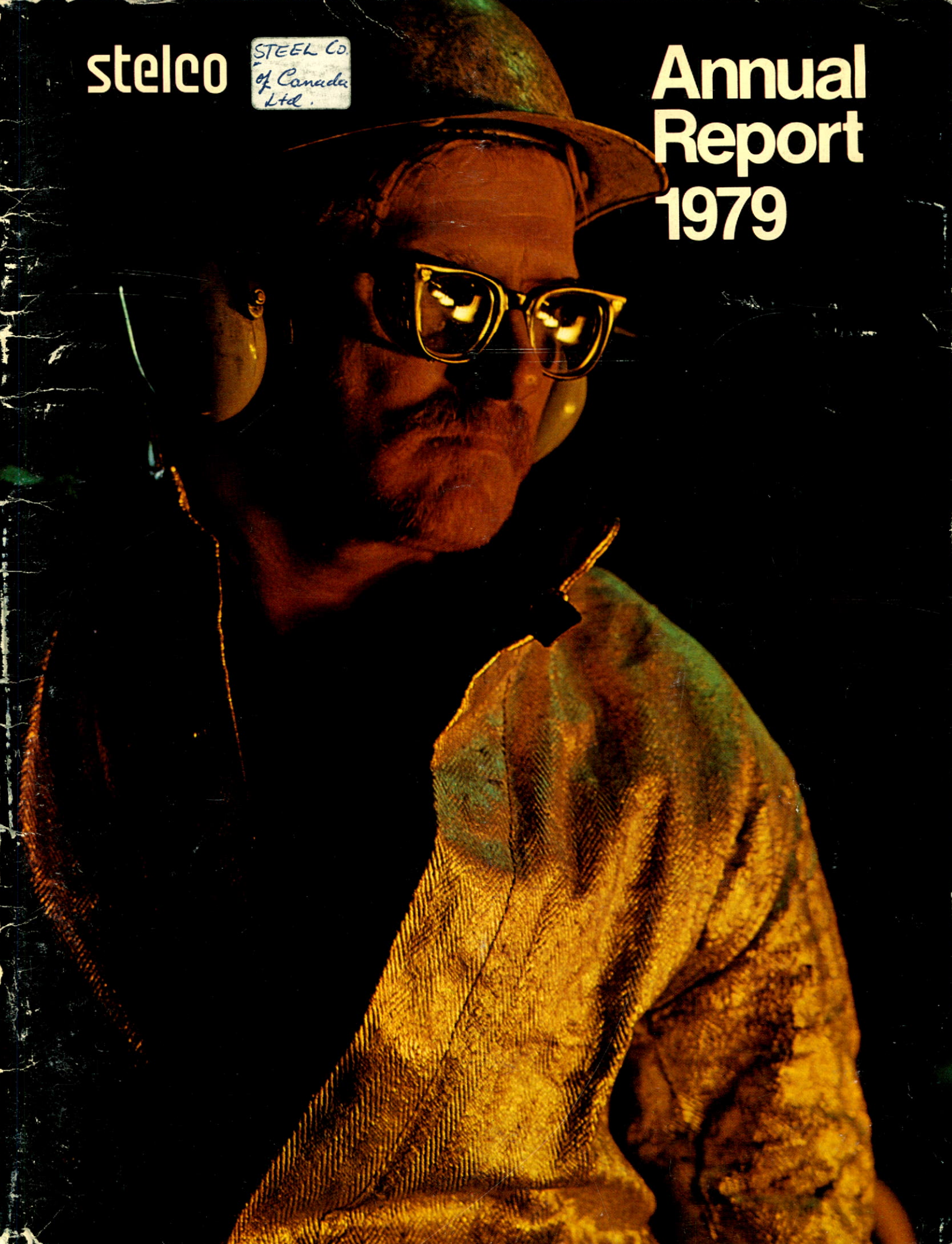
stelco

Annual Report 1979



Contents

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The Steel Company of Canada, Limited, Stelco, was created in 1910 when several steel companies in Ontario and Quebec merged their operations so that full advantage could be taken of the strides in 20th century steelmaking technology. In 1910, the Company accounted for about 10% of the country's steel ingot production. Today, Stelco is Canada's leading steelmaker, producing approximately 35% of the nation's steel.

Cover

Personifying Stelco workers is Edmonton Steel Works operator Silas Rafuse. The skill and dedication of the Company's 25,000-person work force was dramatically underscored by new production records established in many plants during 1979. While this issue of the Company's Annual Report concentrates pictorially on facilities across the country, it is employees who comprise Stelco's most valuable asset. The Company is superbly equipped to meet the challenges of today. By the first half of 1980, when the Lake Erie Development becomes operational, Stelco will be in an even more favourable position to capitalize on the opportunities of tomorrow.

The Steel Company of Canada, Limited

stelco

Toronto, Canada

Annual Report 1979

(Year ended December 31, 1979)

Highlights

Dollars in millions except as indicated*

Financial		1979	1978(1)	% Change
Sales	$	**2,091.2**	1,775.7	+18
Net Income	$	**156.9**	111.9	+40
Per cent of sales	%	**7.5**	6.3	
Per convertible share†	*$	**5.74**	4.07	
Dividends declared — preferred	$	**15.4**	11.5	+34
— convertible	$	**49.4**	43.2	+15
Per convertible share	*$	**2.00**	1.75	
Convertible shareholders' equity	$	**1,009.6**	917.7	+10
Per convertible share	*$	**40.85**	37.13	
Capital expenditures	$	**204.0**	145.3	+40
Depreciation	$	**60.5**	56.7	+ 7
Operations				
Materials and services bought and used	$	**1,144.7**	984.1	+16
Total employment costs	$	**641.6**	559.0	+15
Average number of employees		**25,032**	23,712	+ 6
Raw steel produced — thousands of net tons		**5,862**	5,533	+ 6
Steel shipments — thousands of net tons		**4,553**	4,466	+ 2
Distribution of Total Revenue				
Purchases of goods, supplies and services	%	**52**	53	
Wages, salaries and employee benefits	%	**30**	30	
Depreciation	%	**3**	3	
Interest on long-term debt	%	**3**	3	
Federal, provincial and municipal taxes	%	**5**	5	
Dividends	%	**3**	3	
Earnings reinvested in the business	%	**4**	3	
	%	**100**	100	

†After preferred dividends. (See Note 1 on page 25.)
(1) Restated (See Note 2 on page 25.)

A report from the Chairman of the Board

The steel industry in Canada continued to operate at virtual capacity throughout 1979, despite a pronounced decline in the automotive industry, which began in the third quarter of the year. The slack in demand from this sector was picked up by other consumers of steel products. Domestic steel shipments increased by 6% to 11.6 million net tons. Prices for imported steel remained by-and-large unattractive to Canadian users, but where Canadian supply fell short of domestic requirements, increased imports were recorded, most notably for plate, sheet and structural sections. Mill exports to the United States and to overseas markets declined from 2 million tons in 1978 to 1.8 million tons.

Stelco's sales of $2.1 billion and net income of $156.9 million set records. With the exception of large diameter pipe mills, all major facilities sustained full-out operations and fabricating plants worked at high levels of capacity.

The world steel industry in 1979 was characterized by pockets of relatively strong demand. Western world crude steel output showed an increase of approximately 4% over 1978. In Europe, markets were more orderly, despite serious overcapacity in some countries, particularly France, Belgium and Italy. The British steel industry was plagued with operating losses, plant shutdowns and labour strife. Japan diverted substantial export tonnages to its own domestic use and far eastern markets away from North America. In the United States, steel consumption declined slightly in line with slackened economic activity.

The multilateral trade negotiations — the Tokyo round — begun in 1973, were concluded in 1979, resulting in agreement to reduce tariffs over a period of years. While previous negotiations concentrated on tariff reductions, this represented but one element in the Tokyo round, where a serious attempt was made to establish codes of conduct governing the use of a number of non-tariff measures. The extent to which these codes will affect international trading for steel and other products remains uncertain at this time.

The world steel outlook for 1980 is not robust and the International Iron and Steel Institute is predicting western world steel demand to be somewhat below that of 1979. Many political and economic imponderables are present. There are indications of a reduced demand for steel in the U.S.A., largely due to current automotive industry problems. A number of American steel producers, most notably the U.S. Steel Corporation, have announced the planned closing of less-efficient facilities and, without any significant new capacity coming on-stream, this will result in an overall reduction of that country's steel producing capability. The automotive industry is in the process of a wrenching rationalization. The international oil situation has hastened the industry's need to re-tool on a massive scale in order to produce smaller and lighter vehicles that will be more fuel-efficient. This rationalization cannot be accomplished quickly and in the meantime, the North American auto market remains vulnerable to the incursion of foreign-built vehicles. This condition has obvious implications for those steel producers who depend heavily on this market.

From the Canadian steel industry's point of view, and Stelco's in particular, the move on the part of the automotive industry to lighter vehicles can be viewed optimistically, inasmuch as steel producing and finishing facilities are being expanded in ways to take advantage of new product demands.

At a time when many American steel producers are re-trenching, Stelco, in the spring of 1980, will produce its first steel at Nanticoke. This will be a signal event in the Company's history and we believe it to be well-timed. Initial slab production will be utilized at Hilton Works or sold. Looking beyond 1980, the added steel production will provide slabs for the new 80" Strip Mill at Lake Erie and, as well, will afford improved overall steelmaking flexibility.

As we enter the 1980's, the world is faced with problems that are the culmination of events that have been unfolding steadily throughout the past decade. International oil and foreign exchange markets are in turmoil. Inflation is rampant in most countries. Further political and social dislocations can be expected to cause unsettled conditions for many economies. The industrialization of emerging third world countries will have a distinct bearing on world trade. Overshadowing all, is the energy situation which has come centre-stage and will remain so in the years ahead. Canada is in an enviable position with respect to energy, but our potential cannot be realized without considerable planning and effort. Canada must move concertedly towards energy self-sufficiency. The road to this goal will have to be paved with realistic conservation policies and higher prices for oil and gas.

The future role of government, it is hoped, will be to encourage the private sector's manufacturing growth and development of natural resources by the introduction of appropriate monetary and fiscal incentives and policies. It is clear that Canada can no longer survive competitively nor prosper economically unless a discipline is undertaken to encourage the "supply" side of our economy and to lessen our balance of international payments and reduce government budgetary deficits which have widened dramatically in recent years.

The referendum question on sovereignty will be put in Quebec in 1980 and it is to be hoped that the answer will signify the strengthening rather than the fragmenting of our country. The goal for a united and strong Canada will be realized only through the coordinated activities of all provinces acting together with the Federal Government.

The outlook for the Canadian steel industry in 1980 is basically optimistic, despite current predictions for a real GNP growth in the order of only 1%. Domestic steel shipments are forecast at 11.6 million tons, approximating those in 1979. Economic and political developments in the United States and unsettled international conditions could have an adverse effect on business activity in Canada. Nevertheless, many Canadian manufacturers have been operating at peak levels and it is apparent that added capacity has become desirable. Spending for plant and equipment was a strong force in 1979 and is expected to continue in 1980. The start of energy-related projects, including pipelines, will provide added impetus for the economy as the year progresses.

Directors

After 20 years of service on Stelco's Board of Directors, Mr. H. M. Griffith, Chairman of the Executive Committee of the Board and former Chairman and Chief Executive Officer of the Company, retired from his Board position on February 19, 1979, in keeping with the compulsory retirement rules for Directors of the Company. Mr. Griffith's association with Stelco spans more than 43 years of service and his wealth of experience and wise counsel will be very much missed.

To fill this vacancy, Mr. Alex E. Barron was elected a Director.

Executive changes

During the year, the Company lost through retirement, two Officers who have made a valued and significant contribution to Stelco: Mr. W. C. Chick, Vice-President, Finance, after 34 years of service and Mr. F. H. Weir, Comptroller, Financial Planning, after 42 years of service.

In anticipation of his retirement early in 1980, Mr. A. R. Oliver relinquished his position as Vice-President — Procurement on June 1, 1979, but remained a Vice-President to carry out special corporate assignments.

