ALGOMA CENTRAL CORPORATION
1990 ANNUAL REPORT

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The Annual Meeting of Shareholders will be held Thursday, April 25, 1991 at 11:00 a.m. at the Holiday Inn, Sault Ste. Marie, Ontario.

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☐ COMPARATIVE HIGHLIGHTS

For the Year		1990		1989
Revenue	$	162,097,000	$	152,484,000
Income before extraordinary items	$	4,982,000	$	4,672,000
Net income	$	4,982,000	$	4,415,000
Operating ratio		85%		91%
Cash provided from operations	$	16,967,000	$	14,313,000
Fixed asset additions	$	10,575,000	$	29,213,000
Average number of common shares outstanding		3,889,296		3,883,658
Earnings per common share:				
Before extraordinary items	$	1.28	$	1.20
After exrraordinary items	$	1.28	$	1.14
Dividends paid per common share	$	0.15	$	20.65
Cash provided from operations per common share	$	4.36	$	3.69

At December 31		1990		1989
Total assets	$	324,553,000	$	314,139,000
Shareholders' equity	$	47,807,000	$	43,377,000
Long-term debt	$	105,630,000	$	145,375,000
Long-term debt as a % of shareholders' equity		221%		335%
Common shares outstanding		3,891,211		3,886,814
Equity per common share	$	12.29	$	11.16
Working capital	$	5,969,000	$	26,599,000

ABOUT THE COMPANY

Incorporated in 1899, the company operated for many years primarily as a wilderness railroad to transport iron ore and forest products out of Northern Ontario. In recent years Algoma Central has added to its transportation services with a modern fleet of vessels. It operates a fleet of eighteen dry-bulk-cargo vessels principally on the Great Lakes and the St. Lawrence Seaway. Its main railway line runs 295 miles north from Sault Ste. Marie and serves the natural resources, manufacturing and tourist industries of the Algoma region of Northern Ontario. Algoma Central has developed commercial real estate complexes in Sault Ste. Marie and Elliot Lake, Ontario. In addition the company owns approximately 850,000 acres of land , including mineral and timber rights, in the Algoma region.

Heralding the era of diesel power, General Motors demonstrated their newest diesel-electric locomotives on Algoma Central Railway in February, 1950.

REPORT TO SHAREHOLDERS

Consolidated operating results for 1990 were generally favourable given the circumstances that arose during the course of the year. Revenue increased 6% to $162,097,000 in 1990. Income from operations increased by 71%, from $13,988,000 in 1989 to $23,934,000 in 1990. However, the significant cost to service our increased debt arising from the payment in October 1989 of a special dividend of $20 per common share (about $78,000,000 in total) more than offset the increase in operating income. Net income increased 13% from $4,415,000 in 1989 to $4,982,000 in 1990.

Operating income for Marine Group increased significantly partly because of better utilization of our bulker fleet. This improvement arose as a result of our participation in Seaway Bulk Carriers notwithstanding the fact that the movement of Canadian grain for export through the St. Lawrence Seaway remains far from satisfactory.

The self-unloader fleet, including the newly converted M/V *Algosteel*, was fully employed during 1990. We believe our future on the Great Lakes is tied to self-unloaders. Typically, customers no longer build or replace shore-side unloading gear. Thus the need for bulkers is shrinking. And this is being hastened by the unjustified bias, caused by the federal Western Grain Transportation Act, to export Canadian grain through ports on the West Coast rather than the East Coast.

Operating income for Algoma Central Railway decreased because of a prolonged work stoppage at The Algoma Steel Corporation, Limited. The decrease occurred even though the railway received $5,000,000 through the Northern Ontario Heritage Fund Corporation to help maintain railway operations. This assistance was deducted from operating expenses in 1990. The railway also incurred a gain of $1,780,000 through insurance proceeds on the loss of two locomotives. We are reporting this gain as an unusual item and, therefore, we are excluding it from income from operations.

The railway is plagued with chronic underutilization which calls into question its long-term viability. The Government of Ontario recognizes this situation and its implication in terms of tourism and jobs for the Algoma region of the province. The provincial government has announced that it wishes to ensure the long-term provision of rail service to this region and would consider public ownership, if necessary. We expect additional financial assistance from the province until this issue is resolved.

Operating income for Real Estate Group increased primarily because of improved results at Station Mall in Sault Ste. Marie and Algo Centre in Elliot Lake. The Stage III expansion at Station Mall was completed in March 1990. These properties are sensitive to the local economies. The difficulties currently being experienced by Algoma Steel in Sault Ste. Marie and by Rio Algom Limited and Denison Mines Limited in Elliot Lake are major concerns to us.

Looking to 1991, the situation surrounding Algoma Steel will bear heavily on the profitability of our operations. In particular, continued shipments by Algoma Steel are critical to our railway and of considerable importance for our marine and real estate operations. We expect grain movements on the Great Lakes to increase in the early months of the navigation season because of the 1990 bumper crop in Western Canada. Ocean shipping and, therefore, the operation of Atlantic Beltships, will continue to be depressed.

Following approval by shareholders last year, we changed the company name from Algoma Central Railway. We felt that the name created a public misconception about the scope of company activities. However, the name appropriately continues as the operating style for our railway. Algoma Central Marine and Algoma Central Properties are the names of our two other major operations.

After 20 years as President and Chief Executive Officer, Leonard N. Savoie relinquished those positions in 1990 and was elected Vice Chairman of the Board of Directors. When he joined the company in 1970, it was essentially a railway. Through his leadership, the company has successfully diversified its business interests. He continues as a director of the company and a valued advisor to the Board and management.

Upon the retirement of Mr. Savoie, Peter R. Cresswell was appointed President and Chief Executive Officer of the company. Mr. Cresswell joined the company in 1965 and was for a number of years Vice President and General Manager, Marine Division. His promotion to CEO is in keeping with the importance of our marine business and the present thrust of the company. At the same time, Stan A. Black was appointed President of the Algoma Central Railway division. Mr. Black joined the company in 1976 and was formerly Vice President, Rail.

The Honourable John B. Aird, O.C., Q.C., who has been a director of the company for more than 30 years, except for a period when he was Lieutenant Governor of Ontario, was elected Deputy Chairman. Mr. Aird's involvement with the company predates its financial reorganization in 1959.

John J. Jodrey, who had been a director since 1969, did not stand for re-election to the board at the last annual meeting. We miss his participation with the company. And we welcome Bruce J. Jodrey as a director.

On behalf of the Board of Directors, we wish to sincerely acknowledge the support of our customers, suppliers and shareholders and the dedication of our employees during these difficult times.

President and
Chief Executive Officer

Chairman of the Board

Left to right: Stan A. Black, President, Algoma Central Railway; Robert E. Leistner, General Manager, Algoma Central Properties Inc.; Robert G. Topp, Vice President, Finance; Peter R. Cresswell, President and Chief Executive Officer.

MARINE GROUP

The overall operating results for Marine Group were very encouraging in 1990. Our self-unloader fleet (self-unloading bulk carriers) continued to operate at virtually full capacity and the performance of our bulker fleet (bulk carriers without self-unloading equipment) improved significantly over 1989 due to our commitment to and involvement in Seaway Bulk Carriers.

Total revenue in 1990 was $122,710,000, an increase of 13% over 1989. The increase was $14,378,000, of which 54% is attributed to increased volume and 46% to operating efficiencies. The accompanying table of net tons carried shows that total tonnage carried was 22,467,000, an increase of 8% over 1989.

