STELCO INC.

ANNUAL INFORMATION FORM

For fiscal year ended December 31, 1998

April 28, 1999

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ANNUAL INFORMATION FORM DATED APRIL 28, 1999

STELCO INC.

1. INCORPORATION AND RELATED INFORMATION

1.1 Corporate Profile

Stelco Inc. ("Stelco" or the "Corporation"), through its Business Units (one Division and eleven wholly owned subsidiaries) and jointly owned corporate entities, is in the business of producing and marketing rolled and fabricated steel products. Stelco is Canada's largest steel producer. Stelco owns four steel-producing Business Units: Hilton Works in Hamilton, Ontario; Lake Erie Steel Company Ltd. in Nanticoke, Ontario; Stelco-McMaster Ltée in Contrecoeur, Quebec; and AltaSteel Ltd. in Edmonton, Alberta. Stelco also owns a number of steel-fabricating businesses. Steel products supplied by Stelco businesses to the North American market include hot rolled, cold rolled and coated sheet, plate, bars and wire rod, and manufactured products, such as wire and wire products, and pipe and tubular products.

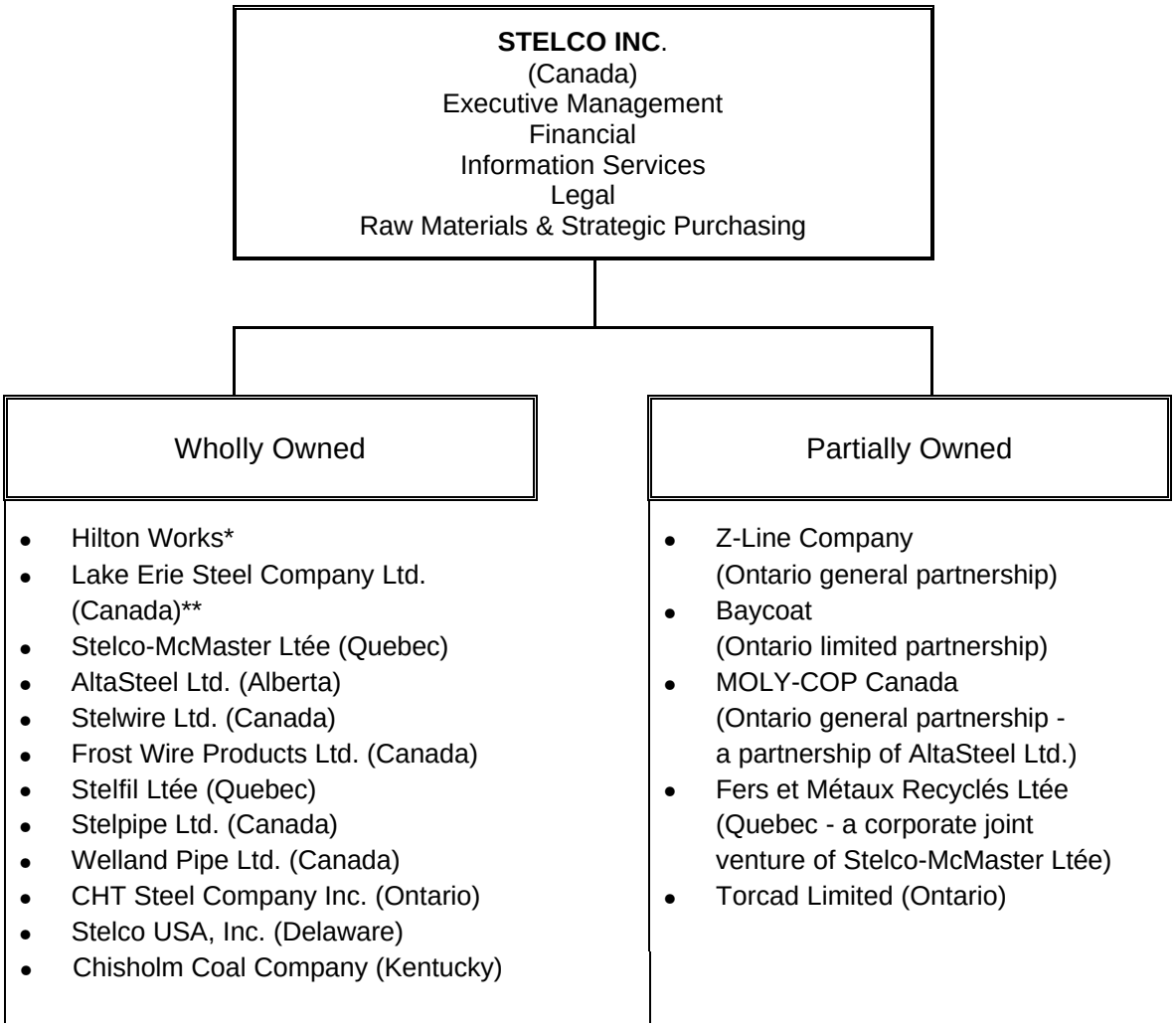
In 1998, the Stelco Group of Businesses produced 5.3 million tons of steel and shipped 4.6 million tons of steel products valued at $3.2 billion. Annual steelmaking capacity is 5.5 million tons.

