each division and its key personnel is measured to a large degree on the profitable management of the assets entrusted to them.

Profit improvement programs

Each division formalizes a profit improvement program on a yearly basis with particular emphasis on cost reduction. Cost reduction performance is then monitored on a regular basis, and beneficial ideas are shared among the divisions.

Safety programs

Each operating unit also maintains an active safety program that combines personnel safety and loss prevention. This effort is closely coordinated with outside agencies and internally measured against standards set by each division.

Capital expenditures

The company strictly controls capital expenditures. Roughly one-third of capital expenditures is aimed at reducing production costs while another one-third is applied to the replacement and modernization of present equipment. Other capital expenditures relate to increasing capacity, improving safety, health and environmental conditions, and improving the quality of products.

Research and development

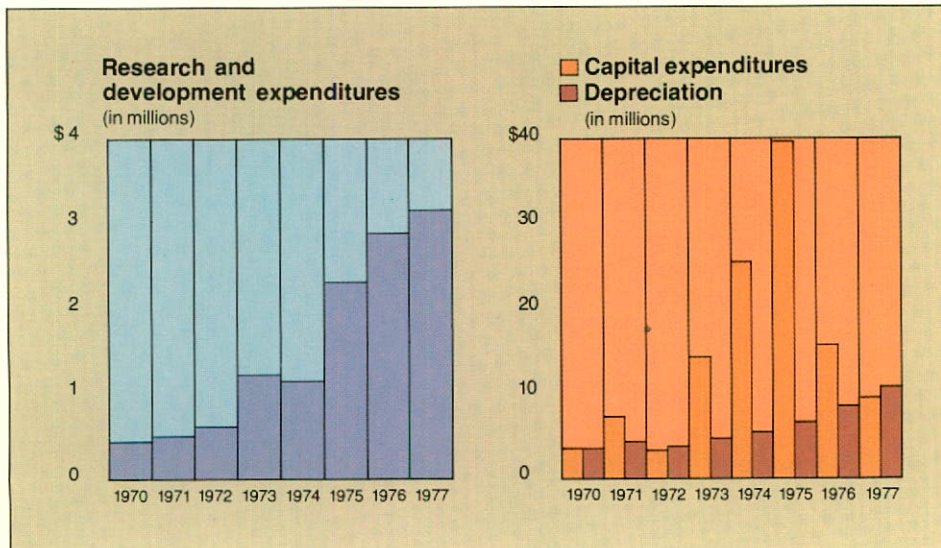
While each operating unit is responsible for its own product development, basic support for many profit improvement activities comes from a team of well qualified technical specialists utilizing a corporate laboratory facility which allows the full simulation of various manufacturing processes along with physical and metallographic testing.

Product development

New designs for proprietary products are upgraded in a planned fashion through product development programs based on technical and engineering considerations and observations of market need. The justification of each product development program is analyzed in a manner similar to that undertaken for the justification of various capital expenditures.

Systems development

The company utilizes carefully controlled computerization systems in the fields of financial data processing, manufacturing and materials requirement planning, product development and product design. It maintains an in-house data centre and employs qualified system and computer program development personnel at both corporate and division level.



Employee relations and investment in people

The company considers its prime asset to be the people who operate and run its varied businesses. Fundamental to corporate strategy is the attraction, retention, development and replenishing of this basic asset. This objective is accomplished by a variety of carefully devised programs throughout all operations in the areas of recruitment, salaries and incentive compensation, fringe benefits, management development and employee relations — all designed to keep the company fully competitive in the market for qualified people and to provide maximum career opportunities for employees. To date, the company has been very successful in these efforts.

Salaries and other compensation

The company has implemented widely recognized professional programs of salary administration throughout operations. These programs ensure external competitiveness in the marketplace and internal equity in pay practices. In addition, incentive compensation programs are made available to key managers and employees on a basis geared to profit performance in relation to assets employed. Both compensation and fringe benefits are reviewed annually by means of local and national surveys to ensure continued validity.

Training and development

Strong management — and hence a sound management development program — is one of the blocs upon which the company is built. The company's management development program ensures that potentially promotable employees are regularly reviewed, provided with developmental guidance and considered on candidate slates for open positions throughout the company.

The company has demonstrated its ability to develop managers and to provide them with career opportunities in a multi-company context and an international setting. Similarly, the company's training centre provides supervisors and others with technical training to keep pace with technology and to maintain the company's inventory of skills.

Education assistance

In addition to its own management development program, the company finances education and training courses (including seminars, conference courses and university education) for employees at a number of educational institutions. These formal programs support the job and career aspirations of participating employees and assist them in maintaining their competence in the face of changing knowledge and technology.

Labour agreements

The company continued its generally favorable labour relations climate in 1977. Collective labour agreements were negotiated in ten of the company's plants of which eight were in Canada and two in the United States. Monetary settlements in the Canadian plants were lower in 1977 than in 1976. A ten week strike occurred in Toronto over the duration of the new contract and there was also a one week strike at Morgan Engineering in Alliance, Ohio. Negotiations with construction employees unions in five provinces were concluded without strikes.

In 1978 the company will be negotiating new collective labour agreements at six United States plants, three Canadian plants and with construction employees' unions in all provinces except in the Province of Quebec.



An interchange of new ideas helps each part of Dominion Bridge to learn from the experience of associated groups. Here a process specialist instructs shop personnel in the welding of tubes for large boiler installations.

Financial review

Operating results

The company earned a record \$37.5 million in 1977. Earnings per share at \$3.53 were up 27% over the restated \$2.77 earned in 1976, with 78% of net income in 1977 contributed by other than Canadian operations. New orders received totalled a record \$568 million, 21% higher than in 1976.

Financial position

Return on average shareholders' equity during 1977 was a record 20.9% compared to 18.8% for restated 1976. Shareholders' equity of \$18.21 per share increased by 17% in 1977. The company restructured its equity to debt ratio by obtaining long-term financing in 1977 for the acquisition of Amtel, Inc. At December 31, 1977, the ratio of equity to long-term debt stood at 2.9 to 1.

Working capital decreased from 1976 primarily due to the non-consolidation of the accounts of Amtel pending completion of the allocation of the purchase price. (See page 18).

Financing

In order to accommodate restructuring of the company's debt position during 1977, \$29.5 million of long-term debt was retired in conjunction with the establishment of new debt agreements with a variety of domestic and foreign lenders. The term loan agreements provided available credit of \$100 million U.S., of which, at the end of 1977, the company had used \$60 million U.S. The company also has available for use an additional \$125 million Can. of short-term borrowing capacity and continues to explore arrangements to ensure optimum benefits from its financial strength.