There are a number of explanations for the increases in revenue and tonnage. The addition of another self-unloader to our fleet, by way of conversion from bulker to self-unloader, contributed significantly to these increases. This vessel, formerly the M/V *Algogulf*, was converted and redelivered in April 1990 by Canadian Shipbuilding and Engineering Limited at its Port Weller, Ontario shipyard. In recognition of our long relationship with The Algoma Steel Corporation, Limited, the vessel was renamed the M/V *Algosteel* and christened by Mrs. Peter Nixon. The M/V *Algosteel* is a sister ship to the M/V *Algomarine* which was converted to a self-unloader the previous year. These conversions, which cost approximately $16,000,000 each, have made our fleet less dependent on the traditional bulker commodities of grain and iron ore.

The partnership which we entered in January 1990 with ULS Corporation with respect to the joint traffic and marketing operations of our respective bulker fleets is very successful. The combined bulker fleet, operating as Seaway Bulk Carriers, benefits from a new movement by water of iron ore. This new movement, approximately 2,000,000 tons annually, previously came from mines in Ontario and was delivered by railways other than Algoma Central but, commencing in April 1990, now comes from mines in Quebec and Labrador and is delivered by water. Seaway Bulk Carriers has a staff of seven employees and its head office is located in Winnipeg, Manitoba.

In spite of such additional iron ore tonnage, the bulker fleet did not operate at close to full capacity because of the unpredictable Canadian grain situation. The bulker fleet, and for that matter the entire St. Lawrence Seaway, would operate at significantly increased efficiencies if the movement of Canadian grain was more evenly balanced and less sporadic. We hope that with the plentiful grain harvest in 1990, the Canadian Wheat Board and the Canadian Government will see fit to better utilize the potential of the seaway system for the movement of Canadian grain to export positions.

The Great Lakes/Gulf of St. Lawrence component of our self-unloader fleet remained at 11 vessels with the addition of the M/V *Algosteel* and the transfer of the M/V *Algobay* to ocean service. The only major problem we experienced with the self-unloader fleet was a serious fire that occurred on board the M/V *John B. Aird* on October 16, 1990. This fire, which was similar to the fire that occurred on the M/V *Algosoo* in March 1985, was caused accidentally by an improper welding procedure while a loop-belt roller was being replaced. The crew of the ship is commended for the diligent and professional manner in which they handled the situation. The resulting damage caused the vessel to be out of service for 28 days and cost $1,250,000 to repair which was covered by insurance. Our operating department, in conjunction with Canadian Coast Guard officials, are reviewing the facts of this fire in order to put in place the necessary procedures and equipment to prevent further fires in the tunnel and loop-belt systems.

The M/V *Algobay* was transferred to Liberian registry in February 1990. This vessel,

The M/V Algoport underway.

which is crewed with a combination of Canadian senior officers and Filipino junior officers and crew, is chartered to Atlantic Beltships, a partnership between Jebsens Thun Beltships Investments Limited and A.C.C. Shipping (Barbados) Limited, a wholly owned subsidiary of the company. Both Atlantic Beltships and A.C.C. Shipping are located in Bridgetown, Barbados. Since the vessel was fitted out for ocean service in February 1990, it has been trading in the area along the east coast of Canada and the United States and in the Caribbean Sea and the Gulf of Mexico.

In 1990, we saw fuel prices rise dramatically, especially for the lighter, more expensive diesel oil. As a result, the operating-cost spread between vessels burning diesel oil and vessels burning heavier fuel oils has become very large. The effect of this spread is to make the vessels burning lighter diesel oil uncompetitive. In order to maintain our competitive position, the company has embarked on a fuel conversion program with four diesel-burning vessels. The vessels will be converted, over a three- to four-year period, to allow heavy fuel to be burned by the main engines. This program commenced in February 1991 on the M.V. *Algobay* and will cost an average of $1,260,000 per vessel.

On May 31, 1990, industry-wide contracts with the three labour unions representing our shipboard personnel expired and after extensive negotiations all agreements were renewed. The agreement with the Seafarers International Union was renewed for two years while the agreements with the Canadian Merchant Service Guild and the

Locking through, Welland Canal, Ontario.

Entering the Algoma Steel ore-dock slip, Sault Ste. Marie, Ontario.

MARINE

Net tons carried, in thousands

	Ore	Coal & Coke	Grain	Salt	Aggregates	Other	Total
1990	3,915	3,590	1,895	4,128	5,925	3,014	22,467
1989	3,652	4,257	1,886	3,588	4,658	3,247	20,888
1988	2,851	4,097	2,229	3,596	3,083	3,044	18,900
1987	3,623	3,657	2,716	2,943	3,870	2,842	19,631
1986	2,822	3,079	2,196	3,242	2,734	2,702	16,775
1985	2,152	3,291	1,821	2,646	2,076	3,065	14,851
1984	2,862	3,121	2,184	3,521	1,722	3,619	17,029
1983	3,056	2,750	2,899	2,500	1,670	2,680	15,555
1982	1,848	2,609	2,165	2,118	1,226	2,415	12,381
1981	3,688	3,212	1,478	1,604	1,727	2,599	14,308

Canadian Marine Officers Union were renewed for three years. All parties involved are to be complimented for coming to a satisfactory conclusion without any work stoppages or disruptions.

We are cautiously optimistic that we will be able to operate our fleet at about the same level in 1991 as in 1990. Two concerns which dampen this optimism are the unknown effects the recession will have on our customers and the effect of government policy on the eastern movement of grain. There is concern that if the recession becomes deeper and extends longer than expected, major customers involved in the auto and steel industries (coal, iron ore and aggregates), electric generation (coal) and the construction industry (aggregates and gypsum) will not require the level of raw materials that were supplied in 1990. If this is the case, our fleet, particularly the self-unloaders, could be underutilized in 1991. Although the 1990 Canadian grain crop was bountiful, we are concerned that a disproportionate share of this grain will move to West Coast ports for transshipment instead of through the St. Lawrence Seaway on Canadian bulkers. The reason for this concern is that the subsidies paid to railways under the federal Western Grain Transportation Act has the effect of masking the true cost of transporting grain to ports on the West Coast.

We continue to be concerned about the long-term future of the Canadian Great Lakes fleet. The fleet is aging and there have not been any new vessels built since 1985. The major reason for this is that freight rates are not at levels that justify new construction. Of greater concern is the fact that freight-rate levels have not kept pace with our cost increases and as a result we find it increasingly difficult to maintain our fleet as it becomes older and more costly to operate. We are continuing to discuss these needs with our customers and are confident that they will begin to realize the importance of paying compensatory rates to ensure continuing reliable service. In addition, we are searching for ways to reduce our operating costs. The fuel conversion program previously discussed will certainly help in this regard. We are also allocating money each year for the training of our crews which assists in reducing costs, such as repairs, maintenance, labour and insurance and also reduces downtime.

Marine Group's two technical support entities, Fraser Ship Repairs, Port Colborne, Ontario and Marine Consultants and Designers (Canada) Ltd., St. Catharines, Ontario provide valuable assistance to the operations department. Fraser Ship Repairs provides ship-repair, steel-fabricating and chandlery services to the fleet while Marine Consultants provides naval-architectural and marine-engineering services. Both Fraser and Marine Consultants continue to provide service to third parties including other Canadian and United States Great Lakes operators, tour boat operators and land-based industrial customers.

ALGOMA CENTRAL RAILWAY

The year ended on a note of optimism with the resolution of a four-month work stoppage at our major customer, The Algoma Steel Corporation, Limited, and with the Province of Ontario paying $5,000,000 to assist the railway in continuing nonpassenger operations.