During 1979, the following appointments were made effective January 1, 1980:

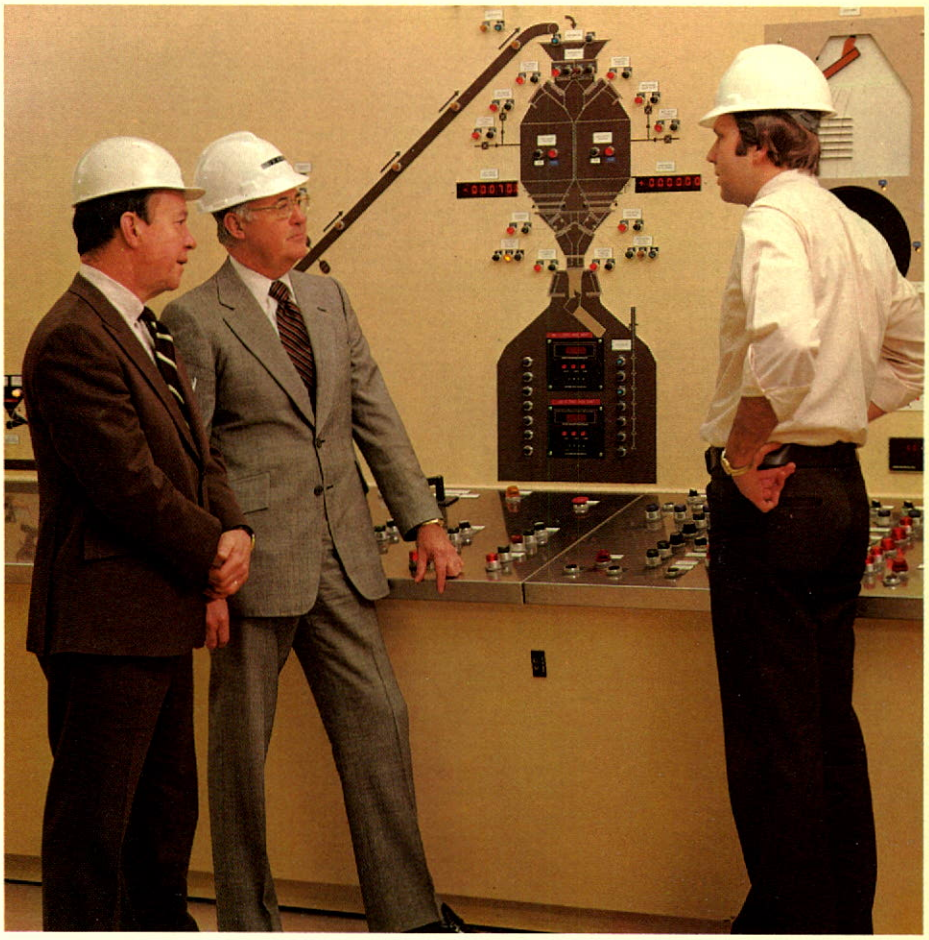
- Mr. H. J. M. Watson — Vice-President, Finance
- Mr. G. Binnie — Comptroller
- Mr. P. D. Matthews — Assistant Treasurer (July 1) and subsequently, Treasurer

The dedicated efforts of employees are deeply appreciated by the Directors and Officers, as is the support of customers, suppliers and shareholders.

Gordon

Chairman of the Board and
Chief Executive Officer

Toronto, Canada
February 13, 1980



J. P. Gordon, Chairman of the Board and Chief Executive Officer (left) and J. D. Allan, President and Chief Operating Officer, inspect the control panel for the blast furnace now nearing completion at the Lake Erie Development. Tom Bondarenko, Staff Specialist, (right) explains the features of the computer-controlled continuous furnace feeding operation which is expected to optimize production levels. The system has already undergone successful trials using the same types of materials that will be utilized in actual service.

A report from the President

Sales and production

In spite of a downturn in the steel requirements of the automotive sector during the latter part of the year, the overall demand for steel remained strong.

Sales revenue of $2,091.2 million exceeded the previous year's figures by 17.8%. These record sales resulted from a greater tonnage of products shipped as well as higher selling prices which were necessary to recover increases in costs.

In spite of the outages of three of the four blast furnaces for varying periods during the year, and a fire at the electric furnace shop at McMaster Works, steel production set a new annual record of 5.9 million tons, up from 5.5 million tons produced in 1978. (See also page 10.)

In order to meet the requirements of its customers and prevent erosion of its market participation, the Company purchased substantial quantities of semi-finished steel. The premium paid for purchased steel had an adverse effect on manufacturing margins and the Company's cash position.

Net income

Consolidated net income for the year of $156.9 million was at a record level, up materially from the restated $111.9 million earned in 1978. Earnings available to convertible shareholders after deducting preferred dividends were $5.74 per share compared with the 1978 restated earnings of $4.07 per share.

Manufacturing costs increased significantly during 1979. Major factors contributing to this trend were:

- Employment costs which increased under the terms of the various collective agreements.
- Energy costs which increased in total as a result of upward pressure on prices despite reduced consumption per unit of output. (See Stelco's energy efficiency report — page 20.)
- Raw material and reagent costs which increased due to higher prices for ore, scrap, ferromanganese and molybdenum.

Partially offsetting these cost increases were certain economies arising from the high level of operations and savings resulting from improvements in operating procedures and new and more efficient capital facilities. Despite these measures, it was necessary to institute selling price increases to prevent deterioration of profit margins.

Income taxes expense increased significantly over the restated 1978 income taxes due principally to the higher level of pre-tax earnings.

During the year the Company revised its policy with respect to the accounting treatment of the investment tax credit. Note 2 to the Financial Statements on page 25 sets out the nature and magnitude of the resulting restatement. The new policy is the same as that currently being followed by the majority of Canadian companies. The change was made for two reasons. First, although Canadian accounting authorities have still not issued any directives on the subject, the Company was influenced by Interpretation Bulletin #25, issued by the U.S. Federal Accounting Standards Board which advocates recognizing the investment tax credit only when claimed for tax purposes. Second, the investment tax credit has been increased from 5% to 7% of eligible capital spending and the expiration date, which was to occur on July 1978, has been extended indefinitely. The result has been to increase materially the magnitude of the credit and because of its potentially greater effect on earnings, the Company re-examined its practice and concluded that it should adopt the policy of recognizing the investment tax credit only when claimed for tax purposes. This change will make the Company's financial results more readily comparable with the majority of Canadian corporations.

Dividends

Dividends declared on preferred shares amounted to $15.4 million in 1979 compared with $11.5 million in 1978. The increase reflects the effect of higher bank prime interest rates that prevailed during 1979 plus the additional "B" series preferred shares which were issued October 3, 1979.

At their December meeting, the Board of Directors declared a dividend of 45 cents per convertible share, payable February 1, 1980 together with an extra dividend of 20 cents a share payable at the same time. This extra declaration is an increase of 10 cents per share over the extra declared in 1978. It brings the total dividend declared for 1979 to $2.00 per convertible share, or $49.4 million in aggregate compared with $1.75 per share and $43.2 million in 1978. (See Note 12 to the Financial Statements on page 28.)

Financial position

Capital structure

At a special meeting September 28, 1979, your Directors approved a resolution creating 2,045,000 $1.94 Preferred Shares Series B with a par value of $25 per share. These shares were placed privately in Canada and the first closing was October 3, 1979 for 1,324,000 shares with an aggregate value of $33,100,000. The second closing took place February 1, 1980 for 721,000 shares, with a value of $18,025,000. The aggregate proceeds of this issue, $51,125,000, will be used to finance capital expenditures and growth in operations. (See Note 12 to the Financial Statements on page 28.)

Capital investment

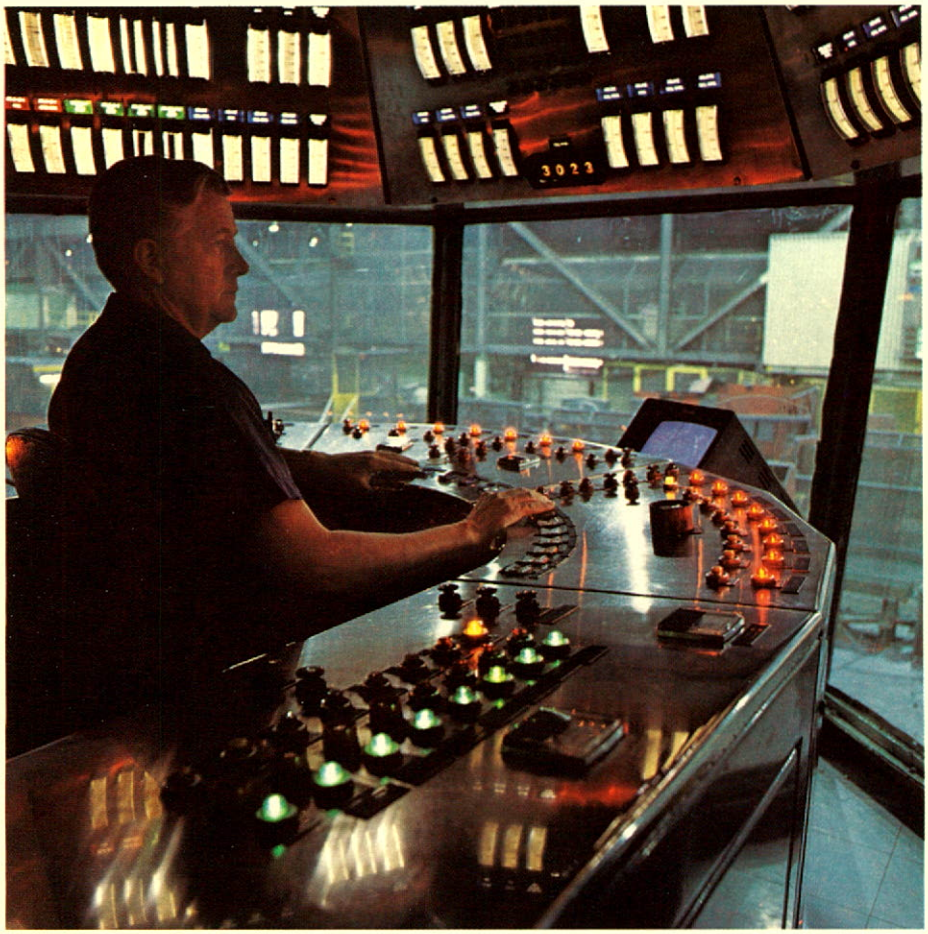
Capital investment for manufacturing and mining facilities was $193.7 million in 1979 compared with $137.6 million in 1978. Expenditures on the Lake Erie Development amounted to $136.3 million with the remaining $57.4 million being spent for environmental control, cost reduction, growth and market retention projects at the other plants of the Company.

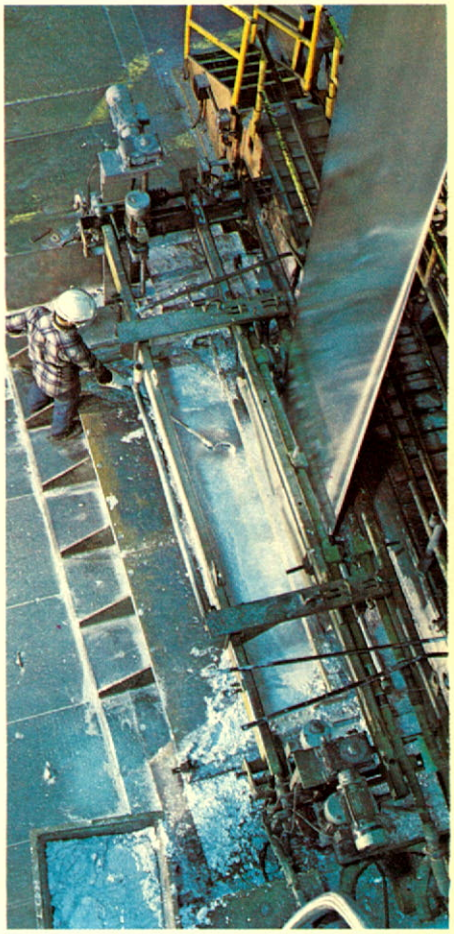
During the year capital appropriations approved by the Board of Directors amounted to $140.9 million including $74.5 million previously approved in principle for the Lake Erie Development. At the year-end $770 million remained to be spent on approved capital projects. (See Note 7 to the Financial Statements on page 27.)

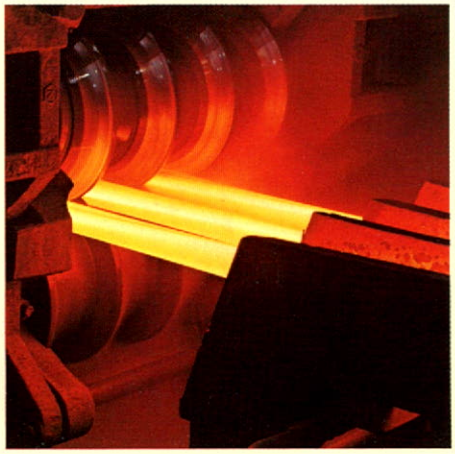
Intercorporate investments

Long-term intercorporate investments amounted to $77.1 million at December 31, 1979, an increase of $13.8 million during the year. The bulk of this increase

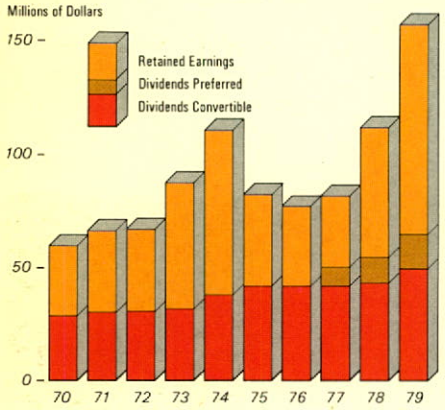
Hilton Works: Widely regarded as one of the most efficient steelmaking operations in the world, Hilton Works in Hamilton is the keystone of Stelco's operations. The rolling mills at Hilton Works manufacture a wide variety of steel products, from blooms, billets and slabs, to serve many major Canadian industries. Equipment at Hilton Works has been constantly updated to meet new market needs. During 1979 no less than 22 production records were set in various departments. Illustrations, clockwise from top left: Phillip J. May mans the operating pulpit at the wire rod mill; Al Upson drosses the zinc pot at one of the three galvanizing lines; bar mill operation; aerial view of No. 2 unloading dock.