Statistical summary

Operating results (\$ millions)

Sales
Income before taxes and minority interest
Income taxes
Net income
Extraordinary items
Dividends
Income retained

Financial condition and ratios

Working capital
Cash flow from operations
Net fixed assets
Depreciation and amortization
Additions to fixed assets
Long term debt
Shareholders' equity
Return on average shareholders' equity %
Net income on sales %

Per share data (\$)

Sales
Net income
Extraordinary items
Dividends
Income retained
Cash flow from operations
Equity at year end

Shareholders and employees

Number of shareholders
Number of employees
Number of shares outstanding (thousands)

Data for past years has been adjusted to reflect the two-for-one stock subdivisions in November 1974 and October 1976.

Acquisitions

In December 1977 the company's wholly-owned U.S. subsidiary, AMCA International Corporation acquired 91% of the outstanding common stock of Amtel, Inc. Included in 1977 operating results is the company's share of Amtel's net income since acquisition, i.e. \$1.1 million.

U.S. dollar earnings for 1977 and the balance sheets related to non-domestic operations have been translated into Canadian dollars in accordance with recommended practice, resulting in a contribution to after tax income of approximately 15¢ per share in respect of earnings and 30¢ per share in respect of balance sheets.

Other

As of January 1st, 1977, the company adopted the procedure of recording sales and profits for Canadian construction contracts by the percentage of completion method as opposed to the completed contract basis. Retained earnings as at December 31, 1976 and the 1976 income figures have for comparison purposes been restated accordingly.

1977	1976	1975	1974	1973	1972	1971	1970	1969	1968
592.3	519.6	459.3	370.4	278.4	236.6	234.9	196.5	168.0	154.2
58.6	51.3	38.9	38.1	21.6	11.7	10.4	11.1	6.9	6.0
18.7	21.2	15.0	14.4	8.6	4.1	4.0	5.5	2.8	2.3
37.5	29.4	24.4	21.7	12.3	7.6	6.2	5.6	4.1	3.6
—	—	4.3	—	—	5.9	—	1.1	0.7	—
9.9	10.4	9.0	5.7	4.0	3.5	2.6	2.6	2.1	2.2
27.6	19.0	19.7	16.0	8.3	10.0	3.6	4.1	2.7	1.4
97.5	108.7	92.7	77.1	79.7	69.5	56.8	57.3	58.2	51.2
47.3	40.5	37.6	33.3	19.7	11.9	10.0	9.4	7.8	6.9
107.6	108.3	102.2	70.4	51.0	41.7	42.9	40.0	39.6	39.6
9.8	8.6	6.7	5.6	4.6	3.9	4.3	3.8	3.4	3.3
8.9	15.7	39.9	25.2	14.1	3.5	7.4	3.8	3.4	2.8
67.8	30.9	31.5	20.2	22.0	10.2	10.4	10.7	11.0	12.4
193.7	166.0	147.3	127.5	111.5	102.7	92.5	88.6	84.5	81.8
20.9	18.8	17.8	18.2	11.5	7.8	6.8	6.5	4.9	4.4
6.3	5.7	5.3	5.9	4.4	3.2	2.7	2.8	2.5	2.4
55.70	48.90	43.30	34.95	26.28	22.56	22.52	19.00	16.25	14.91
3.53	2.77	2.30	2.05	1.17	0.73	0.60	0.55	0.40	0.35
—	—	0.40	—	—	0.57	—	0.11	0.07	—
0.94	0.98	0.85	0.54	0.38	0.34	0.25	0.25	0.20	0.21
2.59	1.79	1.86	1.51	0.79	0.96	0.35	0.40	0.27	0.14
4.45	3.81	3.55	3.15	1.86	1.13	0.96	0.92	0.75	0.67
18.21	15.62	13.89	12.04	10.53	9.79	8.87	8.56	8.18	7.91
3,835	3,688	3,504	3,402	3,607	3,854	4,555	5,884	6,042	6,084
8,995	10,313	11,166	9,087	8,122	7,152	7,256	6,759	7,280	7,611
10,634	10,625	10,608	10,596	10,592	10,486	10,430	10,346	10,340	10,340

1977 as compared to 1976

For the eighth year in a row the company achieved new records in sales and net income with earnings of \$37.5 million on sales of \$592 million. Earnings include approximately one month of the results of Amtel, Inc.

During 1977 the company accomplished its stated objective of making a major U.S. acquisition. AMCA's acquisition of Amtel, Inc., started in November, was substantially complete by year-end and boosted the company's annualized sales to approximately \$1 billion.

As a prelude to the Amtel acquisition and in furtherance of efforts begun in 1976, the company reorganized its operations so as to integrate the top managements of Dominion Bridge and AMCA on a North American basis. This provided enhanced management efforts both in North America and the international sector. The integration process was complete prior to the Amtel acquisition.

Operations suffered from the continuing economic malaise in Canada during the whole of 1977. However, and consistent with the company's objective, the substantial contribution of AMCA International Corporation and the Span group offset declines in domestic earnings over the past two years. Non-domestic sales were 47% and earnings were 78% of the 1977 consolidated totals, compared with 48% and 73%, respectively, in 1976, and obviously will increase further with the inclusion in 1978 of a full year of Amtel's operations.

Following the integration of its management forces, and in expectation of a major acquisition, the company made further improvements to its formal management development programs to ensure continued depth and succession in its management effort. These improvements were implemented in a substantial number of operations during the year and will be fully in place in 1978.

1976 as compared to 1975

Results for 1976 were good. Sales increased 13.1% and earnings 20.5%, respectively, over 1975, establishing records for the seventh consecutive year.

1976 reflected the changing character of the company's operations as a result of its continuing acquisition program. It will be recalled that 1975 was an active year for acquisitions with AMCA acquiring Morgan Engineering, DESA Industries, Insley Manufacturing and Cherry-Burrell. Several significant acquisition prospects were evaluated in the latter part of 1976 but none was pursued as in the final analysis, they did not meet certain basic criteria which the company employs in evaluating acquisition candidates. Nonetheless, 1976 was a year of substantial growth and solid performance reflecting the consolidation of the new acquisitions and the overall strengthening of the company's management team. As a consequence, the company expanded further into international markets and reaped 48% of its restated sales and 73% of its restated earnings, respectively, from the non-domestic sector, compared to 33% and 28% in 1975. As a result of its substantially more diversified product line in 1976, the company enhanced its ability to withstand economic cycles and the vagaries of any single marketplace.

By virtue of the strengthened management effort, the company continues to place increasing emphasis upon financial controls and formal cost reduction programs throughout operations. This effort produced significant achievements in 1976, and augurs well for the future.

1976 was also characterized by industrial peace and reasonable labour settlements in Canadian operations in contrast to the inflationary and uncertain climate of 1975. This return to more normal conditions strengthened the company's operations and laid the groundwork for continued good relations in the labour area.