The labour situation experienced by Algoma Steel, was the main reason for 1990 rail revenues declining by 20% from 1989 to $25,709,000. With the reduced business level, freight accounted for 72% of revenues and passengers 27% as opposed to a more normal 79% and 20% respectively.

Approximately 63% of revenues associated with freight were attributable to Algoma Steel. About 43% of freight revenues came from movements associated with that customer's non ore operations. These proportions are down from the more normal levels of 75% and 60% respectively.

While there was a 25% increase in pulpwood tonnage moved to the local paper mill and a 57% increase in the volume of pulpwood chips to points in the United States, these were offset by reduced movements of lumber and Canadian woodchips. The net result was that forestry tonnage increased by only 2% over 1989. The 32% decline in overall net tons of rail freight from last year, shown on the accompanying table, was essentially due to the work stoppage referred to above which accounted for a 40% drop in mining and a 30% deterioration in manufactured tonnage.

Algoma Steel is continuing to evaluate alternatives in respect to their iron ore sintering operation at Wawa, Ontario. An alternate production method has provided some improvement and the railway has been able to provide competitive freight rates as a result of the assistance received from the Province of Ontario. An announcement from Algoma Steel to clarify the future of their sintering operations is expected within the next

Famous view of the Agawa Canyon from the lookout platform.

few months.

Should the railway lose iron ore and related shipments, rates for other traffic would have to be increased to cover the cost of owning and operating the railway. We expect that, as a consequence, this would result in the further loss of business and the discontinuance of rail operations. Regulatory approval would be required before the railway could be abandoned. The Ontario Government has initiated discussions between the Ontario Northland Transportation Commission and ourselves aimed at ensuring the long-term provision of rail services on our line. These discussions commenced in February 1991. Should considerations come to a choice between curtailing service or looking at public ownership to ensure its continuation, the province has announced that they will take a very close look at the latter option.

Projects that could result in new freight movements for the railway are continuing to be evaluated with the indication being that it would likely be several years before any of these might mature.

While tourist travel in the area that we serve was down generally about 15% from 1989, passenger trips on our regular and tour trains declined only about 5%. Passenger revenues rose by 7% from last year as a result of a 20% increase in the subsidy payments from the federal government and fare increases to match inflation. The additional federal subsidy payment resulted in the regular passenger train accounting for approximately 15% of total

A young tour-train visitor gets a big hug from the hospitality ambassador.

revenues and the tour train about 11% whereas it would be normal for each to provide about 10%.

The federal subsidy for passenger train operations referred to above results from the National Transportation Agency paying 80% of losses from operating the regular passenger train which we have been ordered to continue. The requirement to run this train is subject to review by the agency at intervals not exceeding five years with the next review due in 1992.

Agawa Canyon Tour passengers were down 6% from last year to 89,000 and the Snow Train was 7% less with 12,000 travellers. While regular travel declined by 3% the Tour of the Line dropped 11% from 1989 with just under 2,300 tourists. The high cost of accommodation, fuel, food and beverages in Canada were stated as deterrents to tourism although the cool weather and the news of unrest with constitutional and native issues were also cited in surveys.

RAIL

Net tons carried, in thousands

	Mining	Manu-facturing	Forestry	Total
1990	1,013	944	361	2,318
1989	1,677	1,355	354	3,386
1988	1,443	1,222	421	3,086
1987	1,529	1,071	437	3,037
1986	1,625	796	407	2,828
1985	1,906	1,224	401	3,531
1984	1,803	1,053	294	3,150
1983	1,775	982	320	3,077
1982	1,239	685	311	2,235
1981	1,993	1,296	455	3,744

Indications are that the 7% increase in train and travel costs attributable to the federal Goods and Services Tax will be a further deterrent to passenger travel in the future.

Since revenues generated by the train tours will not support the cost of major refurbishing or the replacement of passenger equipment which is 40- to 50-years old, we expect that the tours will phase out in the next few years because of cars being withdrawn from service. Dealings with the Province of Ontario and the Ontario Northland Transportation Commission toward acquiring upgraded equipment to avert this eventually are continuing. We are hopeful that this concern will be resolved during 1991. Cars are subject to failure that could cause them to be removed from service during the year but we expect to meet travel demands and to rent passenger cars from other railways during our peak fall colour season.

Inflation is not expected to affect our railway business to a greater extent than it will affect the general economy. Revenue rates are adjusted to meet inflation where market conditions permit. As noted elsewhere in this report we believe that Canadian prices, the Goods and Services Tax and the high value of the Canadian dollar versus the U.S. dollar has had a detrimental affect on the number of tourists riding our passenger trains.

Reduced traffic levels in 1990 required that capital expenditures be reduced to hold fixed asset additions to a level that could be covered by funds generated by the railway. Track-, switch- and bridge-tie replacements accounted for $1,288,000 of the $1,695,000 spent on fixed assets. The balance was spent on rail, ballast, the radio system and equipment. Normally, annual fixed asset additions would be in the $3,000,000 to $3,500,000 range. There were no significant capital commitments at December 31, 1990.

Insurance proceeds on two locomotives destroyed when spring runoff eroded the railbed resulted in an unusual gain of $1,780,000 before income taxes. These units have not been replaced since our intention is to rent units for short periods as required.

Plans for 1991 anticipate continued restraint on capital expenditures, which will total about $2,000,000, consisting of $1,143,000 for track-, switch- and bridge-tie replacements, $600,000 on the radio system and $250,000 on other miscellaneous items.

Unless traffic patterns change we expect that the embargo on the interchange of our freight cars with plain bearings after January 1, 1994 can be managed by changes in the use of our equipment. We are endeavouring to sell 100 plain-bearing cars as a result of our review of fleet utilization.

Early in 1991, labour contracts were negotiated with seven of the nine railway unions. We expect these contracts to be ratified shortly. Contract negotiations are continuing with one union and one contract is continuing under a three-year agreement. Eight of the contracts expire December 31, 1991. Major customers concluded three-year labour contracts during 1990.

Events of the year slowed the progress of our initiatives toward a participative management style undertaken in 1989. Several teams of personnel have been actively working on projects to improve working relationships, quality and productivity. Eight of our union groups are actively participating to achieve the goals that have been mutually set.

Indications for 1991 are that freight patterns will return to 1989 levels but that passenger travel will decline by 5%. Rates will be adjusted to meet inflation. While the final provincial payment under the Canada-Ontario Tourism Development Agreement is due during 1991, the Province of Ontario have indicated that they will assist the railway until a long-term plan is established to ensure continued rail service.

Station at Searchmont.

Arriving at Agawa Canyon.

REAL ESTATE GROUP

Canada

Revenue increased by 14% to $15,678,000 in 1990. Commercial and residential rents accounted for approximately 90% of total revenue. The balance is attributable to land leasing, mining-exploration fees, selling timber from our forest lands and operating our hotel in Elliot Lake.

The primary reason for the revenue increase is due to completion of the Stage III expansion of Station Mall in Sault Ste. Marie in March 1990 which contributed 13% of the total increase. Station Mall is currently 98% leased, although it is proving difficult to lease the remaining premises due to current market conditions. However, Station Mall tenants did increase their share of the market in 1990. Factors which have negatively affected retail sales are a lengthy strike by the largest employer in the city, a downturn in both local and provincial tourism and cross-border shopping. Cross-border shopping is the practice of local residents shopping in neighbouring Sault Ste. Marie, Michigan, U.S.A. A 350,000-square foot retail mall which was originally proposed to open in Sault Ste. Marie, Michigan during 1990 has been rescheduled to open at the end of 1991. This will have little effect on our 1991 operations but will provide additional competition in the market area served by Station Mall in 1992.