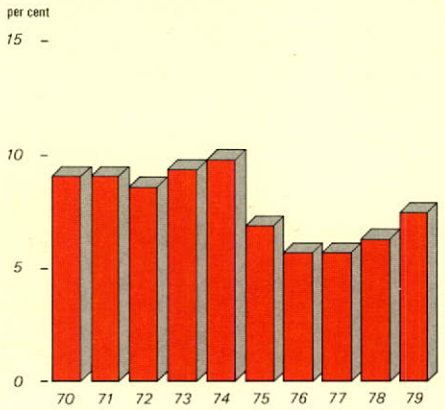




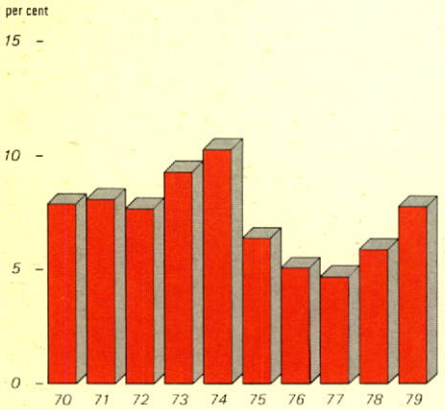
Net Income



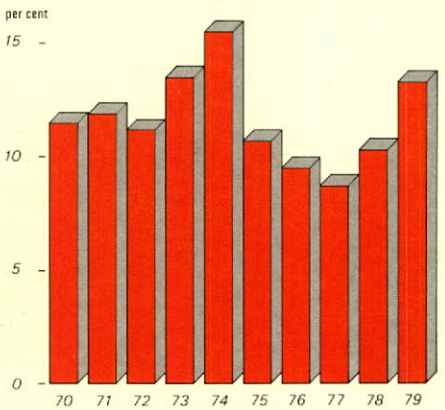
Return on Sales



Return on Investment



Return on Shareholders' Equity



was accounted for by a further investment in Baycoat Limited and the Tilden and Eveleth iron ore expansion projects.

Working capital

The Company's working capital position increased to $617.1 million from the restated $593.6 million at the end of 1978. The inflow from current operations together with the proceeds from the first closing on the Preferred Shares Series B issue totalled $298.9 million and exceeded the outflow for capital expenditures, dividends and retirement of long-term debt by $23.5 million.

Cash and short-term investments decreased to $32.3 million at year-end, a reduction of $153.1 million over the year.

Accounts receivable increased to $284.6 million from $239.1 million a year ago mainly as a result of the higher sales level and the general impact of inflation.

Inventories increased by $145.0 million to $614.1 million at December 31, 1979 because of higher sales levels, the effect of inflation, and the need to stock ore and coke at the Lake Erie Development in anticipation of its start-up.

Accounts payable rose slightly by $8.0 million during the year to a total of $248.8 million at December 31, 1979.

The year-end liability for income and other taxes of $43.1 million remained relatively unchanged from the previous year's provision.

The December 31, 1979 ratio of current assets to current liabilities at 2.9 to 1 was down only marginally from the ratio of 3.0 to 1 at the end of 1978.

Inflation

As a result of continuing erosion of the dollar's purchasing power, the measure of the Company's financial position, using historical values, tends to be distorted. Within the business community and the accounting profession there is considerable debate as to the appropriate method to reflect the impact of inflation in the financial statements. While to date there have been no official recommendations by the Canadian Institute of Chartered Accountants, an exposure draft on Inflation Accounting has recently been issued. The Company will be studying this draft and considering its application to Stelco. In the United States the Federal Accounting Standards Board has issued Statement of Financial Accounting Standards No. 33 which requires large public corporations to supply supplementary data on inflation prepared on two separate bases. One basis is a "constant dollar" reckoning in which the figures are computed in dollars of the same general purchasing power — i.e. adjustments are made to reflect changes in the Consumer Price Index. The other basis is a "current-cost" analysis, in which assets and expenses associated with the use or sale of the assets reflect "specific" price changes rather than the general inflation rate.

In the Company's view the introduction of two different bases of accounting for inflation will only serve to confuse the issue. For this reason the Company is, at this time, continuing with its practise of providing supplementary data on inventories and fixed assets. These are two areas of significant investment most likely to result in an overstatement of profit with further erosion of capital through taxation, when expressed in conventional accounting terms.

It is estimated that Stelco's investment in inventories, excluding any increase in volume, increased by $62 million due to inflation during 1979. The estimated depreciation charges, based on the reproduction cost of the Company's fixed assets, determined by applying Statistics Canada's Implicit Price Indices for Non-Residential Construction and Machinery and Equipment, are estimated to exceed the reported 1979 depreciation expense, based on historical cost, by $45 million.

Quebec operations: Stelco and its predecessors have been producing steel and steel products in Quebec since the 18th century. Several massive hydro-electric projects are particularly heavy users of a variety of Stelco's products. The bar mill at McMaster Works (top photograph) had an extremely busy 1979, breaking all previous production records. Lower right photograph depicts a general view of McMaster Works with the pipe mill in the foreground, the steelmaking works in the left background and the rolling mill to the extreme left. Lower left photograph: Notre Dame Works, Montreal.

Shareholders

At year-end there were 40,495 holders of convertible shares compared with 38,147 at the end of 1978. Shareholders with Canadian addresses held approximately 98% of the convertible shares outstanding.

Marketing

The early months of 1979 saw an extremely strong demand for steel from all major industry groups in Canada. In late spring, however, there was a pronounced downturn in the demand from the automotive industry. Subsequently, steel orders from this important sector declined. Nevertheless, the market as a whole remained sufficiently buoyant to permit the loading of all of the Company's major rolling facilities at or close to capacity for the balance of the year.

The value of the Canadian dollar versus the U.S. dollar continued to generate export opportunities for many of Stelco's customers. Thus, with the exception of the automotive sector, the domestic market was extremely busy in 1979. Indeed, Stelco's own export sales had to be curtailed somewhat in order to provide maximum support for Canadian customers.

As noted above, substantial steel purchases were made during the year to support commitments made to Stelco's customers.

Large diameter pipeline projects

Stelco as a designated supplier of pipe for the Canadian portion of the Alaska Highway Gas Pipeline is continuing negotiations with Foothills Pipe Lines (Yukon) Ltd. The Company remains convinced that the basic economic advantage accruing to society in transporting energy from regions of excess supply to areas of high consumption ensures the success of this and other energy transportation projects. Technical expertise along with new and improved production facilities for large diameter pipe places Stelco in an advantageous position to meet the needs of this dynamic market.

Corporate Planning

In June 1979, the Board of Directors gave approval in principle to a major new expansion program which will extend over the next five to six years and is estimated to cost $365 million in current dollars.

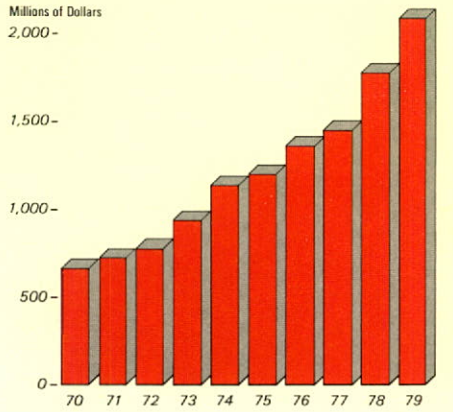
This program is the culmination of intensive planning activities initiated in January of 1976. Based on a comprehensive examination of present and future markets, a strategic plan and a facilities program to carry it out were developed. The plan takes into consideration the utilization of the initial and future output of raw steel from the Lake Erie Development. It is also designed to meet the need for new types of steel products which reflect the changing market and its emphasis on higher strength, larger coils and improved tolerances.

While timing, particularly with respect to some of the flat rolled facilities, remains flexible, the main components of the program are:

□ **80" hot strip mill:** Completion of the 80" hot strip mill, together with skin rolling facilities, will result in a more complete on-site utilization of steelmaking capacity now being installed at Lake Erie. The mill will have an initial annual capacity of approximately 1,200,000 tons and will be capable of providing Stelco's customers with larger coil weights, and a wider range of hot rolled products. It will possess the high strength, low alloy capability demanded by the automotive industry and will incorporate a coilbox, the recent Stelco innovation in the field of hot strip rolling technology. This coilbox will effect a significant improvement in the dimensional and metallurgical uniformity of steel strip, a significant decrease in the capital cost of construction and major savings in power consumption.

□ **Continuous steel galvanizing line:** The line which will have an annual capacity of 220,000 tons will be installed at Hilton Works. This will be Stelco's fourth such installation and will be supported by expansion and modification of the 80" cold mill and ancillary facilities.

Sales



□ **No. 1 bar mill:** Modifications to the No. 1 bar mill involve the installation of a new billet reheat furnace, additional rolling mill stands, and additional shearing and coiling facilities. The revamp will increase the capacity of the mill and will enable it to produce large bar coil weights with less decarburization and improved size tolerance. There will be a net annual increase of 140,000 tons of coils in rod and bar dimensions achieved in part by rearrangement of products among the various mills.

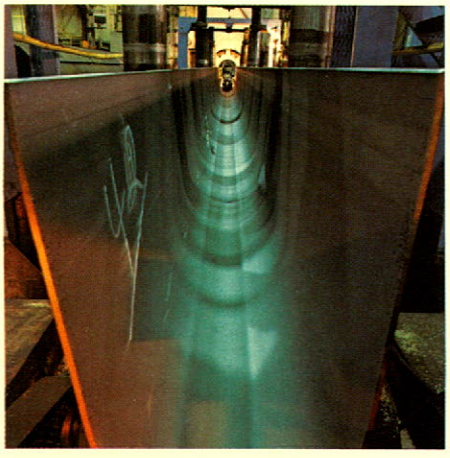
□ **Modification of the Company's No. 3 electrolytic tinning line:** The rebuilding of this line at Hilton Works will permit the production of tin-free steel for use in the manufacture of food and beverage containers. This product reduces the dependency on high cost imported tin and also simplifies recycling of used containers, since it will no longer be necessary to de-tin the containers before melting them as scrap.

□ **Expansion of the Company's Finishing Works' facilities:** The installation of additional equipment for manufacturing bolts, nuts, cold drawn bars and of additional facilities for cleaning and annealing steel rods will add materially to the capacity of the finishing works.

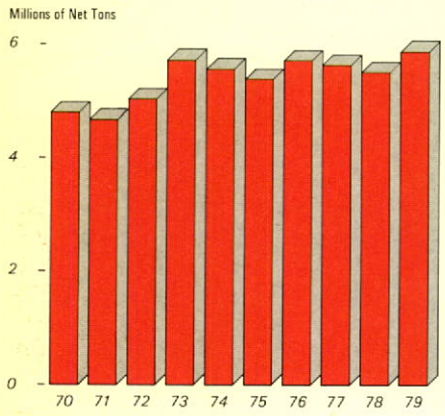
Metric conversion

The Company's metric conversion activities are on schedule and in phase with conversion of the Canadian steel industry. All our major products are now available in metric dimensions.

Western operations; 1979 was a notably busy year for Stelco's Alberta facilities. The Edmonton Steel Works, for example, broke previous records by producing 244,500 tons of raw steel. Similarly impressive production records were set by other departments; both bar mill and grinding ball production was substantially greater in 1979 than in any previous year. It is indicative of our times that the largest gain was in an energy-related steel product: sucker rods for oil wells. The illustrations, clockwise from top left: Employee Randy Thomlinson inspects grinding balls; the cultivator shank production line is operated by Gary Smith; view of Stelco Edmonton, Steel Works, looking north; first stage in the production of large diameter line pipe by the 'U' and 'O' process at Camrose Works.



Raw Steel Produced



Raw materials

Coal

1979 was one of the better years for coal production. Labour interruptions were minimal and productivity improved at most properties. This situation can be attributed, in part, to reduced demand for coal which led to the closure of several coal mines and the consequent greater availability of experienced miners.

Chisholm Mine: The large stockpile of coal at the Chisholm Mine at the end of 1978, resulting from the railroad strike, was moved to Hamilton by mid-year. Since that time, shipments have kept pace with production. Development of the south side reserves continues on schedule with production from this area expected to start in 1980.

Madison Mine: Total production and productivity per man were both much improved over previous years. The new refuse disposal area which was activated in mid-year has improved plant efficiency.

Beckley Mine: Output at Beckley increased over earlier periods. The quantity of clean coal from this operation for 1979 was at a record high level.

Olga Mine: A program of improvements to the preparation plant, as well as phased replacement of older mining equipment, has resulted in higher production and a better quality of product. Further improvement is anticipated for the future.

Mathies Coal Company: Although production at Mathies continued to be adversely affected by difficult mining conditions, improvement in equipment reliability has been noted as a result of the hiring and training of suitable maintenance personnel. Continued progress is forecast for next year.

Expenditures on the Elk River property, preparatory to making application for various permits, continued at a minimum level. No decision has been made as to the date when development of this property will commence due to the reduced requirement for coal in the European and Japanese markets where the other participants in the project expect to market their share of the production.

Iron ore

Adequate supplies of iron ore were received in 1979. Although some minor tonnages were acquired under long-term contracts, the bulk of the iron ore came from ownership properties. No significant labour problems were experienced at any of the properties in which Stelco has an ownership interest. More than 400,000 tons of iron ore were shipped to the Lake Erie plant in 1979 in readiness for the start-up of the blast furnace.

The Griffith Mine: Operations continued at capacity levels during the year although some tonnage was lost as a result of problems with the electric motors driving air supply blowers for the shaft furnaces. A dredging program to permit extraction of more high grade ore from the south pit was carried out during the year.

The Griffith Mine direct reduction kiln did not operate in 1979 because the decline in scrap prices in the second half of the year made direct reduced pellets uncompetitive. The Company continues to monitor the price of scrap to determine when it will be appropriate to operate this facility as an alternative source of raw material for electric steelmaking operations at Edmonton and Contrecoeur.

Erie Mining Company: Due to reduced requirements of some of the owners for iron ore, operations remained below capacity during 1979 although at a somewhat higher level than in the previous year.