Dominion Bridge Company, Limited

Consolidated statement of income

year ended December 31, 1977
(in thousands)

Revenues

Sales (note 3)
Investment and sundry income
Equity in net income of Amtel, Inc. (note 2)

	1977	1976
	<u>\$592,342</u>	<u>\$519,617</u>
	2,503	2,504
	1,096	—
	<u>595,941</u>	<u>522,121</u>

Costs and expenses

Cost of sales and operating expenses
Depreciation and amortization
Interest on long term debt
Interest on short term borrowings
Foreign exchange gain

	526,682	457,268
	9,758	8,617
	1,720	2,728
	2,399	2,178
	(3,243)	—
	<u>537,316</u>	<u>470,791</u>

Income before income taxes and minority interest

Income taxes
Minority interest

	58,625	51,330
	18,706	21,218
	2,378	674

Net income for the year (note 3)

	<u>\$ 37,541</u>	<u>\$ 29,438</u>
--	------------------	------------------

Earnings per share (note 3)

	\$3.53	\$2.77
--	--------	--------

Dividends per share

	93.5¢	97.5¢
--	-------	-------

Consolidated statement of retained earnings

year ended December 31, 1977
(in thousands)

Balance at beginning of year

As previously reported
Cumulative effect of accounting changes (note 3)
Prior years' income taxes (note 4)
As restated
Net income for the year

	\$154,678	\$129,991
	(3,934)	1,677
	(2,184)	(2,184)
	<u>148,560</u>	<u>129,484</u>
	37,541	29,438
	<u>186,101</u>	<u>158,922</u>

Dividends

	9,939	10,362
--	-------	--------

Balance at end of year

	<u>\$176,162</u>	<u>\$148,560</u>
--	------------------	------------------

Dominion Bridge Company, Limited

Consolidated statement of changes in working capital

year ended December 31, 1977

(See note below)

(in thousands)

Source of working capital

Current operations	\$ 47,326	\$ 40,468
Proceeds from sale of assets — net	2,740	3,164
Proceeds of long term debt	66,360	3,264
Issue of capital stock	93	169
	<u>116,519</u>	<u>47,065</u>

Application of working capital

Investment in Amtel, Inc.	78,649	—
Fixed assets	8,903	15,685
Reduction of long term debt	29,498	3,875
Reduction of vested pension liability	541	415
Dividends	9,939	10,362
Dividends — minority shareholders of a subsidiary company	168	264
	<u>127,698</u>	<u>30,601</u>

Increase (decrease) in working capital

(11,179) 16,464

Working capital at beginning of year

As previously reported	114,783	92,708
Cumulative effect of accounting changes	(3,934)	1,677
Prior years' income taxes	(2,184)	(2,184)
As restated	<u>108,665</u>	<u>92,201</u>

Working capital at end of year

\$ 97,486 \$108,665

Note In December 1977, a subsidiary acquired 91% of the outstanding shares of common stock of Amtel, Inc. As described in note 2 to the consolidated financial statements, the accounts of Amtel have not been consolidated in the company's consolidated financial statements pending completion of the allocation of the purchase price based on the fair market values of the net assets acquired. Accordingly, the above statement does not include as a source of funds the working capital of Amtel which was acquired, but the statement does include as a use of funds, approximately \$21,644,000 of working capital used to acquire the Amtel shares. Although the amount of Amtel's working capital at December 31, 1977 is not yet known, its working capital amounted to U.S. \$22,450,000 at January 1, 1977 and U.S. \$29,944,000 (unaudited) at October 1, 1977.

Changes in elements of working capital

year ended December 31, 1977

(in thousands)

Current assets — increase (decrease)

Cash and short term deposits	\$ (19,749)	\$ 24,236
Accounts receivable	6,014	8,480
Inventories	(8,046)	13,802
Prepaid expenses	(337)	(1,377)
	<u>(22,118)</u>	<u>45,141</u>

Current liabilities — increase (decrease)

Bank and short term borrowings	(15,439)	1,901
Accounts payable and accrued liabilities	10,878	16,230
Advances on contracts	(13,007)	1,554
Income taxes	2,987	8,568
Deferred income taxes	(2,078)	(623)
Current portion of long term debt	5,720	1,047
	<u>(10,939)</u>	<u>28,677</u>

Increase (decrease) in working capital for the year

\$ (11,179) \$ 16,464

Dominion Bridge Company, Limited

Consolidated statement of financial position

as at December 31, 1977
(in thousands)

Current assets

Cash and short term deposits	\$ 27,053	\$ 46,802
Accounts receivable (note 1)	105,657	99,643
Inventories (note 5)	102,216	110,262
Prepaid expenses	3,158	3,495
	<u>238,084</u>	<u>260,202</u>

Current liabilities

Bank and short term borrowings	12,763	28,202
Accounts payable and accrued liabilities	88,028	77,150
Advances on contracts	13,386	26,393
Income taxes	11,577	8,590
Deferred income taxes	5,483	7,561
Current portion of long term debt	9,361	3,641
	<u>140,598</u>	<u>151,537</u>

Working capital

97,486 108,665

Other assets

Investment in Amtel, Inc. (note 2)	79,745	—
Investments (note 6)	5,986	7,184
Fixed assets, less depreciation (note 7)	107,584	108,282
Goodwill	737	723
	<u>194,052</u>	<u>116,189</u>

Total investment

291,538 224,854

Other liabilities

Long term debt (note 8)	67,766	30,904
Deferred income taxes	23,415	22,930
Minority shareholders' interest	3,686	1,504
Vested pension liability	2,936	3,477
	<u>97,803</u>	<u>58,815</u>

Shareholders' equity

\$193,735 \$166,039

Capital stock — no par value (note 9)		
Authorized — 16,000,000 shares		
Issued — 10,633,504 shares (1976 — 10,625,004)	\$ 17,573	\$ 17,479
Retained earnings	176,162	148,560
	<u>193,735</u>	<u>166,039</u>

Shareholders' equity

\$193,735 \$166,039

Approved by the Board

K. S. Barclay, Director

J. Angus Ogilvy, Director

**Notes to consolidated
financial statements**

Year ended December 31, 1977

1. Summary of accounting policies

Consolidation

All subsidiary companies, exclusive of Amtel, Inc. (see note 2), are consolidated and all significant inter-company accounts and transactions have been eliminated. The net tangible assets of businesses purchased are recorded at their fair market value at the date of acquisition. The excess of purchase price over fair market value of these tangible assets is shown on the statement of financial position as goodwill and is being amortized over a period not exceeding forty years.

Revenue recognition

Sales and profits relating to construction contracts are recognized on the percentage of completion basis. Included in accounts receivable are unbilled receivables related to these contracts of \$23,738,000 (1976 \$20,709,000). As described in note 3, this represents a change from the method followed in prior years.