Revenue from our hotel property in Sault Ste. Marie, which is leased by and operated as Holiday Inn, decreased 21% in 1990 from 1989. Fifteen percent of the reduction is attributable to the terms of the lease and 6% to a decrease in the tourist trade. Station Tower office building in Sault Ste. Marie is 96% leased and the senior citizen apartment building, Station '49', is 100% leased.

In Elliot Lake, the Algo Centre is comprised of a shopping mall, a hotel and commercial office space. Approximately 76% of its revenues are from the mall, 19% from the hotel and 5% from office space. Mall revenues increased 9% in 1990 over 1989 due to rent renewals and normal tenant turnover. The vacancy rate has remained steady at 3%. Hotel revenue decreased 15% in 1990 due mainly to less business travel, which is a reflection of the mine closures in Elliot Lake. The Panel and Quirke uranium mines, owned by Rio Algom Limited, closed in August 1990 and some 2,400 layoffs occurred. Denison Mines Limited downsized operations at their mine in June 1990 and 450 jobs were also lost. This had a negative impact on the population of Elliot Lake which has decreased about 20% since that time. In combating this decrease, the Province of Ontario has committed funds toward local economic development aimed at various initiatives such as small business development, the retirement-community program and ministry facilities, all to enhance employment. It is difficult at this time to judge the future impact of either the layoffs or the development initiatives.

Recognizing that real estate assets have long lives, depreciation expense is generally insulated from the effects of inflation. However, our revenues and cash expenditures are subject to the normal pressures of inflation, although these pressures have not resulted in any unusual impacts on revenues or profits.

Among forest management activities, timber-harvesting revenue in 1990 decreased by 21% due to the expiration of two long-term timber-harvesting agreements in June, 1990. The 15% softwood lumber export tax continues to have a negative impact on demand, further hindering our potential timber-harvesting revenue. Harvesting recommenced on selected sections of the former agreement areas under short-term harvesting licenses while we continued to negotiate new long-term licenses. A new two-year timber-harvesting license covering seven townships was concluded in October 1990. Our silviculture program continued during the year with assistance through the Canada-Ontario Forest Resource Development Agreement (COFRDA) program. Silviculture activities included planting 463,000 seedlings, ground spraying, aerial spraying, tree marking, stand-improvement harvesting and pretreatment surveying.

The last full year of the COFRDA program was 1990 and final termination of the program will be March 31, 1991, however, we are actively dealing with government ministries for a replacement program. Since we have only one long-term timber harvesting license covering part of our forest lands, we are continuing to negotiate new licenses for our remaining forest lands with more emphasis directed to silviculture participation on the part of licensees. The extent of our silviculture program in the future will depend upon any new government program and on new

Wilderness retreat.

Gone fishing.

timber-harvesting licenses.

An 11% increase in the number of recreational land leases brought the total to 706 such leases on our wilderness properties at the end of 1990. This, combined with annual rental adjustments, contributed a 15% gain in revenue from this activity. The status of the local economy may suggest a decline in growth in the upcoming year, however this may be partially offset by recent marketing efforts by us in the United States.

Revenues from mineral-exploration license agreements increased in 1990 primarily as a result of new or extended licenses with major gold producers interested in our Wawa and Batchawana area properties. Current agreements call for expenditures by licensees in excess of $1,000,000 in 1991. With the elimination of government exploration incentive programs, low gold prices and general belt tightening within the industry, we do not anticipate much expansion in 1991. Overall, the number of new agreements for all activities on our wilderness and industrial properties increased by 10% in 1990 and total revenues increased by 25%.

In 1991, we will spend approximately $700,000 in capital expenditures on normal commercial-building renovations and upgradings and leasehold improvements.

Florida

Island Dunes is the name of our real estate project on Hutchinson Island near Stuart, Florida. A total of 376 condominium units in three buildings have been built to date in addition to recreational facilities and supporting services. All condominium units have been sold and delivered and all sale proceeds have been received. A portion of the sale proceeds were invested in short-term deposits in the United States. Pursuant to an agreement with The Bank of Nova Scotia, we were required to use such proceeds to reduce bank loans before the end of 1991. This was done in February 1991.

There are two remaining sites available for future residential or commercial development, although such development is seriously restricted by new regulations imposed by the State of Florida from which we are seeking relief. This process may carry on throughout 1991. As a result, we have not decided how to proceed with the last two sites.

However, we have decided, as reported earlier, that we will not continue in the land development business in Florida once Island Dunes is complete and that we would liquidate our present holdings at Island Dunes in the most appropriate fashion. The method of accounting for this project is described in Note 8 to the financial statements.

FINANCIAL REVIEW

The consolidated financial statements of the company have been prepared by management and approved by the Board of Directors. Management is responsible for all information in this annual report. Financial and operating data contained herein are consistent with the financial statements. Any estimates used are based upon careful judgement and information available to February 22, 1991. In the opinion of management, the financial statements have been properly prepared within reasonable limits of materiality.

Net income increased from $4,415,000 in 1989 to $4,982,000 in 1990. Income from operations increased 71% in total, 147% in Marine Group and 20% in Real Estate Group and decreased 76% in Algoma Central Railway. Interest expense, net of interest income and capitalized interest, increased from $6,589,000 in 1989 to $17,563,000 in 1990 mainly because of the large increase in average borrowing as a result of the dividend of $20.00 per common share, about $78,000,000 in total, paid October 2, 1989. Interest on those borrowed funds was for three months in 1989 and 12 months in 1990.

Prior to 1989, we decided to discontinue the land development business in Florida after our current project, Island Dunes, is complete and to liquidate the investment in Island Dunes in an orderly and responsible fashion. At that time, the investment in Island Dunes was written down to estimated net realization value. As a result, all related income and expense thereafter is credited or charged against the carrying value until final disposition of the project. At December 31, 1990, the carrying value is deferred income of $3,824,000.

Proceeds from some of the sales of condominiums at Island Dunes were invested in short-term investments and held in the United States. At December 31, 1990 such funds, including interest thereon, totalled $56,065,000. In February 1991, these funds were applied to repay and reduce current portion of long-term debt.

Capital expenditures totalled $10,575,000 in 1990 of which the major portion was in respect to the conversion of the *M/V Algosteel*. There were no significant capital commitments at December 31,1990.

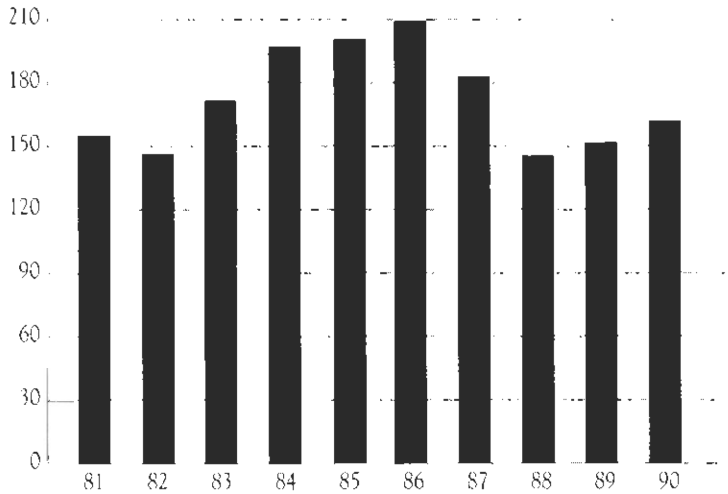
As a general rule, the company generates sufficient funds from operation to meet its obligations on an annual basis. It borrows funds when required to finance capital expenditures. At the same time, cash flow from operations is not spread evenly throughout the year. Usually, funds are borrowed to finance operations during the first half of a year and are repaid in the second half. We expect this pattern to continue, although, capital expenditures will be curtailed until debt is reduced.