Hibbing Taconite Company: The expansion of Hibbing Taconite from 5.4 to 8.1 million tons of pellets per year was completed by mid-1979. As Stelco elected not to participate in this expansion, its share of the total project declined to 6.7% from the 10% previously owned. During the year production was hampered by problems with the large gears that drive the autogenous mills.

Eveleth Mines: Start-up problems were largely overcome in 1979 and production rates are approaching planned levels although operating costs are still unsatisfactory.

Tilden Mine: Production achieved a satisfactory level in 1979 and costs continue to improve. The expansion to 8 million tons of pellets per year in which Stelco participated was completed and came on stream in November 1979.

Limestone and lime

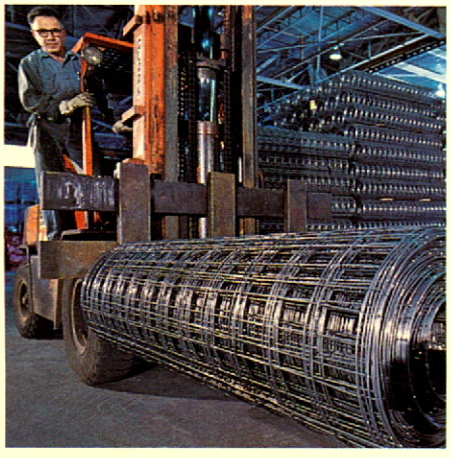
Chemical Lime Works operated at a satisfactory level during the year and lime in excess of the Company's needs was sold on the open market.

Operations

Steelmaking

During the year steel production at Hilton Works was curtailed when three of the Company's four blast furnaces were down for varying periods of time. 'D' furnace was shut down for one week due to refractory failure in one section of the furnace, 'B' furnace was out of service for approximately one month as a result of the failure of a water cooled casting, and 'C' furnace underwent a full sixty day reline. Although these outages were unscheduled, in the case of 'C' furnace it was not unexpected as its production campaign had been extended with the hope of deferring the reline until the start-up of the blast furnace at the Lake Erie Development. In spite of the problems experienced in 1979, Stelco's blast furnaces rank among the most efficient producers in North America.

Many-faceted operations: The range of Stelco's products is truly impressive. Some examples are illustrated. Top left, the semi-automatic continuous rod annealing operation at Burlington Works, one of the most modern in North America. Centre left, shows Bill Stokes feeding rod for wire-drawing at Parkdale Works, Hamilton. At Frost Works (bottom left) Gennaro Politano is moving some of the record tonnage of welded wire fabric produced in 1979. Right-hand photograph depicts Telesphore Pilon operating the 125 ton trim press at Gananoque Works.



With steel production curtailed by the shortage of hot metal, it was necessary to purchase steel to support capacity operations in the various rolling mills during 1979. The outlook for the supply of hot metal in 1980 is more favourable as there are no blast furnaces scheduled for reline at Hilton Works and there will be additional capacity available after the start-up of the Lake Erie Development.

On August 8, 1979, McMaster Works steel shop achieved the distinction of having produced one million tons of billets since it commenced operation early in 1974. In addition, this steelmaking operation established an annual production record in spite of being interrupted by a major fire in the main electrical control room. The fire occurred on October 6 and steelmaking operations were down for approximately eight weeks. Semi-finished steel was purchased to offset the lost production and maintain customer service. Losses from this fire were largely covered by insurance.

During 1979, Edmonton Steel Works electric furnaces operated at near capacity levels and established an annual production record. The newly installed auto hulk shredder commenced operating in September and is providing shredded scrap for the electric furnace, replacing higher priced imported material.

Rolling Mills

Hilton Works launched a concentrated effort on yield improvement under the coordination of the newly created position of Superintendent, Yield Control. The efforts of Metallurgical and Operating groups resulted in significant improvements in yields in both steelmaking and rolling mill operations.

Strong demand for steel permitted the Company to operate all its major rolling facilities at or close to capacity levels throughout the year. The 12-10" mill, which celebrated fifty years of operation in 1979, established an annual tonnage record. Other mills which achieved annual production records are: at Hilton Works — No. 3 Bloom & Billet Mill, 56" Hot Strip Mill, No. 3 Pickle Line, 4-Stand Cold Mill, No. 2 Galvanizing Line, No. 2 Rod Mill; at Edmonton Steel Works — Rolling Mill and Grinder Ball Mills.

During the year the Company's Operating and Service Departments at Hilton Works were called on to provide the nucleus for the initial labour force buildup at the Lake Erie Development. It is a tribute to the depth and training capability of the personnel of these Departments that they were able to meet this added challenge while Hilton Works was operating at capacity levels for extended periods of time.

January 1979 saw the Spike Mill operating in its new location. Initial start-up problems have been overcome and towards the end of the year the mill was close to meeting its planned output level.

During the fourth quarter the Company completed changes to increase output on two of its three sheet galvanizing lines.

At the year-end, preparation for the shutdown to revamp the 56" hot strip mill and install the coilbox was well underway with the actual 20 day shutdown slated for March 1980. The annual output of this mill is expected to increase by 200,000 tons per year.

Fabricating Works

While nearly all the Fabricating Works operated at satisfactory levels for the first half of the year, those supplying products for the automotive industry experienced some business decline in the second half of the year. Fortunately domestic demand in other markets remained strong and partially offset this decline.

Notre Dame Works bolt and nut operations were at their highest level in many years as a result of a large order for tower bolts from Hydro-Quebec, and the replacement of imports in the domestic market. McMaster Pipe Mill and St. Henry Works, benefiting from increased demand for hollow structural sections and pipe, also exceeded their recent rates of output.

Both Swansea and Brantford Works were at capacity for the first seven months when some softening in automotive demand forced a moderate cutback in operations.

Gananoque Works has made considerable progress in utilizing the new press forge despite a severe production cutback in July and August. This cutback was caused by the drop in automotive demand and by strikes at the plants of two major customers.

Canada Works West Mill and Parkdale Works experienced capacity operations for the first eight months with only a slight reduction in activity over the remainder of the year. Canada Works East Mill experienced a dramatic improvement in volume and performance in the first half of the year but was adversely affected by the automotive downturn in September.

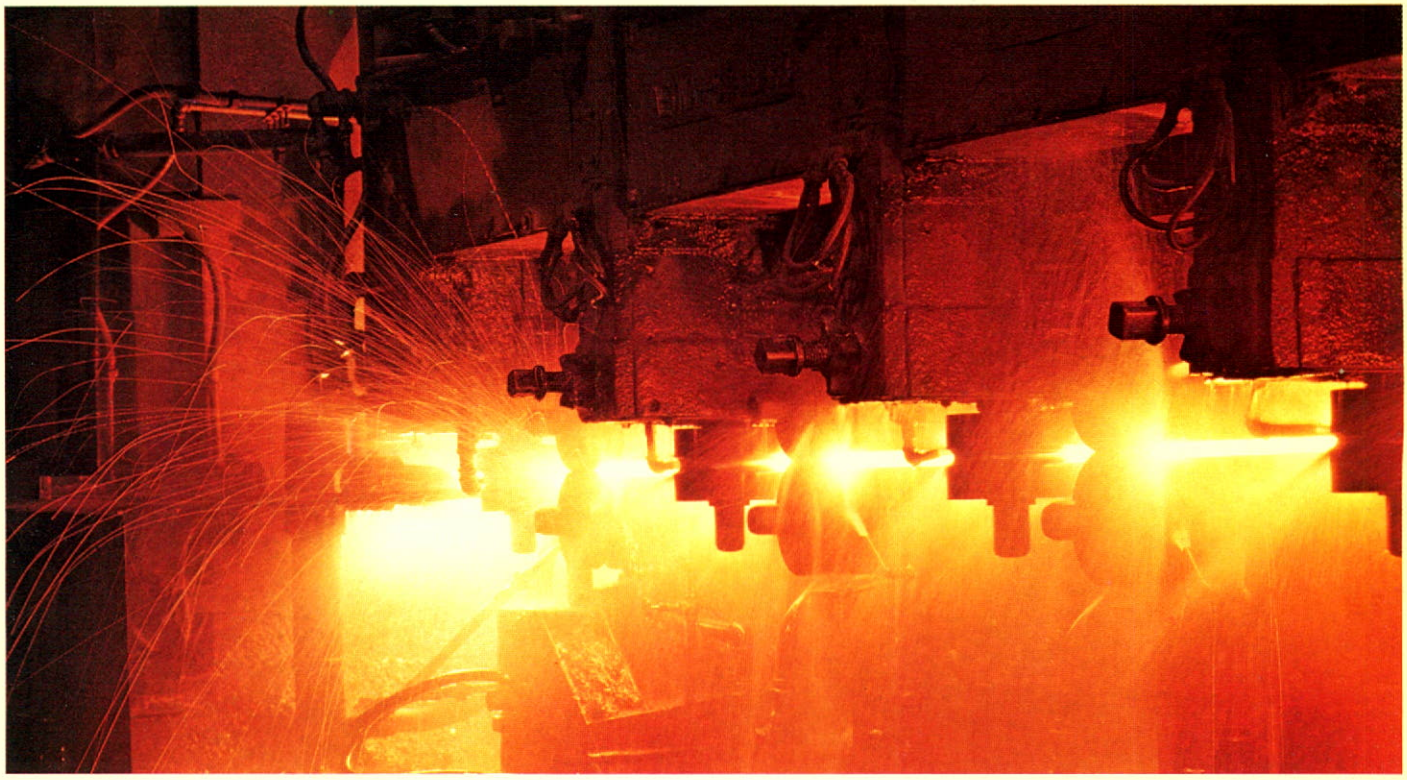
Canadian Drawn Works operated at near capacity levels and your Directors approved a new Schumag continuous cold drawing unit in September. This represents the first major expansion at Canadian Drawn in several years.

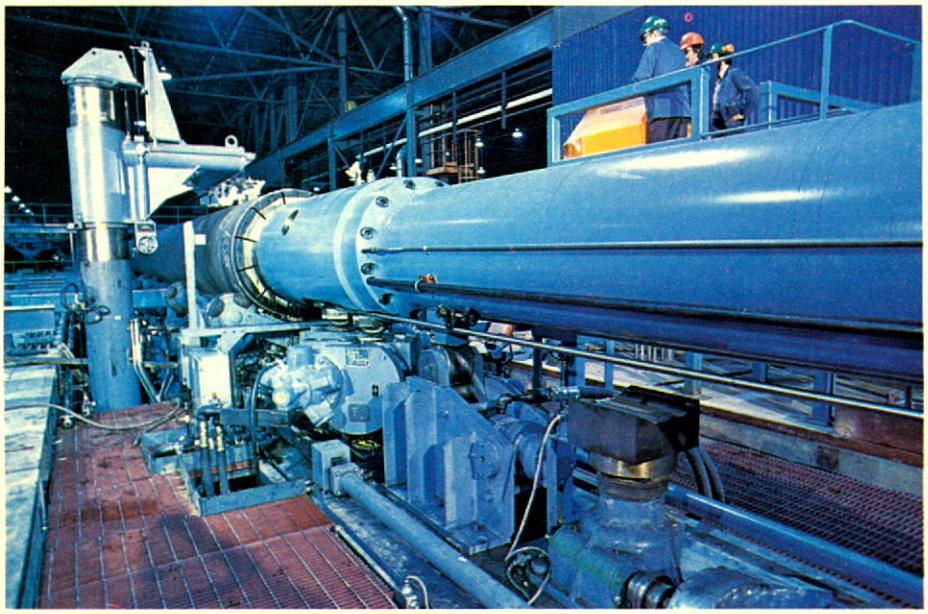
As part of the major expansion program noted on page 8 under Corporate Planning, expansion plans for plants producing fastener products included five new cold headers (three at Brantford Works and two at Canada Works East Mill) plus additional heat treating capacity at Brantford Works. These projects were approved by your Directors in September. Further expansion proposals call for more bolt makers and nut formers for Swansea Works and related cleaning and annealing facilities at the continuous rod processing plant in Burlington.

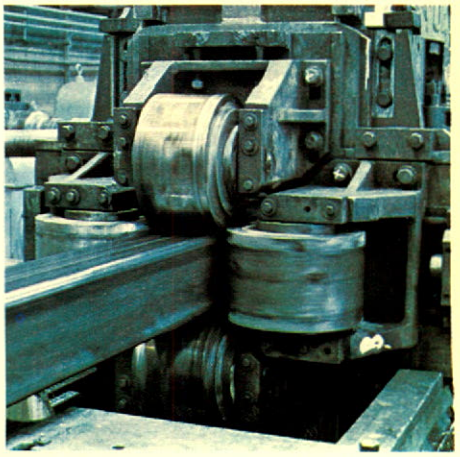
Both Page-Hersey Works and Frost Works experienced satisfactory levels of operation during the year as demand for tubular goods and fence products remained high.

At Welland Tube Works, the original large diameter pipe mill operated at satisfactory levels during the year and achieved its highest level of output since 1975. The expansion and modification of the new Stelform mill was virtually completed during the year and considerable effort has gone into developing operating practices and training of personnel, in anticipation of orders for Arctic grades of large diameter pipe.