Currency translation

Working capital, excluding inventories, prepaid expenses and advances on contracts and long term debt in U.S. funds have been translated into Canadian dollars at the year end rate of exchange and the remaining assets and liabilities at appropriate historical rates. Revenues and expenses have been translated at average exchange rates for the year with the exception of depreciation and amortization which were based on the historical rates used for the related assets.

Gains and losses resulting from the translation of U.S. funds are taken into income.

Inventories

Work-in-progress related to construction contracts is stated at accumulated production costs less amounts charged to income based on the percentage of completion of individual contracts; full provision is made in the current period for indicated losses on completion of contracts. As described in note 3, this represents a change from the method followed in prior years. Other inventories are stated at the lower of cost (average or first-in, first-out) and net realizable value.

Fixed assets

Property, plant and equipment are recorded at cost. On disposal, any gain or loss is normally included in the company's revenues.

Depreciation is provided on the straight line method based on estimated useful lives.

Income taxes

Deferred income taxes are provided on items included in the determination of consolidated net income irrespective of the timing of the recognition for tax purposes.

Current deferred income taxes arise due to timing differences related principally to differences in reporting of income from construction contracts and warranty costs. The non-current amount relates principally to depreciation.

Provisions have not been made for taxes, where applicable, on undistributed income of foreign subsidiaries inasmuch as such income is being reinvested in the respective countries.

2. Acquisition

As of December 31, 1977, a subsidiary company had acquired 91% of the common stock of Amtel for \$78,649,000 (\$72,077,000 U.S.) in cash. Amtel is a diversified company engaged in engineering and construction projects, petroleum marketing and the manufacturing of various industrial and consumer products. The following summarizes certain condensed financial information of Amtel at the indicated dates (in thousands of U.S. dollars).

	<u>Jan. 1, 1977</u>	Oct. 1, 1977 (Unaudited)
Current assets	\$107,895	\$119,930
Net property, plant and equipment	23,856	23,450
Amount paid over equity in net assets of companies purchased	24,995	25,732
Other assets	1,705	2,837
Total assets	<u>\$158,451</u>	<u>\$171,949</u>
Current liabilities	\$ 85,445	\$ 89,986
Long term debt due after one year	24,155	27,997
Deferred income taxes and other liabilities	4,425	4,299
Stockholders' equity	44,426	49,667
Total liabilities	<u>\$158,451</u>	<u>\$171,949</u>
	<u>Year ended</u>	Nine months ended
	<u>Jan. 1, 1977</u>	<u>Oct. 1, 1977</u> (Unaudited)
Net sales	<u>\$324,791</u>	<u>\$290,614</u>
Income from continuing operations before income taxes, preferred stock dividends and related amortization	8,096	12,517
Income taxes	4,327	6,634
Income from continuing operations before preferred stock dividends and related amortization	3,769	5,883
Preferred stock dividends and related amortization (preferred stock was retired in 1976)	841	—
Loss from operations to be discontinued, net	738	—
Net income applicable to common stock	<u>\$ 2,190</u>	<u>\$ 5,883</u>

Management has undertaken an in-depth study of the fair values of Amtel's assets and liabilities in order to allocate the purchase price in accordance with generally accepted accounting principles. The company has not consolidated the accounts of Amtel in the accompanying consolidated financial statements pending the completion of the allocation.

The company's share of Amtel's net income since acquisition, \$1,096,000 (\$1,010,000 U.S.) has been included in the accompanying consolidated statements of income and retained earnings for the year ended December 31, 1977.

3. Accounting changes

In 1977, the company adopted with retroactive effect the policies of recording sales and profits on Canadian construction contracts by the percentage of completion method and of charging Canadian selling and administrative costs

to income as incurred. Prior to 1977, Canadian construction contracts were recorded on a completed contract basis and Canadian selling and administrative costs were included in work-in-progress inventory.

The increases (decreases) as a result of these changes were as follows (in thousands):

	<u>1977</u>	<u>1976</u>
Sales	\$ 54,050	\$(16,681)
Net income	\$ (700)	\$ (5,611)
Earnings per share	(7¢)	(53¢)

The cumulative reduction in retained earnings at December 31, 1976 of \$3,934,000 is the net of the \$5,611,000 reduction pertaining to 1976 and the \$1,677,000 increase pertaining to years prior to 1976. The 1976 comparative figures have been restated accordingly.

4. Income taxes

As previously reported, assessments have been issued by Canadian taxation authorities for the years 1967, 1968 and 1969 totalling approximately \$1,800,000 exclusive of interest. These assessments related to subsidiary operations resident in the Bahamas.

Late in 1977, the Federal Court of Appeal upheld a prior decision in favor of the Canadian taxation authorities. The amounts of \$2,037,000, representing payments by the company of these assessments inclusive of interest, which was shown as income taxes recoverable in prior years and \$147,000, representing related legal costs, have been charged to retained earnings at January 1, 1976 and the 1976 comparative figures have been adjusted accordingly.

By letter dated January 10, 1978, the Canadian taxation authorities have advised the company that they intend to proceed with reassessments for taxation years 1970, 1971 and 1972 on the same basis as for the previous years. In the opinion of legal counsel, the facts which control the issues now being considered are substantially more favorable to the company than those which led to the reassessments in the earlier years. Accordingly, the reassessments will be contested and no amounts have been provided in these statements. In the opinion of management, the additional tax and interest that might be payable, if any, from such reassessments would not have a material effect on the consolidated financial position of the company.

5. Inventories (in thousands)	<u>1977</u>	<u>1976</u>
Net work-in-progress	\$ 33,018	\$ 43,095
Steel and other supplies	59,523	58,281
Finished products	9,675	8,886
	<u>\$102,216</u>	<u>\$110,262</u>

Dominion Bridge Company, Limited

6. Investments (in thousands)	<u>1977</u>	<u>1976</u>
Marketable securities at cost	\$ 4,879	\$ 6,077
Quoted market value		
1977 — \$4,328		
1976 — \$5,721		
Other securities, not exceeding market value	1,107	1,107
	<u>\$ 5,986</u>	<u>\$ 7,184</u>

7. Fixed assets (in thousands)

	Cost	Accumulated Depreciation	<u>1977 Net</u>	<u>1976 Net</u>
Property	\$ 6,166		\$ 6,166	\$ 6,076
Plant	46,649	\$ 17,179	29,470	30,191
Machinery and equipment	123,285	51,337	71,948	72,015
	<u>\$176,100</u>	<u>\$ 68,516</u>	<u>\$107,584</u>	<u>\$108,282</u>

8. Long term debt (in thousands)	<u>1977</u>	<u>1976</u>
Note payable to bank, at interest rate of ¾% above the U.S. prime rate in Canada, due in installments, commencing in 1979 through 1986 (\$25,000 U.S.)	\$ 27,145	—
Note payable to banks, at interest rate of 109% of prime rate, due in installments beginning in 1980 through 1985 (\$20,000 U.S.)	21,716	—
Note payable to bank, at interest rate of 1¼% above the London Interbank Eurocurrency Market rate, \$7,500 due in 1978 and in installments thereafter through 1984 (\$15,000 U.S.)	16,287	—
Note payable to bank, at interest rate of ¾% above the prime rate, due in installments through 1984	—	\$ 10,000
Notes payable to banks, at interest rates of 1¼% above the prime rate, due in installments through 1980	—	12,800
6½% sinking fund debentures Series A due 1986	7,894	8,047
Other notes payable (\$3,762 U.S.)	4,085	3,698
	<u>77,127</u>	<u>34,545</u>
Less installments due in one year	9,361	3,641
	<u>\$ 67,766</u>	<u>\$ 30,904</u>

The Series A debentures are secured by a floating charge on all assets of the company and certain restricted subsidiaries. The trust deed contains certain restrictive covenants pertaining to cash dividends, requiring defined minimum working capital and income levels. At December 31, 1977, these defined amounts are substantially exceeded.