Our largest customer, The Algoma Steel Corporation, Limited, is currently facing severe financial difficulties. If it were to discontinue its operations, the lost business would be significant for us, although our company would survive.

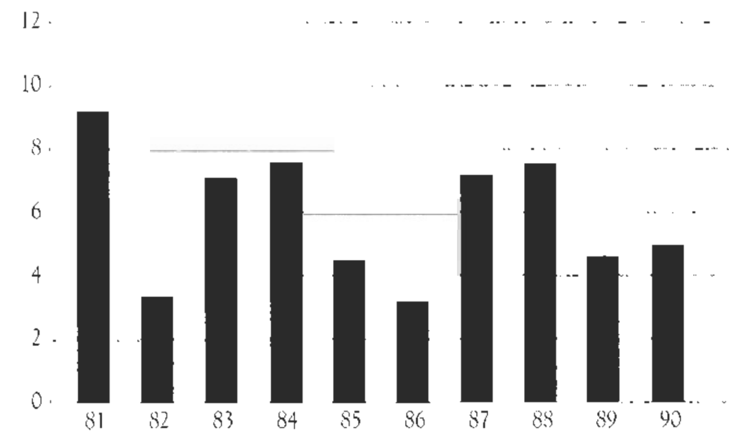
Most long-term debt of the company is subject to floating interest rates, although, interest on $20,000,000 is effectively converted to fixed rates through five-year interest-rate swaps which expire in 1991.

The company is exposed to foreign exchange fluctuation on the real estate development in Florida. This exposure is effectively hedged by borrowing US dollars approximately equal to the US dollar assets. Such borrowing is generally affected in the Eurodollar market.

Revenue
millions of dollars



Income before extraordinary items
millions of dollars



AUDITORS' REPORT

To the Shareholders of Algoma Central Corporation (formerly Algoma Central Railway):

We have audited the consolidated balance sheets of Algoma Central Corporation (formerly Algoma Central Railway) as at December 31, 1990 and 1989 and the consolidated statements of income and retained income and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1990 and 1989 and the results of its operations and the changes in its financial position for the years then ended, in accordance with generally accepted accounting principles.

Deloitte & Touche

Chartered Accountants
Toronto, Ontario
February 22, 1991

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED INCOME

Algoma Central Corporation

Years Ended December 31	1990	1989
Revenue		
Marine	$ 122,710,000	$ 108,332,000
Rail	25,709,000	32,104,000
Real Estate	13,678,000	12,048,000
	162,097,000	152,484,000
Expenses		
Operations	111,829,000	111,351,000
Depreciation and amortization	19,345,000	19,259,000
Administrative and general	6,989,000	7,886,000
	138,163,000	138,496,000
Income from Operations	23,934,000	13,988,000
Interest Expense	(21,490,000)	(9,660,000)
Interest Income	3,927,000	3,071,000
Gain on Insured Loss - Note 3	1,780,000	
Income before Income Taxes and Extraordinary Items	8,151,000	7,399,000
Income Taxes - Note 4	3,169,000	2,727,000
Income before Extraordinary Items	4,982,000	4,672,000
Extraordinary Items - Note 5	—	(257,000)
Net Income	4,982,000	4,415,000
Retained Income, Beginning of Year		
As previously reported	23,969,000	99,545,000
Prior period adjustment - Note 6	(456,000)	(211,000)
As restated	23,513,000	99,334,000
	28,495,000	103,749,000
Dividends	583,000	80,236,000
Retained Income, End of Year	$ 27,912,000	$ 23,513,000
Earnings per Share		
Before extraordinary items	$ 1.28	$ 1.20
After extraordinary items	$ 1.28	$ 1.14

Approved by the Board of Directors:

Director

Director

☐ CONSOLIDATED BALANCE SHEETS

Algoma Central Corporation

December 31	1990	1989
Assets		
Current Assets		
Cash and short-term deposits	$ 57,259,000	$ 40,318,000
Accounts receivable	21,095,000	19,662,000
Materials and supplies	7,236,000	6,594,000
Prepaid expenses	2,407,000	1,824,000
Deferred income taxes	2,184,000	786,000
	90,181,000	69,184,000
Forest Lands - at nominal value	1,000	1,000
Fixed Assets - Note 7	233,280,000	242,070,000
Florida Real Estate Project - Note 8	—	1,675,000
Long-Term Receivables and Deferred Charges	1,091,000	1,209,000
	$ 324,553,000	$ 314,139,000
Liabilities		
Current Liabilities		
Bank indebtedness	$ 1,561,000	$ 4,426,000
Accounts payable and accrued charges	18,230,000	22,463,000
Current portion of provision for vessel maintenance	1,629,000	1,358,000
Current portion of long-term debt	58,987,000	11,861,000
Income taxes payable	1,426,000	113,000
Dividends payable	2,379,000	2,364,000
	84,212,000	42,585,000
Deferred Income Taxes	75,566,000	74,491,000
Long-Term Debt - Note 9	105,630,000	145,375,000
Florida Real Estate Project - Note 8	3,824,000	—
Other Noncurrent Items - Note 10	7,514,000	8,311,000
	276,746,000	270,762,000
Shareholders' Equity - Note 11		
Share Capital		
Issued – 1990 - 3,891,211 common shares; 1989 - 3,886,814	8,319,000	8,260,000
Contributed Surplus	11,917,000	11,917,000
Retained Income	27,912,000	23,513,000
Unrealized Foreign Exchange Loss	(341,000)	(313,000)
	47,807,000	43,377,000
	$ 324,553,000	$ 314,139,000

☐ CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION
Algoma Central Corporation

Years Ended December 31	1990	1989
Operating Activities		
Income before extraordinary items	$ 4,982,000	$ 4,672,000
Items not affecting cash		
Depreciation and amortization	19,345,000	19,259,000
Deferred income taxes	1,243,000	(1,763,000)
Other	(2,302,000)	1,153,000
Net change in noncash operating working capital	(6,301,000)	(9,008,000)
Cash provided from operating activities	16,967,000	14,313,000
Investing Activities		
Additions to fixed assets	(10,575,000)	(29,213,000)
Florida real estate project		
Development costs	(8,304,000)	(23,883,000)
Proceeds from sales	13,067,000	39,785,000
Proceeds from sale of fixed assets	1,896,000	299,000
Proceeds from unclaimed redemption funds	—	1,030,000
Other	(101,000)	(40,000)
Cash used in investing activities	(4,017,000)	(12,022,000)
Cash before financing activities	12,950,000	2,291,000
Financing Activities		
Increase in long-term debt	19,226,000	108,822,000
Repayment of long-term debt	(11,861,000)	(18,677,000)
Dividends paid	(568,000)	(78,258,000)
Dividends reinvested	59,000	174,000
Refinancing costs	—	(1,192,000)
Cash provided from financing activities	6,856,000	10,869,000
Increase in Cash	19,806,000	13,160,000
Cash Position, Beginning of Year	35,892,000	22,732,000
Cash Position, End of Year	$ 55,698,000	$ 35,892,000
Cash Position Comprises		
Cash and short-term deposits	$ 57,259,000	$ 40,318,000
Bank indebtedness	(1,561,000)	(4,426,000)
	$ 55,698,000	$ 35,892,000

Changes in Noncash Operating Working Capital	1990	1989
Increase in accounts receivable	$ (1,432,000)	$ (2,271,000)
Increase in materials and supplies	(643,000)	(129,000)
Increase in prepaid expenses	(583,000)	(308,000)
Decrease in accounts payable and accrued charges	(4,876,000)	(418,000)
Increase (decrease) in income taxes payable	1,233,000	(5,882,000)
	$ (6,301,000)	$ (9,008,000)

☐ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Algoma Central Corporation - December 31, 1990 and 1989

1. **Significant accounting policies**

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada, comprise the accounts of Algoma Central Corporation and its subsidiary companies, and reflect the following policies:

Bulker fleet operations

The operations of the Company's bulkers are pooled with those of an unrelated company, ULS Corporation. The Company's bulkers, crewed and operated by the Company, as well as all operating costs excluding voyage costs, are included in the consolidated financial statements. In addition, the Company's proportionate share of the revenues, expenses, assets and liabilities of the pooled fleet are included in the consolidated financial statements.