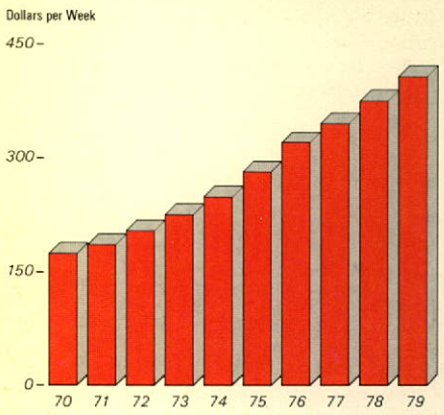
Pipe production: Energy problems will lead to a strong demand for steel line pipe in the 'eighties. Stelco is particularly well equipped to meet this challenge, possessing the widest range of pipe-making equipment in Canada. Illustrated are (top), the continuousweld pipe facility at Page-Hersey Works, Welland. Lower left, the recently installed line pipe expander at the Stelform spiralweld pipe mill at Welland Tube Works. Lower right illustration depicts the production of Hollow Structural Sections at Welland. HSS, in square, rectangular and round form, are finding increasingly wide use, particularly in construction. In 1979 Stelco recorded its highest-ever production of this product.



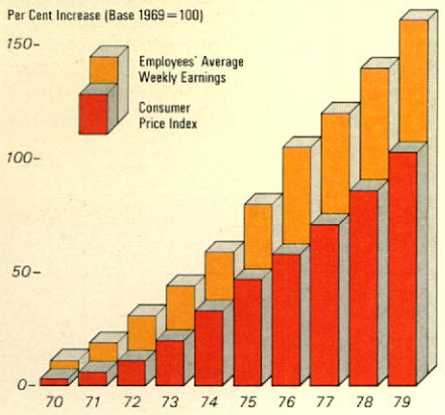




Employees' Average Weekly Earnings



Employees' Earnings/Consumer Price Index



Demand at Camrose Works was at a relatively low level. The large mill, which makes pipe up to 42" in diameter, was shut down in the fourth quarter to complete modifications to equipment, which will enable the production of heavier wall pipe.

Edmonton Finishing Works operated at record levels during the year. Stelco Fabricators experienced a sharp upturn in business in late August after a fairly slow first half.

Transportation

Transportation plays a vital role in the steel industry where the quantity of material handled is enormous. In addition to the 4.6 million tons of finished steel which Stelco shipped in 1979, approximately 10.5 million tons of raw materials (coal, ore, limestone and scrap), were moved by water, rail and road. Adding the substantial quantities of by-products, manufacturing supplies, and interplant transfers total materials moved during the year were close to 17.5 million tons.

Convenient access to water, rail and highway transport is a most important factor in steel plant site selection. Stelco's existing major steel plant at Hilton Works, and its new facility at Lake Erie, are ideally located in this regard.

Planning for transportation needs at the Lake Erie Development accelerated during 1979 as this facility approached start-up. The transportation infrastructure and operating plans were virtually complete at year-end, ready to support the production levels planned for this major development when it comes on stream in 1980.

Associated companies

Baycoat Limited

During 1979, Baycoat, of which Stelco owns 50%, produced at full capacity.

An increase in demand from the commercial and industrial construction industry enabled the company to set a record for coating products despite a drop in demand during the latter part of the year for weldable corrosion-resistant material for automobile manufacturers.

A fourth coating line capable of painting 20-ton coils of 66" wide strip was successfully started up by the end of the year.

Canada Systems Group Limited

C.S.G.'s sales volume continued to improve during 1979. With the acquisition of Multiple Access Computer Group during the year, C.S.G. became the largest data processing service company in Canada.

Stelco has a one-third equity interest in this company.

Fers et Métaux Recyclés Ltée.

Stelco has a 50% interest in this ferrous and non-ferrous scrap metal operation located in LaPrairie, Quebec. The company processes ferrous scrap for use in Stelco's electric steelmaking plant at Contrecoeur, Quebec. Both the ferrous and non-ferrous reclamation units operated at capacity during 1979.

Torcad Limited

This company in which Stelco has a 50% interest had another excellent year in 1979 due, in part, to greater diversification in its order pattern which mitigated the impact of the cutbacks in automotive business. The expansion plans referred to in the 1978 Annual Report were completed. The new zinc plating machine was installed and placed in operation in the fourth quarter of 1979. This is the largest zinc barrel-plating machine in Canada and is capable of handling volume production of a multiplicity of product sizes and shapes. It has effectively doubled the zinc plating capacity of Torcad giving the company the ability to participate further in the growing plating market.

Employee relations

Collective bargaining

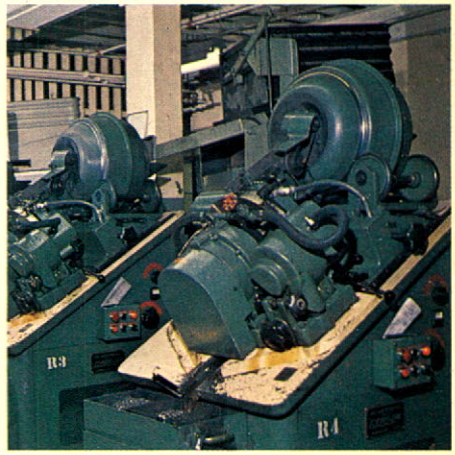
New three-year collective agreements were negotiated with the unions representing hourly-rated employees at Camrose Works, Chemical Lime Works and Stelco Fabricators.

Upward wage and benefit adjustments were made on anniversary dates in accordance with the second-year provisions of the Hilton and Finishing Works' current 3-year collective agreements. Adjustments were also implemented for salaried employees.

Health and safety

The increased government involvement in the field of occupational health and safety that has become apparent during the past several years continued throughout 1979. New government initiatives in the areas of increased surveillance of work environment, identification of industrial hazards and environmental monitoring have not unduly affected the Company since many of the newly legislated standards have been in effect at Stelco for many years.

Fasteners from Stelco: The manufacturing of bolts and screws is an important part of the Company's operations, for example, Canada Works East Mill alone produced more than 1 billion screws in 1979. It is noteworthy that Stelco is one of the major suppliers of fasteners to the quality-conscious automotive industry. At Swansea Works in Toronto (upper and centre right) previous production records were broken during 1979 in spite of the second half slow-down in the automotive industry. Brantford Works (lower right) is also an important source of Stelco fasteners. Left-hand illustration depicts Roger Poirier setting up a cold-heading machine at Brantford Works.



There was a continuing reduction in both accident frequency and severity during 1979 and every effort is being made to maintain and improve upon this performance.

Human resources

Continued attention was directed to the development of human resources in the Company throughout the year, based upon the objective of having the right people in the right place at the right time. Human resource potential was again the subject of a detailed report made by the Chairman and the President to the Board of Directors. Committees have been set up within the various divisions of the Company to ensure optimum utilization of human resources and the development of appropriate training programs.

The work force for the Lake Erie Development is being assembled in preparation for the start-up of that facility in the spring of 1980. Despite some difficulty in obtaining certain skilled tradesmen such as machinists and instrument technicians, approximately 600 employees, mainly maintenance and service personnel, were on site by year-end. Extensive training programs for trade and craft, assigned maintenance and supervisory personnel are underway. Local 8782, United Steelworkers of America, has been recognized by the Company as the bargaining agent for hourly-rated employees at Lake Erie.

Francization

In the Province of Quebec the Company, in compliance with The Charter of the French Language, submitted its linguistic analysis early in 1979 to L'Office de la Langue Française, the provincial government agency responsible for administering the Act. An official francization program was submitted to this agency in October.

Public affairs

Additional emphasis was placed on employee publications during the year. This permitted significant improvements to be made to the format and content of the corporate employee publication, "Stelco Flashes". A reasonable level of media and community visibility and a positive projection of Stelco's viewpoint on industry, local and national issues was maintained.

Employment Costs Dollars in thousands		**1979**	1978
Wages and Salaries	For time worked	**$492,963**	$428,335
	For vacations and statutory holidays	**41,329**	36,216
		$534,292	$464,551
Supplementary Employment Costs	Pensions	**$ 51,595**	$ 46,176
	Group insurance plans and other benefits	**37,035**	30,431
	Unemployment insurance and workmen's compensation	**18,661**	17,872
		$107,291	$ 94,479
	Total Employment Costs	**$641,583**	$559,030
	Average Number of Employees	**25,032**	23,712
Employee Benefits	Number of pensioners at year end	**4,790**	4,438
	Pensions paid during the year	**$ 19,756**	$ 18,167
	Life insurance in force at year end	**$639,711**	$634,267
	Death benefits paid during the year	**$ 3,102**	$ 2,417

Technology

Stelco's position of leadership in the industry reflects its awareness of new developments and selective application of technology. Research personnel and other technical staff continue to develop or adapt new techniques to produce quality products at the lowest possible cost. Existing facilities are also reviewed to determine how production can be increased or streamlined without adversely affecting operating costs or product quality. As new or improved steel products are developed, facilities are modified to accommodate their production.

The following are some of the past year's technological highlights:

□ The previously introduced ingot mold improvement program continued to produce excellent returns. The chemical composition of several types of mold caps and stools was modified to reduce cracking, resulting in appreciable cost savings. Mold costs were further substantially reduced by the introduction of a computerized mold inventory system. This system can quickly pinpoint adverse trends in mold performance, enabling corrective action to be taken much sooner than was previously possible.

□ Development work on improved lances for blowing oxygen into the open hearth and BOF steelmaking furnaces continued. Modified nozzle designs and, in the open hearths, a new lance positioning device, resulted in improved lance life and better oxygen utilization.

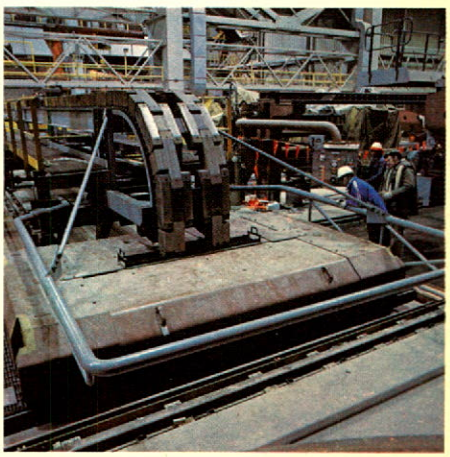
□ A technique for improving the quality of continuously cast billets was perfected. Much cleaner billets can now be produced, enabling the resulting rolled products to be sold in the special bar quality markets.

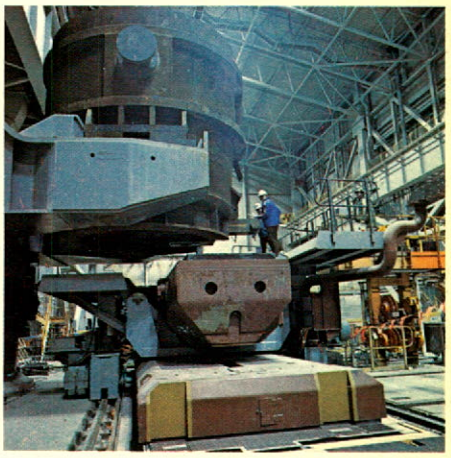
□ A 'cassette' slide gate nozzle system, suitable for use on smaller size ladles, was developed. This cassette system more than doubles nozzle life and makes possible decreased preheating costs because of the faster ladle turnaround times.

□ An optical/electronic scanning system for measuring the thickness of bar products during rolling was perfected. This system permits mill operators to make immediate thickness adjustments if and when they are required, thereby meeting the increasingly stringent thickness specifications.

□ A new method for cooling wire during the multi-stage drawing process was developed. The new cooling system, particularly useful for high-carbon wire, permits substantial increases in drawing speeds while maintaining or improving the desired mechanical properties of the wire.

Lake Erie Development: The largest green field venture in the history of Canadian steelmaking is nearing completion. Illustrated, clockwise from upper left: in the machine shop the operator training period was utilized to do some useful maintenance work for Hilton Works. Testing of equipment and systems is the order of the day. For example (top right) a dummy bar is about to pass into the continuous slab casting mold where it acts as a dam for molten steel. Next, the ladle turret system is checked with the tundish in position over the slab casting unit. During the summer months the H. M. Griffith was the first ship to dock at LED. Lower centre illustration shows the coke oven battery under construction. General view shows coke and iron ore stocks, coke oven battery, blast furnace, far left, and steelmaking complex, right background.





□ An automatic plate scanning and positioning system was developed and installed at the Stelform Pipe Mill. The system uses a programmable logic controller to locate each plate in the optimal position for milling of the edges, prior to welding. This application of microcomputer technology permits a 25% increase in the output of milled plates.

□ The original charging fume exhaust system of the Hilton Works BOF Shop, an extremely demanding application of high-temperature design and materials, failed in service. Stelco solved the problem with highly sophisticated computer analysis and, in the process, developed an original duct design applicable to most hot gas exhaust systems. This new design, which is being reviewed for patent application, has been incorporated into the rebuilt system.

Many technological developments have commercial application beyond Stelco's own use and the Company's Technical Services Department attempts to develop and market such items. An example of this successful marketing is Stelco's patented coilbox technology which was first installed at the hot strip mill of John Lysaght (Australia) Ltd. This successful installation has been viewed by potential users from around the world.

In view of the high level of interest in the coilbox technology, Stelco has licensed mill builders in Canada, U.S.A., Germany, France and the U K., to manufacture the equipment and offer it for sale throughout the world.

One Canadian and one European steel producer have now purchased the right to use this technology and we expect other companies to follow suit in the near future.

The installation of the coilbox in the Company's 56" mill in 1980 will further assist marketing activities and the planned construction of an 80" mill at Lake Erie utilizing a coilbox and only four finishing stands will be another first for Stelco in the field of hot strip technology.

Environmental control

The installation and improvement in environmental control equipment continued in 1979. At Hilton Works the second phase of the East Side Filtration Plant was put into operation and facilities were installed to transfer waste water from the sinter plant, "E" blast furnace and certain coke oven facilities to this filtration plant. An experimental fume collection hood was installed on "C" blast furnace cast house and improvements to the secondary fume collection system at the BOF shop were completed.