The notes payable are liabilities of wholly-owned subsidiary companies which are unrestricted subsidiaries under the trust deed for the Series A debentures.

Repayment schedule is as follows:

1979	\$ 3,952
1980	7,668
1981	10,488
1982	10,016
Thereafter	35,642

9. Capital stock

At December 31, 1977, employee stock options were outstanding with respect to 11,600 shares, exercisable at \$7.88 per share up to September 1979, 172,900 shares exercisable at \$13.75 per share up to January 1986, and 421,500 shares exercisable at \$24 per share up to August 1987. Directors and officers of the company held 450,900 of the total options outstanding at December 31, 1977.

During the year, certain key employees of the company and of its wholly-owned subsidiary, AMCA International Corporation, and four directors who are also officers of the company were granted options expiring August 12, 1987, to purchase 421,500 shares of Dominion Bridge at \$24 per share.

In 1977, 8,500 shares were issued for \$93,375 cash.

Exercise of these options would not materially dilute earnings per share.

10. Retirement plans

Pension costs charged against income in the year include payments made to trust funds under the companies' pension plans for current and past service requirements as determined by an independent actuary. Unfunded past service costs in respect of pensions ultimately payable to the present employees are estimated to be \$7,770,000 at December 31, 1977. Of this amount, \$2,287,000 is amortized by equal monthly charges to operations by 1991, and \$5,483,000 is being funded over periods not exceeding twenty-five years.

11. Remuneration of directors and officers

The aggregate remuneration for 1977 of the company's seventeen directors and two honorary directors was \$329,000, including \$167,000 paid by subsidiary companies. The aggregate remuneration of the company's sixteen officers as such was \$2,224,000. Six officers were directors of the company during the year.

Auditors' Report

To the Shareholders
Dominion Bridge Company, Limited

We have examined the consolidated statement of financial position of Dominion Bridge Company, Limited as at December 31, 1977 and the consolidated statements of income, retained earnings and changes in working capital for the year then ended. Our examination of the financial statements of Dominion Bridge Company, Limited and those subsidiaries of which we are the auditors, was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined the consolidated financial statements of a subsidiary.

As described in note 2 to the consolidated financial statements, the company has not consolidated the accounts of Amtel, Inc., ("Amtel"), acquired in December 1977, because the detailed studies and appraisal required for the allocation of the purchase price to the assets and liabilities of Amtel as required by generally accepted accounting principles have not been completed. Generally accepted accounting principles also require that Amtel be consolidated and the company intends to consolidate these accounts when the allocation is complete. The accompanying statements include the company's share of Amtel's net income since acquisition. Consolidating Amtel will not significantly affect the results of operations as reported for 1977.

In our opinion, except for the effects on the consolidated financial position at December 31, 1977 and the changes in consolidated working capital for the year then ended of not consolidating the accounts of Amtel as referred to in the preceding paragraph, these consolidated financial statements present fairly the financial position of the company as at December 31, 1977 and the results of its operations and the changes in its working capital for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the accounting changes described in note 3, on a basis consistent with that of the preceding year.

Montreal, Canada
January 27, 1978

Thorne Riddell & Co.
Chartered Accountants

Dominion Bridge Company, Limited

Consolidated statement of income by quarters

(unaudited in thousands except for per share data)

1977

1976

(restated)

	December	September	June	March	December	September	June	March
Revenues								
Sales	\$175,996	\$152,550	\$136,080	\$127,716	\$137,697	\$127,580	\$137,950	\$116,390
Investment and sundry income	1,019	466	488	530	314	1,390	510	290
Equity in net income of Amtel, Inc.	1,096	—	—	—	—	—	—	—
	<u>178,111</u>	<u>153,016</u>	<u>136,568</u>	<u>128,246</u>	<u>138,011</u>	<u>128,970</u>	<u>138,460</u>	<u>116,680</u>
Costs and expenses								
Cost of sales and operating expenses	158,396	137,649	118,390	112,247	125,120	115,218	115,600	101,330
Depreciation and amortization	2,138	2,120	2,655	2,845	2,147	2,270	1,750	2,450
Interest	1,514	583	840	1,182	1,276	930	1,420	1,280
	<u>162,048</u>	<u>140,352</u>	<u>121,885</u>	<u>116,274</u>	<u>128,543</u>	<u>118,418</u>	<u>118,770</u>	<u>105,060</u>
Income before income taxes and minority interest	16,063	12,664	14,683	11,972	9,468	10,552	19,690	11,620
Income taxes	4,462	3,912	5,285	5,047	3,436	3,212	9,360	5,210
Minority interest	1,113	1,041	214	10	424	400	(110)	(40)
	<u>10,488</u>	<u>7,711</u>	<u>9,184</u>	<u>6,915</u>	<u>5,608</u>	<u>6,940</u>	<u>10,440</u>	<u>6,450</u>
Exchange gain (Loss)	(12)	629	2,626	—	—	—	—	—
Net income for the quarter	\$ 10,476	\$ 8,340	\$ 11,810	\$ 6,915	\$ 5,608	\$ 6,940	\$ 10,440	\$ 6,450
Per share data (\$)								
Sales	\$16.54	\$14.35	\$12.80	\$12.01	\$12.96	\$12.01	\$12.98	\$10.95
Net income	0.98	0.79	1.11	0.65	0.53	0.65	0.98	0.61
Dividends	0.26	0.225	0.225	0.225	0.30	0.225	0.225	0.225

Stock information

Year end stock prices and dividends paid.