Materials and supplies

Materials and supplies are stated at cost determined on a weighted average basis.

Fixed assets and depreciation

Fixed assets other than railway fixed assets are stated at cost less related investment tax credits. Interest incurred on funds borrowed to finance fixed asset acquisitions is capitalized during the construction period. For railway fixed assets, the Company follows the method of accounting as prescribed by the National Transportation Agency (NTA) of Canada. Generally, major additions and replacements are capitalized and interest costs are expensed.

Fixed assets other than land are depreciated on a straight-line basis, except for buildings and site improvements owned by the Canadian real estate subsidiary. These latter assets are depreciated on the sinking-fund basis over 35 years at 5% compounded annually.

The rates of depreciation used for other significant assets are:

Vessels	5%
Rail rolling stock	2.9% to 5%
Track materials	1.3% to 6.7%

For railway properties, the rates used are those authorized by the NTA. When railway depreciable property is retired or disposed of, the book value, less net salvage, is normally charged to accumulated depreciation.

Repair and maintenance costs

Repair and maintenance costs on transportation equipment are expensed as incurred, except for the estimated cost of future repairs and maintenance to vessels arising from current operations. These latter costs are provided for over the current operating season and charged against the provision for vessel maintenance at the time incurred.

Foreign currency translation

Gains or losses on translation of foreign currencies are included in the determination of income, except for gains or losses on translation of the accounts of foreign subsidiaries, which are accumulated in a separate component of shareholders' equity and deferred until realized.

Pensions

The Company maintains defined benefit pension plans for significant groups of its employees. The cost of pension benefits earned by employees is determined actuarially using the projected benefit method prorated on service and assumptions made by management for the factors required in the calculation. Any differences between pension fund assets at adjusted market value and projected pension benefits and any adjustments arising from amendments to the plans are amortized over the expected average remaining service lives of the respective employee groups.

Funding is determined by independent actuaries. The actuarial assumptions used for funding may differ from those used for accounting and, consequently, pension expense in these financial statements may differ from the funding amounts paid to the pension funds.

2. **Government assistance**

Pursuant to the Railway Act, the Company is required to provide passenger train service between Sault Ste. Marie and Hearst, Ontario. Eighty percent of any losses incurred in providing this service is recoverable from the Government of Canada and included in revenue. The amounts included in revenue in 1990 and 1989 are $2,909,000 and $2,428,000, respectively.

In 1987, the Company entered into agreements for three and five years with the governments of Canada and the Province of Ontario, respectively, pursuant to the Canada-Ontario Tourism Development Agreement to continue certain rail services. The agreements provided for total financial assistance of $15,000,000 of which $13,500,000 has been received to December 31, 1990. The assistance amounted to $1,500,000 in each of 1990 and $4,000,000 in 1989 and was deducted from current operating expenses.

In 1990, the Province of Ontario, through the Northern Ontario Heritage Fund Corporation, provided the Company with $5,000,000 to help maintain its nonpassenger rail operations. This assistance was deducted from current operating expenses.

3. **Gain on insured loss**

During 1990, the Company lost two locomotives in a derailment. The net proceeds from the insurance covering this loss exceeded the net book value of the locomotives by $1,780,000. In compliance with the revised recommendations of The Canadian Institute of Chartered Accountants concerning extraordinary items, which the Company adopted on a prospective basis in 1990, the gain has been reflected in the determination of income before income taxes and extraordinary items. Under the recommendation previously followed by the Company, this gain, net of income taxes, would have been treated as an extraordinary item.

4. **Income taxes**

The effective income tax rate applicable to the Company is as follows:	1990	1989
Combined federal and provincial statutory income tax rate	44.3 %	44.3 %
Application of a subsidiary's prior years' losses carried forward	—	(4.7)
Lower effective tax rate of foreign subsidiary	(5.0)	(1.7)
Large corporation tax	2.4	—
Nontaxable portion of capital gains	(2.5)	—
Items taxable in the year for which deferred income taxes were previously provided at higher rates	(2.6)	(2.4)
Other	2.3	1.4
	38.9 %	36.9 %

Timing differences creating deferred income taxes result primarily from claiming capital cost allowances in excess of depreciation in the accounts. Deferred income taxes included in current assets are in respect of other timing differences related to current liabilities.

5. **Extraordinary items**

The extraordinary items in 1989 consist of the following:

Unclaimed redemption funds for 5% income debenture stock and/or bonds which matured in 1959, net of income taxes of $171,000	$ 780,000
Costs of restructuring long-term debt as a result of a special dividend payment, net of income taxes of $240,000	(1,037,000)
	$ (257,000)

6. **Prior period adjustment**

During 1990, the Company was informed by one of its insurers that it would be required to pay supplementary insurance premiums relating to 1989 and 1988 in the amount of $821,000. $440,000 of this amount is applicable to 1989 and, net of income taxes of $195,000, has been charged to income for that year. The remaining balance of $381,000 is applicable to 1988 and this amount, net of income taxes of $170,000, has been deducted from retained income at January 1, 1989.

7. **Fixed assets**

	1990			
	Land	Depreciable Assets	Accumulated Depreciation	Net
Marine	$ 69,000	$ 311,855,000	$ 163,680,000	$ 148,244,000
Rail	448,000	90,101,000	50,327,000	40,222,000
Real Estate	1,001,000	51,433,000	8,146,000	44,288,000
Corporate	—	764,000	238,000	526,000
	$ 1,518,000	$ 454,153,000	$ 222,391,000	$ 233,280,000

	1989			
	Land	Depreciable Assets	Accumulated Depreciation	Net
Marine	$ 69,000	$ 304,487,000	$ 148,670,000	$ 155,886,000
Rail	448,000	89,932,000	48,945,000	41,435,000
Real Estate	1,001,000	50,322,000	7,190,000	44,133,000
Corporate	—	781,000	165,000	616,000
	$ 1,518,000	$ 445,522,000	$ 204,970,000	$ 242,070,000

8. **Florida real estate project**

The Company intends to dispose of the Florida real estate project which was commenced in a prior year. All revenues and costs are currently being deferred pending final disposition. The balance at December 31, 1990 represents the excess of the proceeds from the sale of condominium units over costs incurred (less amounts previously written off). At December 31, 1989, accumulated costs exceeded revenues deferred.

9. **Long-term debt**

	1990	1989
Bank loans and acceptances		
Secured revolving term loans expiring in July 1992	$ 17,132,000	$ 2,219,000
Secured nonrevolving term loans expiring in December 1999	99,000,000	110,000,000
Secured nonrevolving U.S. dollar term loans expiring in December 1991	47,601,000	43,791,000
Obligations under capital leases, bearing interest rates of 10.6% to 14.2% expiring at various dates to 1994	884,000	1,226,000
	164,617,000	157,236,000
Less current portion	58,987,000	11,861,000
	$ 105,630,000	$ 145,375,000

9. **Long-term debt, continued**

The weighted average interest rate on the bank loans and acceptances outstanding at December 31, 1990 is 12.5%.