At the 20" mill major revisions to the foundation of the tie plate press were carried out and isolating springs were installed to ensure that vibrations are not carried into the neighbouring community.

At Lake Erie, most of the environmental control facilities have been installed and are being commissioned and tested in preparation for start-up in 1980.

The Company's industrial hygiene program was expanded during the year, with considerable progress made in screening of chemicals, the use of personal protection devices and the control of workplace conditions. Examples of the latter include a dedusting system for #1 coal handling system leading to a baghouse cleaning device and the provision of specially filtered air to machinery cabs in high exposure areas.

The trend to new and expanded regulation continues. Ontario's Health and Safety Act has been enacted and in Quebec a similar act is under consideration. The Ontario Environmental Protection Act has been amended so as to impose very onerous obligations in respect of accidental spills of materials that damage the environment, not only on the person having actual control of the material, but also on its owner. The Federal Government has issued new guidelines for metal finishing plants under the Fisheries Act.

Lake Erie Development

1979 was a year of significant accomplishment in the construction of the Lake Erie Development. A high level of construction activity was maintained throughout the year with the construction labour force rising to about 1400 persons during the fall. Time and cost schedules were maintained so that production of steel slabs from the new plant can take place in the first half of 1980. The production of coke at L.E.D., however, will not be required before 1981, since the new plant will be started up using stockpiled coke produced at Hilton Works.

During the year, a number of lake freighters carrying iron ore pellets were unloaded at the new L.E.D. dock. All the raw material handling and storage facilities from the dock hopper through to the blast furnace stockhouse were successfully commissioned. In addition to the completion of a number of the first stage facilities at the Lake Erie Development, work was resumed on the hot strip mill project.

Project status at year end

□ **Cokemaking:** During the year, good progress was made on the installation of cokemaking facilities. Most of the work was centered on the installation of foundations for equipment in the coke and coal handling area, the coke oven battery itself, and the by-product plant areas.

A start was made on the installation of refractories for the coke oven battery. The largest components in the by-products area, such as the primary coolers, were installed during the year. In addition, the electrical substations were completed in the area and interconnecting cabling was installed.

□ **Ironmaking:** The blast furnace and its associated facilities were nearly complete at year end. Work has been concentrated on the commissioning of the various facilities including the furnace filling system, the stoves, and the cast house equipment. The pig casting machine was successfully tested using molten iron transported from Hilton Works.

Both boilers within the central power station were successfully operated during the year. In the fall, steam from these boilers was used to test the large turbine driven equipment in both the ironmaking and steelmaking areas of the plant.

□ Steelmaking: Equipment installations were virtually complete by year-end in all areas of the steelmaking complex. The assembly of the two strands of slab casting equipment was completed and aligned ready for operating trials.

The secondary ventilation system, which will collect dust and fumes from above the steelmaking vessels, was complete, as was its associated bag-house.

Commissioning of the equipment within the major pumphouse was well advanced at year-end.

□ Services: During the year, the medical and industrial relations building for the plant was opened. In addition, the primary chemical laboratory and the fire hall were completed. Changehouse facilities for the growing number of operating people were opened as required.

The blowdown water treatment plant was finished during the year and trials were undertaken to prove the ability of this facility to treat all process water used in the plant.

□ Industrial Park: In the Industrial Park, good progress was made on the oxygen plant which will supply oxygen to the Company's L.E.D. steelmaking. To date, industrial buildings with more than 48,000 square feet of floor space have been constructed in the Park and plans have been approved for construction in 1980 and 1981 of buildings with an additional 74,000 square feet of floor space.

President and
Chief Operating Officer

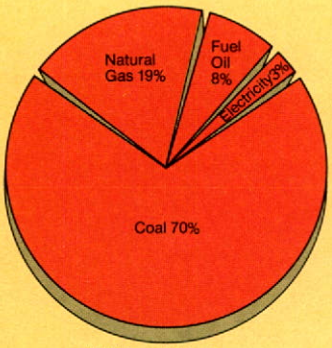
Toronto, Canada
February 13, 1980

Coilbox for Hilton Works: Widely considered one of the most significant rolling mill developments in recent years, the Stelco-invented coilbox will soon be in operation at Hilton Works. The device coils the steel strip between the roughing and finishing stands of a hot strip mill thus avoiding excessive heat loss. It facilitates the production of wide, light gauge products using less power in remarkably short — hence, economical — mills. The example illustrated is the first commercial installation in the world, now operating at the new John Lysaght (Australia) Ltd. plant in Australia.

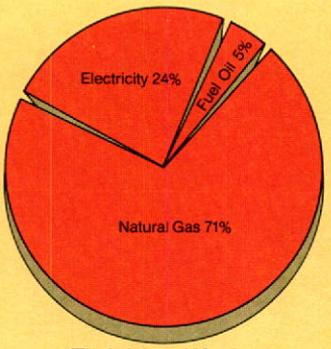
Energy

Stelco's energy efficiency report

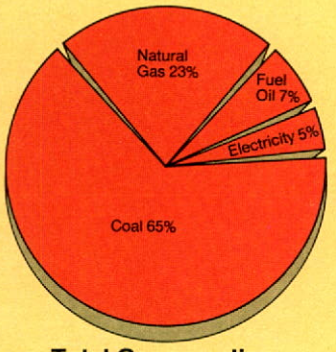
Energy Consumption by Fuels



Hilton Works



Finishing Works



Total Consumption

Rapid escalation in the price of petroleum and other fuels has brought the matter of energy conservation forcefully to the attention of all Canadians. At Stelco, however, because energy costs have always been a significant portion of total expenditures, interest in the economic use of energy goes back to the Company's early days.

Stelco's early accomplishments in energy conservation

□ In 1916, six years after the formation of the Company, Stelco installed waste heat boilers on two of its furnaces at the old No. 2 open hearth steelmaking shop to generate steam from heat that was previously wasted.

□ In 1928, Stelco became the first company in North America to collect, clean, and recycle blast furnace gas as a fuel. Previously this gas, a by-product of iron-making, was flared and wasted. This improvement resulted in substantial energy savings and was a major step forward in environmental control.

□ Between 1963 and 1972, Stelco installed waste heat boilers at No. 3 open hearth shop, the plate mill and the BOF shop. The steam generated in these boilers provides about 24% of Hilton Works' total needs.

□ In 1963, following a five-year period during which Stelco pioneered the use of natural gas in steelmaking operations, the Company perfected an automatic system of injecting natural gas to augment the gaps in the Company produced by-product gas supply. This system allows the maximum use of by-product gas and minimizes the flaring of surges in supply peaks.

Stelco has pioneered a wide range of technologies aimed at increasing energy efficiency in the blast furnace. The list includes:

□ operation with 100% self-fluxed sinter (North American first);

□ operation with 100% pellets (Canadian first);

□ low slag volume practice (world first);

□ natural gas injection (Canadian first); and

□ oxygen-enriched blast furnace wind (Canadian first).

These and other improvements have dramatically reduced energy consumption rates at the blast furnaces. Since 1970 the average total fuel rate in Stelco's blast furnaces has decreased by the equivalent of 70 lbs. of coke per ton of hot metal produced.

In addition to the developments on the blast furnaces, Stelco pioneered the use of oxygen to raise the efficiency of steelmaking, beginning in the mid-forties. Now all steelmaking operations at Hilton Works make extensive use of oxygen.

What type of energy is consumed?

The accompanying charts illustrate where energy is consumed and what the predominant sources are. Hilton Works currently accounts for 93% of the Company's total energy needs and the Finishing Works for 7%. Coal and natural gas provide the major source of energy at Hilton Works while natural gas and electricity dominate at the Finishing Works.

How significant are energy costs to Stelco?

□ Energy costs represent about 20% of total manufacturing costs.

□ Since 1974 the energy cost per ton of steel produced has doubled.

□ Stelco's total energy bill in 1979 was approximately $300 million.

Stelco's recent accomplishment in energy conservation

In March 1976, Stelco, acting jointly with other major Canadian steel producers, formed the Ferrous Industry Energy Research Association (FERA). This group initiated an energy conservation program for the steel industry and made a commitment to reduce the energy consumed in the production of a ton of raw steel by an average of 3¼% during the period 1975 to 1980. This is an annual energy saving sufficient to heat 75,000 Ontario homes for one year.

At Stelco, between 1975 and 1979, inclusive, a total of three hundred and eighty-five conservation projects were implemented. The cumulative savings from these measures represents a 4½% reduction in energy costs over the base year of 1974.

Some notable conservation measures implemented by the Company over the past five years include:

□ A major saving (sufficient to heat 8,000 Ontario households for a year) was achieved at the blast furnaces when the injection of steam into the hot blast main to control hot blast moisture was discontinued. The total fuel rate required per ton of hot metal has been significantly decreased.

□ Insulation was installed on the cold blast main of 'E' furnace to conserve the heat of compression. This effectively saved 132 billion BTU's annually, sufficient to heat 900 Ontario households for a year.

□ Steam consumption was reduced in the cold mill by using spent scrubber water to preheat city water used for the cleaning line.

□ The hot strip mill saved 11% on its fuel requirement by improving the design of furnace burners, upgrading the furnace combustion systems and providing special training for operating personnel.

□ At Parkdale Works, a common cross-tie supply line has eliminated the need to run one of the smaller nitrogen generators.

□ At McMaster Works, the use of disposable insulating lining in the tundishes has eliminated the necessity of preheating the tundish refractory prior to casting.

How did the energy savings come about?

In the summer of 1976 the Company took a two-stage approach to energy conservation consisting of the adoption of a formal corporate energy policy and the creation of a Corporate Energy Task Group. The Energy Task Group was charged with the responsibility of monitoring the corporate energy policy which states that:

> "Stelco will continue voluntarily to foster an extensive energy conservation program. Energy conservation is put on an equal footing with other operating activities."

The Corporate Energy Task Group evaluates new technologies, defines specific energy conservation programs, and is responsible for initiating and coordinating actions concerning energy usage. Line management then has the responsibility for implementing the energy conservation program and assuring maximum participation on the part of all employees.

Other factors which contributed to the success of the program include:

□ More detailed monthly reports of energy consumption per unit of output were made available to each operating department.

□ Training and orientation programs were conducted on combustion control designed to reduce fuel consumption in the process furnaces.

Significant energy savings such as those noted above were only achieved through the cooperation and wholehearted participation of all employees. Many ideas originating with employees have been implemented, resulting in substantial energy and cost savings.

Future plans for energy conservation

Stelco's Lake Erie Development incorporates the latest in energy saving technology, such as continuous casting, hot metal desulphurization, injection of coke oven gas in the blast furnace and insulation of the steel walls of buildings. Among other features will be a central fuel monitoring system designed to perform trend analysis on the consumption of purchased fuels. This will allow the operator to switch fuels and cut down on the flaring of blast furnace and coke oven gas (after the coke ovens are installed in 1981).

The Company is now working on its energy conservation program for the 1980's. The Corporate Energy Task Group is studying potential future energy saving opportunities. Once the program is finalized it will be incorporated into the FERA program and become part of the industry objective for the period 1980 to 1985.

In Summary

The outlook for adequate supplies of energy remains uncertain for many industrialized countries of the world. Fortunately, the situation in Canada is more promising. While there may be some energy shortages in the near-term, in the longer-term Canadian energy self-sufficiency appears to be an attainable goal. Two positive and necessary steps toward achieving this objective would be as follows:

□ to allow Canadian prices for oil and gas to increase to higher levels, provided that the profits accruing from these higher prices are redeployed to find and develop new energy sources.

□ to ensure that the existing supplies of energy are used efficiently.

Stelco, as a major consumer of energy, is aware of its continuing obligation to conserve energy whenever possible.

As the Company faces the challenge of the future, Stelco's commitment to energy conservation continues, bolstered by more than 60 years of experience in implementing and practicing energy conservation measures.