Stock exchanges

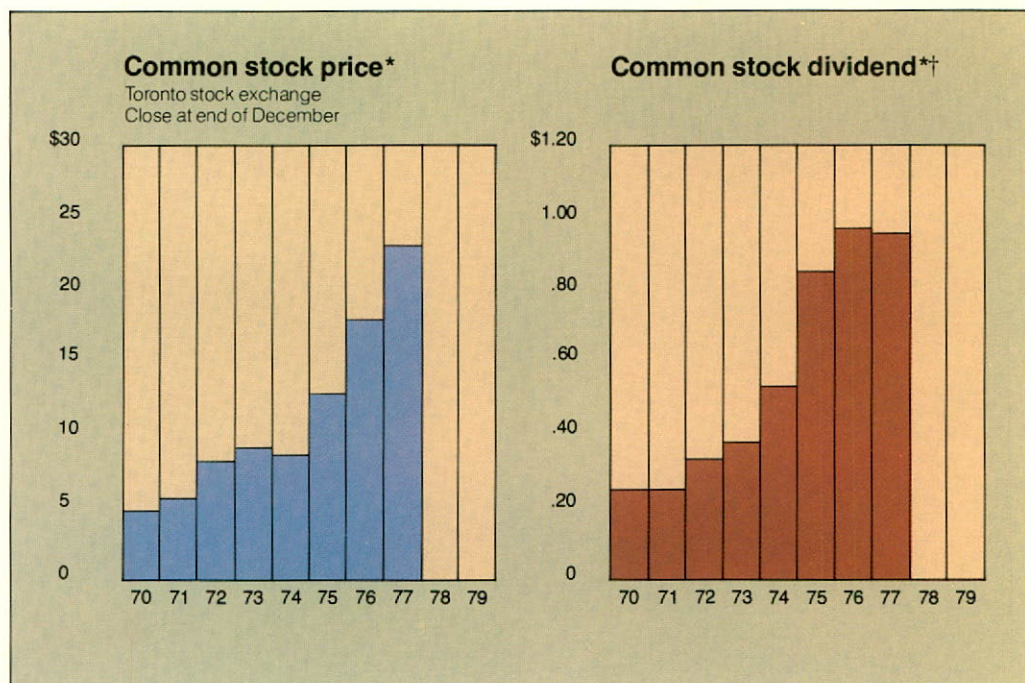
Montreal
Toronto

Transfer agents

The Royal Trust Company
(Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver)

Registrars

Montreal Trust Company
(Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver)



* Adjusted for 2 for 1 splits in 1974 and 1976

† The apparent reduction in dividends in 1977 resulted from the manner in which the company chose to pay the increase allowed by the Canadian Anti-Inflation Board in late 1976

Directors

***K. S. Barclay,**
Chairman and Chief Executive Officer,
Dominion Bridge Company, Limited

R. E. Chamberlain,
Senior Vice-President,
Dominion Bridge Company, Limited

A. J. E. Child,
President and Chief Executive Officer,
Burns Foods Limited

R. J. A. Fricker,
Vice-Chairman,
Dominion Bridge Company, Limited

J. Hatcher,
President and Chief Operating Officer,
Dominion Bridge Company, Limited

***Herbert H. Lank,**
Honorary Director,
Du Pont of Canada Limited

***John Macnamara,**
President and Chief Executive Officer,
The Algoma Steel Corporation, Limited

Brian R. B. Magee,
Chairman and Managing Director,
A. E. LePage Limited

MacKenzie McMurray,
Retired — Formerly Chairman,
Dominion Bridge Company, Limited

***J. Angus Ogilvy, Q.C.,**
Senior Vice-President,
Dominion Bridge Company, Limited
Senior Partner: Ogilvy, Montgomery,
Renault, Clarke, Kirkpatrick, Hannon
& Howard

J. D. R. Potter,
Group Vice-President — Finance &
Corporate Services,
The Algoma Steel Corporation, Limited

Dalton D. Ruffin,
Senior Vice-President,
Wachovia Bank and Trust Company, N.A.

***W. J. Stenason,**
Executive Vice-President,
Canadian Pacific Investments Limited

R. A. Utting,
Executive Vice-President and Deputy
Chief General Manager,
The Royal Bank of Canada

***W. G. Ward,**
Chairman,
The Algoma Steel Corporation, Limited

*Member of the Executive Committee



Top: The Executive Committee
From the front and then right to left:
K. S. Barclay, J. Angus Ogilvy, Q.C.,
Herbert H. Lank, W. J. Stenason,
W. G. Ward, John Macnamara

Bottom: Directors
From left to right:
J. D. R. Potter, MacKenzie McMurray,
R. E. Chamberlain, R. J. A. Fricker

Officers

Principal corporate officers

K. S. Barclay,
Chairman and Chief Executive Officer

R. J. A. Fricker,
Vice-Chairman

J. Hatcher,
President and Chief Operating Officer

Senior corporate officers

R. E. Chamberlain,
Senior Vice-President,
Engineering and Manufacturing

****R. H. Elman,**
Group Vice-President,
Special Products

W. R. Holland,
Senior Vice-President,
Administration

J. A. Ogilvy, Q.C.,
Senior Vice-President

J. B. Phelan,
Group Vice-President,
Steel Group

C. B. Rouse,
Group Vice-President,
Industrial Products Group

F. J. Stevenson,
Senior Vice-President,
Finance

Other corporate officers

A. B. Bjornsson,
Vice-President,
Engineering

R. A. C. Henry,
Secretary

****R. A. Reid,**
Vice-President,
Manufacturing

F. H. Roland,
Vice-President, Controller and
Treasurer

Subsidiary company officers

K. S. Barclay,
Chairman and Chief Executive Officer,
AMCA International Corporation, U.S.A.

J. Hatcher,
President and Chief Operating Officer,
AMCA International Corporation, U.S.A.

G. A. Law,
Chairman, Span Holdings Limited,
Nassau, Bahamas

M. J. Ucci,
President and Chief Executive Officer,
Span Holdings Limited,
Nassau, Bahamas



Top: Directors
From left to right:
Dalton D. Ruffin, Brian R. B. Magee,
R. A. Utting, A. J. E. Child, J. Hatcher

Bottom left: Senior corporate officers
F. J. Stevenson (left) and W. R. Holland

Bottom right: Senior corporate officers
C. B. Rouse (left), J. B. Phelan (centre) and R. H. Elman

**Management has recommended that Mr. R. H. Elman (currently Group Vice-President, Special Products, of AMCA International Corporation) become Group Vice-President, Special Products, of Dominion Bridge Company, Limited and Mr. R. A. Reid (currently Vice-President, Manufacturing, of AMCA International Corporation) become Vice-President, Manufacturing, of Dominion Bridge Company, Limited, immediately following the Annual Meeting of the Shareholders on April 28, 1978.

Subsidiary and affiliated companies / Group and divisional management

Subsidiary and affiliated companies

AMCA International Corporation,
Hanover, New Hampshire, U.S.A.