The Company has interest-rate swap agreements with its banker effectively converting the interest on bank loans and acceptances of $20,000,000 from floating rates to a fixed rate of 10.0% per annum payable semi-annually. These agreements expire at various dates in 1991.

Interest on long-term debt amounted to $21,902,000 in 1990 of which $449,000 was capitalized, and to $11,666,000 in 1989, of which $2,215,000 was capitalized.

Required principal repayments during the five years subsequent to 1990, assuming refinancing of bank loans and acceptances under the revolving term credit, are $58,987,000 in 1991 and $11,000,000 annually for the years 1992 to 1995.

10. **Other noncurrent items**

	1990	1989
Provision for vessel maintenance	$ 6,009,000	$ 7,149,000
Provision for workers' compensation	1,505,000	1,162,000
	$ 7,514,000	$ 8,311,000

The provision for workers' compensation is an actuarial present value of unfunded liabilities payable under the Ontario Workers' Compensation Act.

11. **Shareholders' equity**

Share capital

Common shareholders, other than those resident in the United States of America, may elect, under the Dividend Reinvestment Plan, to reinvest cash dividends in common shares or, under the Stock Dividend Plan, to receive dividends in the form of common shares. During 1990 and 1989, 4,397 shares and 8,312 shares, respectively, were issued pursuant to these plans for an aggregate consideration of $59,000 and $174,000, respectively.

Dividend restrictions

Dividends, other than stock dividends, on the common shares are restricted pursuant to the Company's credit agreement with its banker. At December 31, 1990, consolidated shareholders' equity not subject to this restriction was $8,109,000.

12. **Pension plans**

At December 31, 1990 and 1989, the actuarial present value of the accrued pension benefits of employees for services rendered to date amounted to $46,361,000 and $47,791,000, respectively, and the adjusted market value of the pension fund assets amounted to $53,197,000 and $50,790,000, respectively.

13. **Comparative figures**

Certain of the 1989 figures have been reclassified to conform to the presentation adopted in 1990.

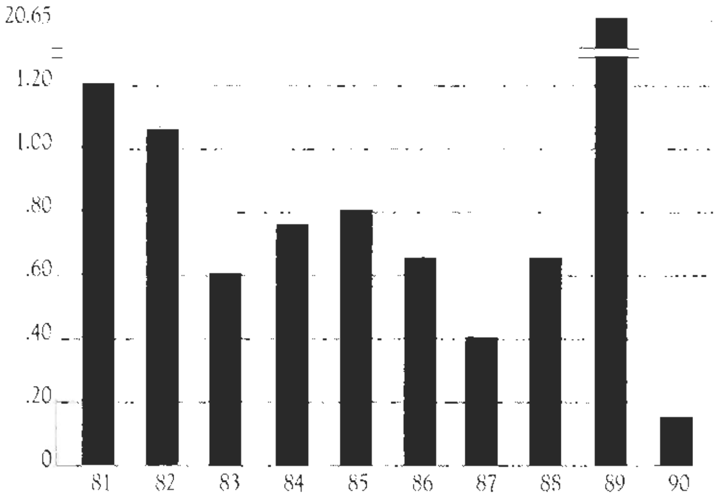
14. **Segmented information**

	Canada			U.S.A.	
1990	**Transportation**	**Real Estate**	**Corporate**	**Real Estate**	**Total**
Revenue	$ 148,419,000	$ 13,678,000	$ —	$ —	$ 162,097,000
Income from operations	$ 17,584,000	$ 6,350,000	$ —	$ —	$ 23,934,000
Assets	$ 217,965,000	$ 46,184,000	$ 3,417,000	$ 56,987,000	$ 324,553,000
Capital expenditures	$ 9,423,000	$ 1,135,000	$ 17,000	$ —	$ 10,575,000
Depreciation and amortization	$ 18,192,000	$ 1,073,000	$ 80,000	$ —	$ 19,345,000

	Canada			U.S.A.	
1989	Transportation	Real Estate	Corporate	Real Estate	Total
Revenue	$ 140,436,000	$ 12,048,000	$ —	$ —	$ 152,484,000
Income from operations	$ 8,717,000	$ 5,271,000	$ —	$ —	$ 13,988,000
Assets	$ 221,913,000	$ 45,927,000	$ 3,833,000	$ 42,466,000	$ 314,139,000
Capital expenditures	$ 19,605,000	$ 9,289,000	$ 319,000	$ —	$ 29,213,000
Depreciation and amortization	$ 18,246,000	$ 922,000	$ 91,000	$ —	$ 19,259,000

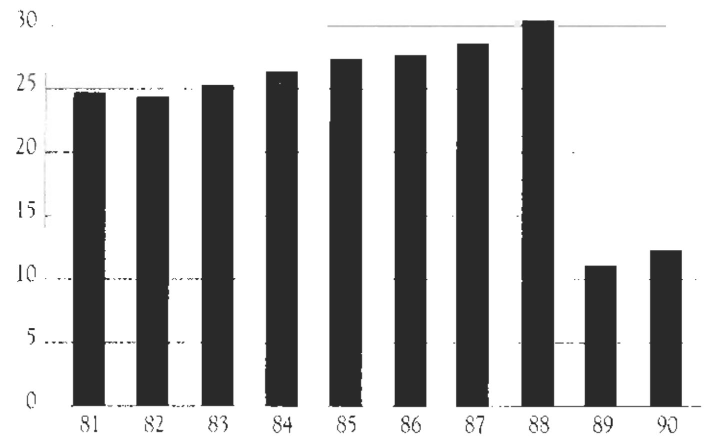
Dividends per share

$ per share



Shareholders' equity per share

$ per share



TEN-YEAR SUMMARY

(Dollars in thousands except per share data)

		1990	1989
Revenue			
Marine	$	122,710	108,332
Rail	$	25,709	32,104
Real Estate - Canada	$	13,678	12,048
- Florida	$	—	—
Other	$	—	—
	$	162,097	152,484
Net income			
Before extraordinary items	$	4,982	4,672
After extraordinary items	$	4,982	4,415
Depreciation and amortization	$	19,345	19,259
Dividends paid	$	568	78,258
Fixed asset additions			
Marine	$	7,728	16,138
Rail	$	1,695	3,467
Real Estate	$	1,135	9,289
Corporate	$	17	319
Other	$	—	—
	$	10,575	29,213
Net fixed assets			
Marine	$	148,244	155,886
Rail	$	40,222	41,435
Real Estate	$	44,288	44,133
Corporate	$	526	616
Other	$	—	—
	$	233,280	242,070
Long-term debt (LTD)	$	105,630	145,375
Shareholders' equity	$	47,807	43,377
LTD as % of net fixed assets		45%	60%
LTD as % of shareholders' equity		221%	335%
Dividends as % of income before extraordinary items (excluding special $20.00 dividend in 1989)		12%	54%
Operating ratio		85%	91%
Working capital ratio		1.07/1	1.62/1
Common share statistics:			
Common shares (000)			
- end of year		3,891	3,887
- average		3,889	3,884
Net income			
First quarter	$	(0.62)	0.25
Second quarter	$	0.58	0.64
Third quarter	$	0.59	0.73
Fourth quarter	$	0.73	(0.42)
Total before extraordinary items	$	1.28	1.20
Total after extraordinary items	$	1.28	1.14
Quoted market value			
High	$	15.25	43.00
Low	$	7.00	14.00
Dividends	$	0.15	20.65
Shareholders' equity	$	12.29	11.16