The Steel Company of Canada, Limited

Consolidated Statement of Income and Retained Earnings

Years ended December 31
(Thousands of Dollars)

	1979	1978 (Restated)
Revenue		
Sales	**$2,091,213**	$1,775,663
Equity in net income of corporate joint ventures and partnerships	**9,420**	4,210
Income from short-term investments	**12,734**	15,259
	2,113,367	1,795,132
Expense		
Cost of sales, exclusive of the following items	**1,675,623**	1,439,633
Administrative and selling	**98,703**	88,531
Research and development	**7,017**	6,375
Depreciation	**60,496**	56,723
Interest on long-term debt	**52,468**	52,490
Other interest	**188**	188
Income taxes (Note 2) — current	**11,721**	16,264
— deferred	**50,259**	23,012
	1,956,475	1,683,216
Net Income for the Year (Note 2) (per convertible share: 1979 — $5.74, 1978 — $4.07) (Note 1)	**156,892**	111,916
Retained Earnings at beginning of year		
As previously reported	**813,201**	747,747
Adjustment of prior years' income taxes (Note 2)	**(36,050)**	(27,750)
As restated	**777,151**	719,997
	934,043	831,913
Dividends (Note 12)	**64,852**	54,762
Expenses relating to issue of preferred shares (after deducting income taxes of $101)	**106**	—
Retained Earnings at end of year	**$ 869,085**	$ 777,151

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Consolidated Statement of Financial Position

At December 31
(Thousands of Dollars)

	1979	1978 (Restated)
Current Assets		
Cash	**$ 4,466**	$ 32,285
Short-term investments, at cost (approximates market value)	**27,840**	153,126
Accounts receivable	**284,579**	239,059
Inventories (Note 3)	**614,138**	469,159
Prepaid expenses	**3,798**	4,536
	934,821	898,165
Current Liabilities		
Accounts payable and accrued	**248,794**	240,823
Income and other taxes	**43,130**	44,718
Dividends payable	**20,757**	16,733
Long-term debt due within one year	**5,011**	2,306
	317,692	304,580
Working Capital	**617,129**	593,585
Other Assets		
Long-term intercorporate investments (Note 4)	**77,141**	63,327
Fixed assets, less accumulated depreciation (Note 5)	**1,397,378**	1,265,656
Unamortized long-term debt issue expense	**5,657**	6,051
	1,480,176	1,335,034
Total Investment	**2,097,305**	1,928,619
Other Liabilities		
Long-term debt (Note 6)	**490,394**	496,900
Deferred income taxes	**364,197**	314,039
	854,591	810,939
Shareholders' Equity	**$1,242,714**	$1,117,680
Derived from:		
Capital Stock (Note 12)		
9,324,000 Preferred Shares (1978 — 8,000,000)	**$ 233,100**	$ 200,000
24,713,099 Convertible Shares (1978 — 24,713,099)	**140,529**	140,529
Retained Earnings	**869,085**	777,151
	$1,242,714	$1,117,680

On behalf of the Board: *R Gordon* Director *J D Allan* Director

Consolidated Statement of Changes in Financial Position

Years ended December 31
(Thousands of Dollars)

	1979	1978 (Restated)
Source of Working Capital		
Current operations		
Net income (Note 2)	**$ 156,892**	$ 111,916
Depreciation	**60,496**	56,723
Deferred income taxes	**50,259**	23,012
Remitted (unremitted) equity income	**(3,537)**	1,214
	264,110	192,865
Net proceeds from issue of preferred shares	**32,893**	—
Issue of convertible shares	**—**	193
Other (net)	**1,901**	1,706
	298,904	194,764
Disposition of Working Capital		
Expenditures for fixed assets	**193,725**	137,615
Long-term intercorporate investments (net)	**10,277**	7,686
Reduction of long-term debt	**6,506**	4,374
Dividends (Note 12)	**64,852**	54,762
	275,360	204,437
Increase (Decrease) in Working Capital	**23,544**	(9,673)
Working Capital at beginning of year (Note 2)	**593,585**	603,258
Working Capital at end of year	**$ 617,129**	$ 593,585
Changes in Working Capital		
Current Assets		
Cash	**$ (27,819)**	$ 5,848
Short-term investments	**(125,286)**	(18,494)
Accounts receivable	**45,520**	45,773
Inventories	**144,979**	20,475
Prepaid expenses	**(738)**	92
Increase in Current Assets	**36,656**	53,694
Current Liabilities		
Accounts payable and accrued	**7,971**	42,503
Income and other taxes	**(1,588)**	19,256
Dividends payable	**4,024**	1,383
Long-term debt due within one year	**2,705**	225
Increase in Current Liabilities	**13,112**	63,367
Working Capital Increase (Decrease)	**$ 23,544**	$ (9,673)

Notes to Consolidated Financial Statements

December 31, 1979

1. Summary of Significant Accounting Policies

Principles of Consolidation The consolidated financial statements include the accounts of The Steel Company of Canada, Limited and its subsidiaries, all of which are wholly owned. Also included are the Company's pro-rata portions of the assets, liabilities and expenses of its unincorporated joint ventures. (See Note 4, also see page 32 for listing of Subsidiary Companies and Unincorporated Joint Ventures.)

Corporate joint ventures and partnerships, in all of which the Company has an interest of 50% or less, are accounted for by the equity method. (See Note 4, also see page 32 for listing of Corporate Joint Ventures and Partnerships.)

Foreign Currencies Current assets and liabilities originating in foreign currencies are translated at year-end exchange rates. All other assets and liabilities originating in foreign currencies are translated at rates prevailing when the assets were acquired or the liabilities incurred. Income and expense items other than depreciation are translated at average rates prevailing during the year. The gains or losses resulting from these translations are reflected in the statement of income.

Inventories Inventories are valued at the lowest of cost, replacement cost and net realizable value.

Fixed Assets and Depreciation Fixed assets are recorded at historical cost and include construction in progress. Depreciation is provided using the straight-line method applied to the cost of the assets at rates based on their estimated useful life and beginning from the point when production commences. Construction in progress, including depreciable assets of the Lake Erie Development, amounted to $776.3 million ($604.2 million at December 31, 1978) and to date no depreciation has been recorded on these items. The following depreciation rates are in effect:

Buildings	2½ to 5%
Equipment	6 to 7½%
Automotive and mobile equipment	10 to 20%
Raw material plants and properties	4½ to 5%

Research and Development Expenditures for research and development are expensed as incurred.

Interest The interest cost of financing both working capital and capital expenditures, including the Lake Erie Development, is being expensed as incurred.

Income Taxes Income taxes are provided on the tax allocation basis, and the resultant deferred income taxes are due principally to claiming depreciation for tax purposes in excess of straight-line depreciation. Investment tax credits are recorded by the "flow-through" method which recognizes such credits in the year in which they are claimed for tax purposes by a reduction of income taxes expense. (This is a change in policy, see Note 2 Income Taxes for the effect on net income.)

Net Income Per Convertible Share Net income per convertible share has been computed on the basis of net income for the year, less dividends on the Preferred Shares, divided by the weighted average of total Class A and Class B Convertible Shares outstanding during the year.

2. Income Taxes

The Company has changed its policy of recording investment tax credits to the "flow-through" method (see Note 1). Previously, investment tax credits were recorded in the year of the related capital expenditures by a reduction of income taxes expense. This change, initiated in the second quarter of 1979, has been applied retroactively resulting in the reduction in net income by $36.05 million in total for the years 1978 to 1975 inclusive as follows:

	Year Ended December 31 (in thousands)			
	1978	1977	1976	1975
Current Income Taxes	$ 951	$(1,907)	$ 4,275	$ —
Deferred Income Taxes	7,349	10,207	9,025	6,150
Reduction in Net Income and Increase in Income Taxes Expense	$ 8,300	$ 8,300	$13,300	$ 6,150
Per Convertible Share	$ .33	$ .34	$ .54	$ .25

Revenue Canada has issued reassessments related to non-resident sales subsidiaries which would increase the Company's income taxes for the years 1972 through 1976 and the basis for the reassessments could have application to subsequent years. Notices of Objection have been filed and representations on the matter are continuing. The Company and its legal advisers are of the opinion that, although at this time the ultimate disposition is indeterminate, Revenue Canada's position as set out in the Notices of Reassessment is not justified. The reassessments have not been provided for in the 1979 financial statements. The Company is of the opinion that any resulting taxes will not have a material effect on its financial position.

Notes to Consolidated Financial Statements (continued)

December 31, 1979

3. Inventories

	1979 (in thousands)	1978 (in thousands)
Raw materials and supplies	**$ 339,195**	$ 248,208
Finished and semi-finished products	**274,943**	220,951
	$ 614,138	$ 469,159

4. Long-term Intercorporate Investments and Related Commitments

(a) Investments

	1979 (in thousands)	1978 (in thousands)
Corporate joint ventures and partnerships, at equity	**$ 67,104**	$ 53,497
Portfolio investments, at cost	**10,037**	9,830
(quoted market value: 1979 $15.2 million, 1978 $9.1 million)		
	$ 77,141	$ 63,327

(b) Joint Ventures and Partnerships

Substantially, the joint ventures and partnerships are an integral part of steel operations and exist to provide raw materials, certain finishing operations and some administrative services. Accordingly, to avoid duplication in the disclosure of sales, such transactions between the Company and the joint ventures and partnerships are accounted for in the Consolidated Statement of Income by:

(i) Including the cost of materials, operations and services provided by the joint ventures and partnerships in "Cost of sales" or "Administrative" expense as appropriate.

(ii) Disclosing the company's share of the annual net income of corporate joint ventures and partnerships as a separate item of "Revenue".

The following is a summary of the Company's proportionate share of the financial position of the joint ventures and partnerships:

	Unincorporated Joint Ventures	Corporate Joint Ventures and Partnerships	1979 (in thousands) Total	1978 (in thousands) Total
Assets	**$ 75,259**	**$ 218,325**	**$ 293,584**	$ 281,291
Liabilities	**7,365**	**151,221**	**158,586**	157,623
Equity	**$ 67,894**	**$ 67,104**	**$ 134,998**	$ 123,668

Included in the liabilities of the corporate joint ventures and partnerships is $118.4 million of long-term debt against which certain assets relating to those entities have been pledged.

(c) Commitments

The Company, as a participant in certain of the corporate joint ventures and partnerships, is entitled to receive its proportionate share of coal and iron ore produced and is committed to pay its share of their costs, including minimum charges for principal and interest to cover the servicing of their long-term debt. The Company's share of such minimum charges averages US $11 million annually to 1996.

5. Fixed Assets

	1979 (in thousands)	1978 (in thousands)
Raw material plants and properties, at cost	**$ 261,947**	$ 253,625
Manufacturing plants and properties, at cost	**2,041,759**	1,865,150
	2,303,706	2,118,775
Less accumulated depreciation	**906,328**	853,119
	$1,397,378	$1,265,656

6. Long-term Debt

	1979 (in thousands)	1978 (in thousands)
5⅞% sinking fund debentures due May 1, 1990	**$ 36,541**	$ 37,621
9¼% sinking fund debentures due November 1, 1990	**53,142**	53,985
10⅞% sinking fund debentures due September 15, 1994	**64,490**	65,000
9¾% sinking fund debentures due April 1, 1995	**100,000**	100,000
10¼% sinking fund debentures due April 30, 1996	**100,000**	100,000
10% notes due October 15, 1987 (US $15 million)	**15,060**	16,428
10¾% sinking fund notes due November 20, 1995 (US $125 million)	**126,172**	126,172
	495,405	499,206
Less amount due within one year, net of prepayments	**5,011**	2,306
	$ 490,394	$ 496,900

After allowing for prepayments, annual sinking fund and other repayments over the next five years amount to $5.0 million in 1980, $18.7 million in 1981, $23.1 million in 1982, $23.1 million in 1983 and $24.6 million in 1984.

If the two issues payable in U.S. funds were translated into Canadian dollars at December 31 rates of exchange rather than at the historical rates used, the long-term debt shown above would increase by $21.9 million for 1979 and $24.5 million for 1978. This is not necessarily indicative of the amount which will be repaid when the obligations are retired.

7. Capital Programs

The estimated cost to complete approved capital programs, including programs approved in principle, is $770 million, which will be spent over a period of five to six years. This includes an estimated amount of $160 million to cover inflation in construction costs and other contingencies.

8. Retirement Plans

Pension costs charged against income in the year under the Company's pension plans include payments made to trust funds 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 $214.8 million at December 31, 1979. This amount is being funded over periods not exceeding fifteen years.

9. Lease Commitments

Capital Leases — At December 31, 1979, the Company had no significant capital lease commitments.

Operating Leases — Future minimum rental payments required under operating leases that have initial or remaining lease terms in excess of one year at December 31, 1979 are:

	(in thousands)
1980	$ 4,503
1981	3,326
1982	3,176
1983	2,815
1984	2,652
Subsequent to 1984	20,468
Total	$36,940

10. Segmented Information

The Company operates exclusively as a vertically integrated producer of a wide range of steel products which is its only line of business and dominant segment. Export sales of domestic production to foreign countries amounted to $347 million in 1979 ($316 million in 1978).

11. Remuneration of Directors and Officers (Section 122.2 of the Canada Corporations Act)

The aggregate remuneration for 1979 of the Company's fifteen directors as directors was $105,913. The aggregate remuneration of the Company's twenty-nine officers and past officers as such was $2,450,413. Two officers are directors of the Company.

Notes to Consolidated Financial Statements (continued)

December 31, 1979

12. Capital Stock and Dividends

(a) Preferred Shares — $25 par value

Authorized — 16,000,000 shares

	1979	1978
Issued — Preferred Series A	**8,000,000 shares**	8,000,000 shares
— Preferred Series B	**1,324,000 shares**	—
	9,324,000 shares	8,000,000 shares

Series A

These shares are entitled to a cumulative floating rate dividend, calculated on a quarterly basis. The rate equals the sum of 1¼% and one-half the average Canadian bank prime rate.

The shares are redeemable at the Company's option on or after May 1, 1980 at a premium of $0.75 per share, reducing by $0.1875 annually thereafter.

The shares are retractable at par, at the holder's option, on May 1 in each of the years 1987, 1992 and 1997.

Series B

By Supplementary Letters Patent, dated September 28, 1979, 2,045,000 of the authorized preferred shares were designated Series B and 1,324,000 shares were issued for cash on October 3, 1979. The remaining 721,000 shares will be issued for cash on February 1, 1980.

These shares are entitled to a fixed cumulative dividend at the rate of $1.94 per share annually payable in equal quarterly instalments.

The shares are redeemable at the Company's option on or after November 1, 1984 at a premium of $1.25 per share, reducing by $0.25 annually thereafter.

On November 1, 1980, and each year thereafter, the Company shall purchase at par 61,350 Series B preferred shares, if tendered.