AMCA Heavy Equipment Limited
Amtel, Inc.
Cherry-Burrell Corporation
DESA Industries, Inc.
DESA International Sales Corporation
DESA Industries of Canada Ltd.
Insley Manufacturing Corporation

Span Holdings Limited,
Nassau, Bahamas
Span International Limited
Span International (Belgium) S.A./N.V.
Span International (Bermuda) Limited
Span Enterprises Limited

ECAN Limited,
Quebec, Quebec, Canada

MBE Limited,
Winnipeg, Manitoba, Canada

Industrial products group

C. B. Rouse,
Group Vice-President

Equipment Systems

V. S. Grater,
President
(“Whirley” and industrial cranes; heavy materials handling equipment; fabricated steel for marine and construction industries)

Engineered Products

J. R. Irwin,
Vice-President
(Heavy industrial machinery; municipal incineration units; nuclear and foundry products; turnkey buildings)

Varco-Pruden

R. C. Kelley,
President
(Pre-engineered metal building systems)

Insley Manufacturing

R. E. Arceci,
President and General Manager
(Hydraulic excavating equipment)

Special products group

R. H. Elman,
Group Vice-President

Cherry-Burrell

G. J. Remus,
President
(Processing and packaging machinery)

DESA Industries

D. R. Axtell,
President
(Chain saws and power tools)

Steel group

J. B. Phelan,
Group Vice-President

Manitoba Rolling Mills

J. S. Campbell,
Vice-President and General Manager
(Steel production)

Steel Service Centres

J. A. Reekie,
Vice-President and General Manager
(Steel distribution; grating manufacturing)

Structural Steel

K. R. Ebborn,
Vice-President
(Steel fabrication; construction services)

Span Holdings Limited

M. J. Ucci,
President and Chief Executive Officer
(International marketer of raw steel and industrial products)

Amtel, Inc. and subsidiaries

J. Ottmar,
President and Chief Executive Officer
(Engineering and construction
Industrial products
Petroleum marketing
Consumer products)

Other information

Transfer agents

The Royal Trust Company
(Montreal, Toronto, Winnipeg, Regina,
Calgary and Vancouver)

Registrars

Montreal Trust Company
(Montreal, Toronto, Winnipeg, Regina,
Calgary and Vancouver)

Major bankers

The Royal Bank of Canada
Wachovia Bank and Trust Company, N.A.
First National Bank of Boston
Bank of Montreal
The Toronto Dominion Bank
Dartmouth National Bank of Hanover

Stock exchanges

Montreal
Toronto

Amtel, Inc. and subsidiaries

The company's wholly-owned United States subsidiary, AMCA International Corporation, initiated a tender offer for all of the shares of Amtel, Inc., Providence, Rhode Island, on November 14, 1977, following the purchase by AMCA of approximately 14.5 percent of Amtel's shares in private transactions on November 9, 1977. The

expiry date of the tender offer was December 5, 1977. The offer was subsequently extended to January 4, 1978 and on that date AMCA had acquired about 96 percent of Amtel's shares. AMCA has publicly stated its intention to acquire the balance of Amtel's shares.

Amtel is a diversified manufacturing and service company organized, at the time of the acquisition, into four major product groups offering goods and services worldwide.

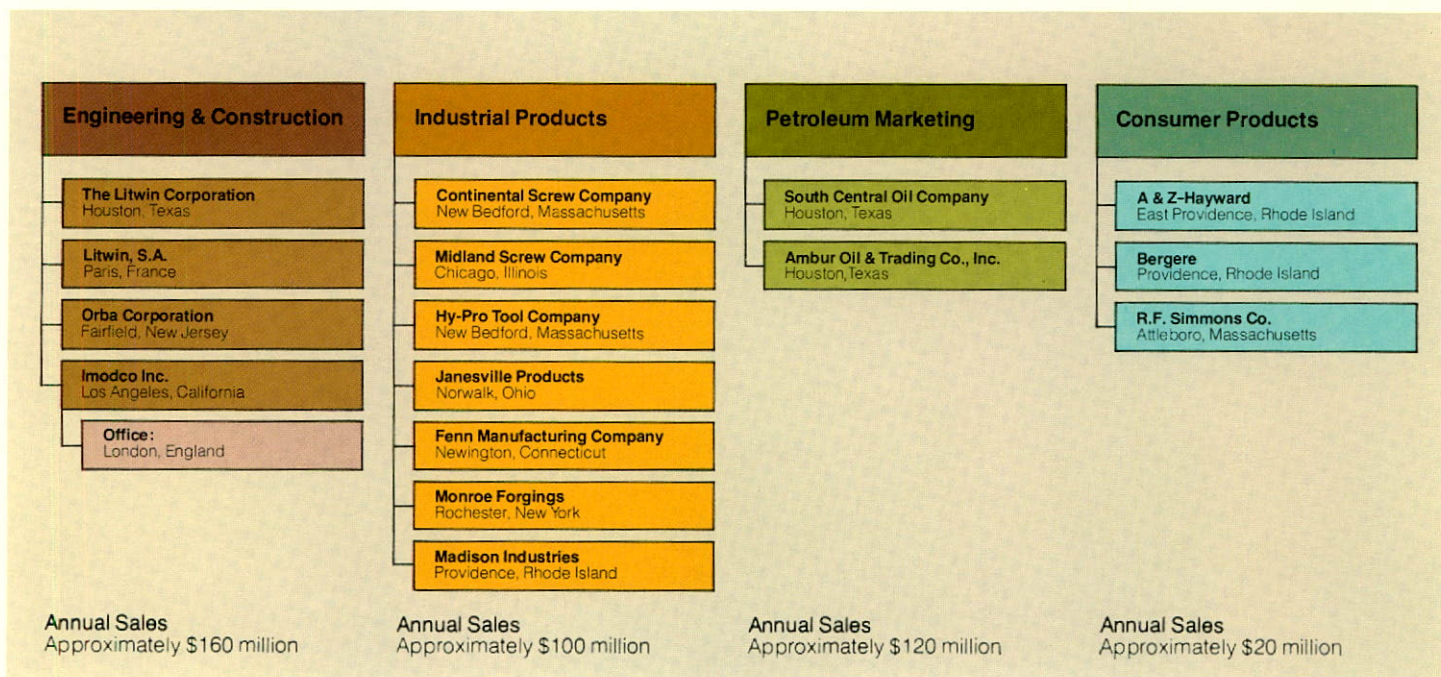
On this and the next three pages is a capsule report on the company and its business.

Financial highlights (\$ millions)

	1977 unaudited 9 months ended Sept. 30	1976
Sales and other revenue	290.6	324.8
Income from continuing operations	5.9	2.9
Total assets	171.9	158.5
Long term debt	28.0	24.2

NOTE: The audit of Amtel's results for 1977 had not been completed as of the date of this publication.

Product groups



Litwin Corporation
Houston, Texas and Paris, France

A contracting organization furnishing design and construction services worldwide to petroleum and chemical processors. Has a staff of over one thousand engineers and technicians engaged in all facets of process and mechanical design, procurement and the necessary supporting functions of cost and schedule control, inspection, expediting, and field co-ordination.