1988	1987	1986	1985	1984	1983	1982	1981
103,286	103,468	89,864	89,688	101,374	94,240	78,295	79,791
30,788	29,593	32,601	35,891	32,740	32,557	27,937	36,011
11,341	12,293	11,266	10,621	10,364	9,744	9,164	7,913
—	—	10,334	5,791	65	—	—	—
—	38,079	65,723	60,172	52,584	36,066	32,100	32,603
145,415	183,433	209,788	202,163	197,127	172,607	147,496	156,318
7,619	7,112	3,206	4,678	7,533	7,029	3,289	9,161
8,233	6,842	2,909	5,192	7,533	7,415	2,216	9,161
17,940	18,728	19,522	17,220	17,740	16,977	14,947	13,176
2,576	1,622	2,440	2,982	2,780	2,206	3,733	3,965
12,117	1,630	31,418	2,026	949	42,712	17,188	26,818
4,203	1,318	3,086	3,042	3,493	3,458	4,068	10,094
3,626	632	302	248	327	291	165	5,455
253	15	18	54	241	278	—	—
—	128	3,151	4,147	6,023	654	286	2,429
20,199	3,723	37,975	9,517	11,033	47,393	21,707	44,796
155,218	157,621	170,319	152,980	169,619	181,354	150,700	143,535
40,921	31,302	32,739	32,019	33,547	32,488	32,168	30,439
35,663	32,808	32,919	33,368	33,784	34,095	34,537	34,979
521	351	402	450	462	263	—	—
—	—	19,965	20,497	18,920	15,024	16,297	17,978
232,323	222,082	256,344	239,314	256,332	263,224	233,702	226,931
66,556	64,526	92,312	81,424	94,162	107,892	95,360	96,893
118,783	110,027	104,880	103,969	100,765	94,543	88,076	86,309
29%	29%	36%	34%	37%	41%	41%	43%
56%	59%	88%	78%	93%	114%	108%	112%
34%	23%	76%	64%	37%	31%	113%	43%
88%	87%	90%	90%	85%	85%	88%	81%
1.51/1	2.01/1	1.09/1	0.92/1	1.03/1	1.23/1	1.39/1	1.47/1
3,879	3,867	3,857	3,829	3,783	3,720	3,650	3,506
3,871	3,862	3,843	3,807	3,748	3,683	3,586	3,431
0.06	(0.08)	(0.02)	(0.08)	(0.17)	(0.21)	(0.25)	0.08
0.73	0.76	0.18	0.48	0.60	0.65	0.29	1.04
0.47	0.42	0.18	0.37	0.97	0.82	0.56	0.99
0.71	0.74	0.50	0.46	0.61	0.65	0.32	0.56
1.97	1.84	0.84	1.23	2.01	1.91	0.92	2.67
2.13	1.77	0.76	1.36	2.01	2.01	0.62	2.67
25.00	24.00	24.00	23.00	20.75	20.88	18.25	24.00
22.00	18.50	19.00	18.50	14.50	14.50	13.00	15.50
0.65	0.40	0.65	0.80	0.75	0.60	1.05	1.20
30.62	28.45	27.19	27.15	26.64	25.41	24.13	24.62

☐ ORGANIZATION OF ALGOMA CENTRAL CORPORATION

Marine Group

Algoma Central Marine
Owns and operates 18 ships principally on the Great Lakes and the St. Lawrence Seaway.

Fraser Ship Repairs
Performs ship repairs and maintenance. Fabricates and repairs industrial metal products. Operations based in Port Colborne.

Algowest Shipping Ltd.
Negotiates with shippers on behalf of the company for the transportation of grain.

Marine Consultants and Designers (Canada) Ltd.
Provides naval-architectural and marine-engineering services.

A.C.C. Shipping (Barbados) Limited
Partner in Atlantic Beltships.

Seaway Bulk Carriers
Partnership with ULS Corporation. Performs traffic and marketing functions for pooled bulker fleet.

Atlantic Beltships
Partnership with Jebsens Thun Beltships Investments Limited. Operates the company's M/V Algobay in Caribbean service.

Rail Group

Algoma Central Railway
Operates the company freight and passenger railway system.

Algocen Mines Limited
(90% owned) Holds mining lease on silica-kaolin deposit north of Hearst, Ontario.

Real Estate Group

Canada

Algoma Central Properties Inc.
Owns a shopping centre, hotel, office tower and apartment building in Sault Ste. Marie, Ontario. Manages the shopping centre, office tower and apartment building. Owns and manages a shopping centre-hotel complex with office space in Elliot Lake, Ontario.

Forest Lands and Minerals
Supervises use and development of 850,000 acres of land owned by the company in the Algoma region.

United States

ACR Delaware, Inc.
Holding company for investments in the United States.

Algocen, Florida, Inc.
Developer of Florida real estate project.

☐ CORPORATE INFORMATION

Directors

The Honourable John B. Aird, O.C., Q.C.*
Toronto, Ontario
Senior Partner and Honorary Chairman, Aird & Berlis

Douglas A. Berlis, Q.C.
Don Mills, Ontario
Counsel, Aird & Berlis

Conrad M. Black, O.C.
Don Mills, Ontario
Chairman and Chief Executive Officer,
Hollinger Inc.

Stan A. Black
Sault Ste. Marie, Ontario
President, Algoma Central Railway, a division of Algoma Central Corporation

H. Michael Burns
King City, Ontario
President, Crownx Inc.

Peter R. Cresswell, P.Eng.*
Sault Ste. Marie, Ontario
President and Chief Executive Officer, Algoma Central Corporation

The Honourable Barnett J. Danson, P.C.
Toronto, Ontario
Consultant and Corporate Director

George C. Hitchman†
Toronto, Ontario
Corporate Director

Henry N. R. Jackman†*
Toronto, Ontario
Chairman,
The Empire Life Insurance Company

Bruce J. Jodrey
Windsor, Nova Scotia
Chairman and Chief Executive Officer,
CKF Inc.

Radcliffe R. Latimer
Toronto, Ontario
Chairman,
Prudential Corporation

Arthur J. Little, F.C.A.†
Toronto, Ontario
Corporate Director

The Honourable Frank S. Miller, P.Eng.
Bracebridge, Ontario
Chairman,
Ontario International Corporation

Leonard N. Savoie, P.Eng.*
Sault Ste. Marie, Ontario
Vice Chairman,
Algoma Central Corporation

*Member of Executive Committee
†Member of Audit Committee

Principal Officers

Henry N. R. Jackman
Chairman

The Honourable John B. Aird, O.C., Q.C.
Deputy Chairman

Leonard N. Savoie, P.Eng.
Vice Chairman

Peter R. Cresswell, P.Eng.
President and Chief Executive Officer

W. S. Vaughan
Secretary

Stan A. Black
President, Algoma Central Railway

Robert G. Topp, C.A.
Vice President, Finance

Robert E. Leistner, C.A.
General Manager
Algoma Central Properties Inc.

Fred C. Huneault
General Manager
Fraser Ship Repairs

Algoma Central Corporation

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Marine Consultants and Designers (Canada) Ltd.
39 Queen Street
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A.C.C. Shipping (Barbados) Limited
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Bridgetown, Barbados

Banker
The Bank of Nova Scotia

Auditors
Deloitte & Touche

Solicitors
Aird & Berlis

Transfer Agent
National Trust Company

Stock listed on The Toronto Stock Exchange
— Symbol "ALC"

Stock Dividend and Dividend Reinvestment Plans
To obtain information or make an election contact:
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Corporate Trust Services
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