(b) Convertible Shares — no par value

Authorized — 35,000,000 Class A Convertible Shares
— 35,000,000 Class B Convertible Shares

	1979	1978
Issued — Class A	**23,647,440 shares**	23,287,296 shares
— Class B	**1,065,659 shares**	1,425,803 shares
	24,713,099 shares	24,713,099 shares

The Convertible Shares of each class are voting, convertible into one another on a share-for-share basis and rank equally in all respects; the maximum total number of shares outstanding at any time is limited to 35,000,000. The only distinction between the two classes of shares was that dividends on the Class A Convertible Shares were ordinary taxable dividends for purposes of the Income Tax Act while dividends paid up to December 31, 1978 on the Class B Convertible Shares could be paid out of the Company's tax-paid undistributed surplus on hand or 1971 capital surplus on hand as defined in the Income Tax Act. After December 31, 1978 the payment of "tax deferred" dividends out of tax-paid undistributed surplus on hand or 1971 capital surplus on hand is no longer allowed under the Income Tax Act. Dividends paid on both Class A and Class B Convertible Shares after that date are ordinary taxable dividends.

(c) Dividends

Dividends declared, including extra distributions on convertible shares consisted of the following:

	1979 (in thousands)	1978 (in thousands)
Preferred Shares		
Series A	**$14,581**	$11,514
(per share 1979 — $1.82268, 1978 — $1.43922)		
Series B	**845**	—
(per share 1979 — $0.63788)		
	15,426	11,514
Convertible Shares		
(per share 1979 — $2.00, 1978 — $1.75)		
Class A	**47,114**	40,623
Class B	**2,312**	2,625
	49,426	43,248
	$64,852	$54,762

Dividends declared in 1978 on Class B Convertible Shares were payable out of 1971 capital surplus on hand with the exception of the dividend and extra distribution declared December 18, 1978 payable February 1, 1979 which were ordinary taxable dividends. (See section (b) above.)

Thorne
Riddell
& Co.
CHARTERED ACCOUNTANTS

To The Shareholders
The Steel Company of Canada, Limited

We have examined the consolidated statement of financial position of The Steel Company of Canada, Limited at December 31, 1979 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in the method of accounting for investment tax credits as described in Note 2, on a basis consistent with that of the preceding year.

Thorne Riddell & Co.

Toronto, Canada
January 25, 1980

Ten Year Statistical Summary

Dollars in millions except as indicated*

		1979	1978	1977	1976	1975	1974	1973	1972	1971	1970
Operations (thousands of net tons)											
Raw steel produced		**5,862**	5,533	5,640	5,724	5,396	5,542	5,723	5,031	4,673	4,801
Total raw steel processed (including purchases)		**6,306**	6,199	5,490	5,669	5,263	5,837	6,035	5,362	5,214	4,955
Steel shipments		**4,553**	4,466	3,995	4,028	3,706	4,078	4,204	3,797	3,689	3,517
Income and Related Data											
Sales	$	**2,091.2**	1,775.7	1,444.1	1,359.8	1,201.8	1,133.2	937.7	775.9	730.2	663.2
Administrative and selling	$	**98.7**	88.5	81.8	75.2	66.2	57.5	46.9	40.9	35.2	33.4
Depreciation	$	**60.5**	56.7	55.1	54.9	51.4	52.1	46.7	39.7	37.1	37.5
Interest on long-term debt	$	**52.5**	52.5	51.4	46.8	24.2	10.2	8.2	8.4	8.5	3.8
Income taxes(2)	$	**62.0**	39.3	1.6	17.0	36.4	57.8	56.6	22.9	43.8	40.8
Net income(2)	$	**156.9**	111.9	81.9	77.3	82.6	110.9	87.7	67.1	66.6	60.2
Per convertible share(1)(2)	*$	**5.74**	4.07	3.02	3.13	3.35	4.50	3.56	2.73	2.74	2.47
Return on sales(2)	%	**7.5**	6.3	5.7	5.7	6.9	9.8	9.4	8.6	9.1	9.1
Return on average investment(2)	%	**7.8**	5.9	4.7	5.1	6.4	10.3	9.3	7.7	8.1	7.9
Return on average shareholders' equity(2)	%	**13.3**	10.3	8.7	9.5	10.7	15.5	13.5	11.2	11.9	11.5
Dividends declared — preferred	$	**15.4**	11.5	8.2	–	–	–	–	–	–	–
— convertible	$	**49.4**	43.2	42.0	42.0	42.0	38.2	32.0	30.8	30.4	29.2
Per convertible share	*$	**2.00**	1.75	1.70	1.70	1.70	1.55	1.30	1.25	1.25	1.20
Earnings reinvested in the business(2)	$	**92.0**	57.2	31.7	35.3	40.6	72.7	55.7	36.3	36.2	31.0
Capital Expenditures	$	**204.0**	145.3	144.6	172.5	232.8	135.5	116.5	95.0	95.1	89.5
Financial Position, year end											
Working capital(2)	$	**617.1**	593.6	603.3	457.5	380.1	301.1	218.5	199.5	203.7	218.0
Fixed assets — net	$	**1,397.4**	1,265.7	1,186.1	1,102.0	990.5	812.1	734.1	671.8	621.3	564.5
Long-term debt	$	**490.4**	496.9	501.3	504.4	361.1	165.5	103.8	105.0	107.8	110.2
Preferred shareholders' equity	$	**233.1**	200.0	200.0	–	–	–	–	–	–	–
Convertible shareholders' equity(2)	$	**1,009.6**	917.7	860.3	829.3	793.9	752.1	679.0	622.9	579.9	543.5
Per convertible share(2)	*$	**40.85**	37.13	34.83	33.57	32.14	30.50	27.56	25.30	23.82	22.33
Employment											
Average number of employees		**25,032**	23,712	22,942	22,691	23,192	23,251	22,580	21,582	21,351	21,497
Total employment costs	$	**641.6**	559.0	495.0	459.0	401.9	350.6	308.2	264.5	234.5	221.2
Employees' average weekly earnings(3)	*$	**408.75**	374.98	343.67	320.90	280.85	249.15	224.63	204.46	186.35	173.46
Number of Convertible Shareholders, year end		**40,495**	38,147	36,408	36,501	37,864	39,086	39,331	40,036	45,829	49,985

(1) After preferred dividends in 1979 to 1977 inclusive. (See Note 1 on page 25.)
(2) Restated for the years 1978 to 1975 inclusive. (See Note 2 on page 25.)
(3) Excludes the cost of supplementary employment benefits.

Directors and Officers

At December 31, 1979

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Directors

*J.D. Allan, Toronto
President of the Company

Alex E. Barron, Toronto
President, Canadian General Investments Limited

*Alistair M. Campbell, Montreal
Chairman of the Executive Committee, Sun Life Assurance Company of Canada

A. Jean de Grandpré, Q.C., Montreal
Chairman of the Board and Chief Executive Officer, Bell Canada

*J. Douglas Gibson, O.B.E., Toronto
Chairman of the Board, The Consumers' Gas Company

*J. Peter Gordon, Toronto
Chairman of the Board and Chief Executive Officer of the Company

*A.J. MacIntosh, Q.C., Toronto
Partner, Messrs. Blake, Cassels & Graydon, Barristers & Solicitors

†Senator The Hon. Ernest C. Manning, P.C., C.C., Edmonton
Chairman, Manning Consultants Limited

Frederick C. Mannix, Calgary
Corporate Director

†William F. McLean, Toronto
Chairman of the Board and Chief Executive Officer, Canada Packers Inc.

*†D.R. McMaster, Q.C., Montreal
Partner, Messrs. McMaster Meighen, Barristers & Solicitors

Lucien G. Rolland, Montreal
President and Chief Executive Officer, Rolland inc.

Henry G. Thode, C.C., Ph.D., F.R.S. Hamilton
Professor Emeritus, McMaster University

†Kenneth A. White, C.D., Toronto
Chairman, President and Chief Executive Officer, Royal Trustco Limited

William H. Young, Hamilton
President, The Hamilton Group Limited

*Member of the Executive Committee
†Member of the Audit Committee

Executive Officers

J.P. Gordon
Chairman of the Board and Chief Executive Officer

J.D. Allan
President

W.C. Chick
Vice-President, Finance

A.J. Harris
Vice-President, Engineering, Research and Procurement

R.E. Heneault
Vice-President, Administration

G.H.G. Layt
Vice-President, Operations

A.R. McMurrich
Vice-President, Marketing and Corporate Planning

J.W. Younger, Q.C.
Vice-President, Secretary and General Counsel

Vice-Presidents and Other Officers

W.C. Ashcroft
Assistant Treasurer

G. Binnie
Treasurer

G.W.R. Bowlby
Vice-President — Sales

K. Coles
Vice-President — Manufacturing

W.A. Darby
Assistant Comptroller — Corporate Accounting

J.E. Hood
Vice-President — Manufacturing

L.M. Killaly
Assistant Secretary

P.D. Matthews
Assistant Treasurer

A.G. Northcott
Assistant Comptroller — Works Accounting

A.R. Oliver
Vice-President

H.J.M. Watson
Comptroller — Accounting

Corporate Directory

Head Office
Royal Trust Tower, Toronto-Dominion Centre,
Toronto, Ontario, M5K 1J4.

General Offices
Hamilton, Ontario
Montreal, Quebec — Eastern Region
Edmonton, Alberta — Western Region

Sales Offices
Hamilton, Ontario
Montreal, Quebec
Calgary, Alberta
Edmonton, Alberta
Quebec, Quebec
Regina, Saskatchewan
Saint John, New Brunswick
St. John's, Newfoundland
Toronto, Ontario
Vancouver, British Columbia
Windsor, Ontario
Winnipeg, Manitoba

Plants
Hamilton, Ontario
- Hilton Works
- Canada Works
- Canadian Drawn Works
- Frost Works
- Parkdale Works

Beachville, Ontario
- Chemical Lime Works

Brantford, Ontario
- Brantford Works

Burlington, Ontario
- Burlington Works

Gananoque, Ontario
- Gananoque Works

Nanticoke, Ontario
- Lake Erie Development (under construction)

Red Lake, Ontario
- The Griffith Mine

Toronto, Ontario
- Swansea Works

Welland, Ontario
- Page-Hersey Works
- Welland Tube Works

Contrecoeur, Quebec
- McMaster Works

Lachine, Quebec
- Dominion Works

Montreal, Quebec
- Notre Dame Works
- St. Henry Works

Camrose, Alberta
- Camrose Works

Edmonton, Alberta
- Stelco Edmonton, Steel Works
- Stelco Edmonton, Finishing Works

Regina, Saskatchewan
- Stelco Fabricators Ltd.

Research Centre
Burlington, Ontario

Subsidiary Companies, wholly owned
Stelco Fabricators Ltd., Regina, Sask.
Frost Steel and Wire Company, Limited, Hamilton, Ont.
Frost Steel and Wire Company, Quebec, Limited, Montreal, Que.
Durastal Installations Limited, Montreal, Que.
Stelco Limited, Toronto, Ont.
Stelco Technical Services Limited, Hamilton, Ont.
Stelco Coal Company, Pittsburgh, Pa.
Pikeville Coal Co., Louisville, Ky. (Chisholm Mine)
Kanawha Coal Company, Ashford, W. Va. (Madison Mine)
Ontario Eveleth Company, Minneapolis, Minn.
Ontario Hibbing Company, Minneapolis, Minn.
Stelco Erie Corporation, Minneapolis, Minn.
Stelco Nederland B.V., Amsterdam, The Netherlands
Stelco S.A., Geneva, Switzerland
The Steel Company of Canada (U.K.), Limited, London, England
Can Hamilton Trading Limited, London, England
Ubbelohde-Stelco S.A.C.I. y de R., Buenos Aires, Argentina
Stelco do Brasil Ltda., São Paulo, Brazil
Stelco de Venezuela, S.R.L., Caracas, Venezuela

Unincorporated Joint Ventures

	% Owned
Wabush Mines, Nfld. & Que.	25.6
Hibbing Taconite Company, Minn.	6.7
Elk River Coal Project, B.C.	25.0

Corporate Joint Ventures and Partnerships

	% Owned
Iron Ore	
Tilden Iron Ore Partnership, Mich.	15.6
Erie Mining Company, Minn.	10.0
Eveleth Expansion Company, Minn.	23.5
Ontario Iron Company, Minn.	10.0
Coal	
Mathies Coal Company, Pa.	13.3
Beckley Coal Mining Company, W. Va.	12.5
Olga Coal Company, W. Va.	10.0
Other	
Baycoat Limited, Ont.	50.0
Canada Systems Group Limited, Ont.	33.3
Torcad Limited, Ont.	50.0
Fers et Métaux Recyclés Ltée, Que.	50.0
Arnaud Railway Company, Que.	25.6
Wabush Lake Railway Company, Limited, Nfld.	25.6
Knoll Lake Minerals Limited, Nfld.	14.8
Northern Land Company Limited, Nfld.	12.8
Twin Falls Power Corporation, Limited, Nfld.	4.4

Registrar
THE ROYAL TRUST COMPANY
Toronto, Montreal, Halifax, Hamilton,
Winnipeg, Regina, Edmonton, Vancouver

Transfer Agent
MONTREAL TRUST COMPANY
Toronto, Montreal, Halifax, Hamilton,
Winnipeg, Regina, Edmonton, Vancouver

Annual Meeting
The Annual and a Special General Meeting of the Shareholders of the Company and special meetings of Class A and Class B Convertible Shareholders will be held concurrently at the St. Lawrence Centre, 27 Front Street East, in Toronto at 10:00 a.m., local time, on Monday, April 21, 1980.

stelco

Pour obtenir un exemplaire de la
version française de ce rapport,
veuillez écrire au secrétaire,
The Steel Company of Canada, Limited,
P.O. Box 205, Toronto-Dominion Centre,
Toronto, Ontario, M5K 1J4.

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