Orba Corporation
Fairfield, New Jersey

Designs, engineers, builds and operates systems and facilities for the handling and transporting of dry bulk materials such as coal, ore, fertilizers and chemicals. Scope of services ranges from feasibility studies through contract operations and includes the preparation of project financing packages.

Imodco Inc.
Los Angeles, California

Develops and makes Single Point Mooring (SPM) terminal systems used for mooring bulk carriers while loading and unloading liquid cargo such as crude oil, petroleum and solids in slurry form.

Operates internationally and has forty-five percent of the world SPM market. Maintains offices in England.



a



b



c

- a. A typical refinery constructed by Litwin.
- b. A Great Lakes coal loading facility designed, built and co-operated by Orba.
- c. A very large crude oil carrier (VLLCCs) tied to an Imodco SPM to off-load cargo.

Continental Screw
New Bedford, Mass.

Midland Screw
Chicago, Ill.

Hy-Pro Tool
New Bedford, Mass.

Continental Screw, Midland Screw and Hy-Pro Tool are designers and manufacturers of cold-formed threaded fasteners, non-threaded parts and thread-cutting taps for industry. Their products are specifically developed for the purpose of reducing the total in-place cost of fastening.

Products are sold direct and through distributors to manufacturing companies across the United States.

Continental Screw has a research and development subsidiary which holds valuable design patents and administers licensing in countries outside the United States.

Janesville Products
Norwalk, Ohio

Company is a manufacturer of urethane foam and non-woven fibrous materials used in upholstery and interior furnishings of automobiles.

There are four plants — at Broadhead and Janesville in Wisconsin, and Norwalk and Franklin in Ohio.

Fenn Manufacturing Company
Newington, Connecticut

Fenn Manufacturing builds metal forming machinery used by steel, copper and brass mills and other primary metal producers of strip, rod, wire and tube. Also manufactures precision rotor assemblies, gear transmissions and other complex mechanisms for military and commercial helicopters.

Company sells in international markets with about eighty-five percent of total to domestic customers.

**Monroe Forgings
Rochester, N.Y.**

Company produces rolled forgings and can offer special metallurgical expertise working with high-strength, heat-resistant alloys.

Sophisticated technology and reliable performance provide Monroe with competitive advantages in supplying forgings for the aircraft, nuclear, chemical, machine tool and ball bearing industries.

Also produces forged bars, shafts, blocks, discs, pinions and shaped tool and die forgings.

**Madison Industries
Providence, R.I.**

Company designs, makes and sells proprietary cutting tools and accessories used on metalworking machine tools. Has unique expertise in "total tooling concept", or the ability to design tooling for special or difficult machining operations.

Has international markets with about two thirds of the output going to customers in North America.

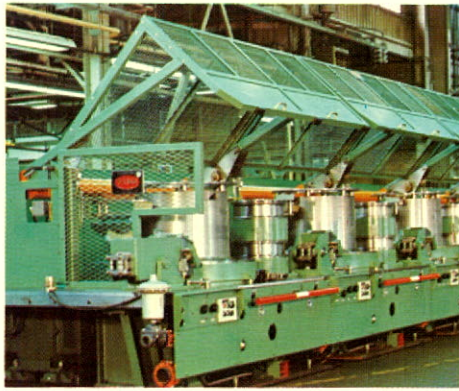
Operates plants in Germany and England.



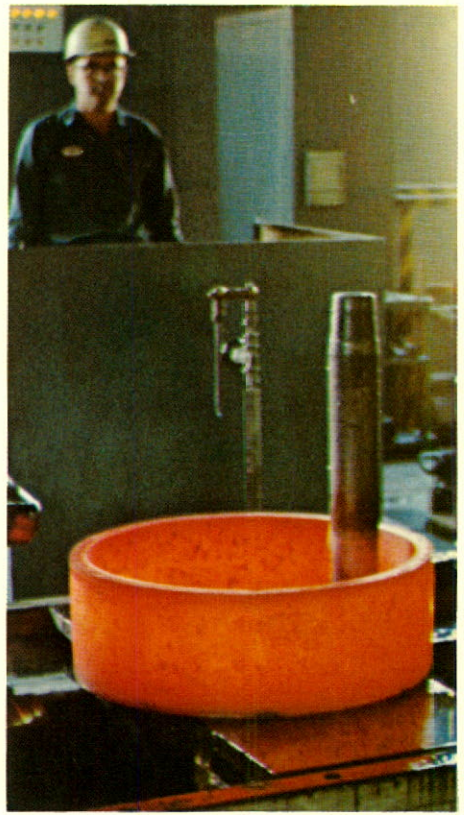
d



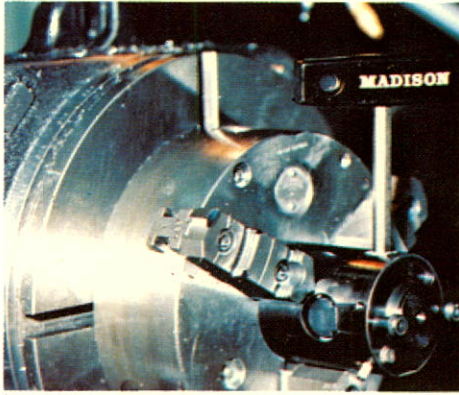
e



f



g



h

d. Close-up of unique tri-lobular shape of thread forming fastener.

e. Polyurethane foam seat production line at one of the Janesville Products plants.

f. A good example of a Fenn wire-drawing machine.

g. Automatic ring rolling to close tolerance at the Monroe Forgings plant.

h. Typical machine tool facility with Madison work-holding devices and cutting tools.

Petroleum marketing

South Central Oil Houston, Texas

South Central Oil is a major independent marketer of gasoline and other petroleum products at the wholesale and retail levels.

Under the Premier® and Freeway® trade names, the company operates three hundred and fifty outlets located in twenty-two states in the Southwest and Midwest parts of the United States.

Ambur Oil & Trading Co., Inc. Houston, Texas

Ambur Oil is engaged in bulk marketing and transportation of refined petroleum products, LPG and crude oils. Customers include both major and independent petroleum and petrochemical companies, utilities, co-operatives and other jobbers. Sales are worldwide, although ninety percent are in the Western Hemisphere.



i. A Premier high-volume self-service station.

j. Part of a typical Ambur tank farm.

Consumer products

A & Z-Hayward East Providence, R.I.

Bergere Providence, R.I.

R. F. Simmons Co. Attleboro, Mass.

This group of companies manufactures quality fashion jewelry using a wide variety of materials from precious to synthetics.

Sales are made throughout the United States and under license agreements in Europe, Canada and Australia.

k. Pendant being individually crafted.



k

Dominion Bridge Company, Limited