1.2 Incorporation

Stelco was created by the amalgamation, effective January 1, 1969, of The Steel Company of Canada, Limited; Page-Hersey Tubes, Limited; Premier Steel Mills Ltd.; and The Canadian Drawn Steel Company, Limited. The Steel Company of Canada, Limited, one of the predecessor corporations, was incorporated in 1910 to consolidate a number of established corporations which were engaged in the production of iron and steel, and related products. The Corporation was continued pursuant to the Canada Business Corporations Act by certificate of continuance dated June 27, 1980. On January 1, 1999, the Corporation amalgamated with its wholly owned subsidiary, Lake Erie Steel Company Ltd. The Corporation's executive offices are located at 100 King Street West, Hamilton, Ontario, Canada. The material subsidiaries of the Corporation and their respective jurisdictions of incorporation are shown on page 2 and described in section 3 – Description of the Business.

1.3 The Stelco Group of Businesses

The Stelco Group of Businesses with jurisdiction of incorporation or organization are set out below as at December 31, 1998. Subsidiaries and jointly owned businesses where the interest of Stelco is at least 50 percent are shown.



* A Division of Stelco Inc.

** Effective January 1, 1999 this Company was amalgamated with Stelco Inc. and will continue as a Division.

2. GENERAL DEVELOPMENT OF THE BUSINESS

2.1 Five-year Overview

Following a severe downturn in steel consumption during the early 1990s, demand for steel products in Canada and the U.S.A. has risen steadily over the past five years. [Note that for the purpose of this report, Canada and U.S.A. will be referred to as North America.] Steel consumption in Canada in 1998 was 17.7 million tons, a record high.

During this period of favourable economic conditions, the Corporation's earnings and operating cash flows improved substantially. Between 1993 and 1996, the main focus of the Corporation's efforts was to take advantage of the improved operating cash flows to strengthen its financial position, which had been weakened by strikes in 1990 and by the 1991–1992 economic downturn. By 1996, through a debt deleveraging programme made possible by limitations on capital expenditures, disposals of some non-core assets, and cost controls, the Corporation's financial position had been restored.

Having established a solid financial base, in 1996 the Corporation's strategic emphasis shifted to enhancing shareholder value through improved financial performance. To achieve the objective of improved financial performance, the Corporation is now focusing on continuous improvement in operational performance, particularly in productivity, product yields and energy usage; increasing profitability by growth in the value-added mix of products sold; and securing access to markets through improved quality, customer service and supply dependability. In support of these efforts, capital expenditures of approximately $670 million have been authorized since December 1995.

2.2 Major Events - 1994 through 1998

1994

Page-Hersey Works and Welland Tube Works were incorporated as wholly owned subsidiary companies–Stelpipe Ltd. and Welland Pipe Ltd.

Stelco's 50 percent ownership in M E International was sold to GS Technologies Corporation of Missouri. The 50 percent ownerships in Jannock Steel Fabricating Company of Oakville, Ontario, and Jannock Steel Fabricating Inc. of Kentucky were sold to Jannock Limited of Toronto, Ontario.

Hilton Works and Mitsubishi Corporation formed a corporate venture to acquire and finance a pulverized coal injection facility to supply energy to this Unit's blast furnaces.

Steel production at Hilton Works was adversely affected by an unplanned outage at "D" Blast Furnace in late November that kept the facility off line until the beginning of January 1995. Lost production was largely offset by purchasing steel and drawing down inventories, enabling this Unit to maintain shipments and provide good customer service.

In July, Stelco Fasteners Ltd. signed a three-year collective agreement, with a company option to renew for a fourth year, with Local 3767, United Steelworkers of America. New three-year collective agreements were ratified with United Steelworkers of America locals at the Wabush and Eveleth Mines.

Common share purchase warrants issued in 1991 as part of a major equity financing were exercised in 1994, resulting in 22 million Series A convertible common shares being issued for a total consideration of $125 million.

Four long-term debt issues totalling $133 million were redeemed in advance of their normal expiry dates, and repurchase of long-term debt for sinking fund purposes totalled $9 million. An option to reacquire the assets associated with the slab caster at Lake Erie Works for $25 million was exercised; these assets had been sold and leased-back in 1984. In November, the Corporation made its first semi-annual payment of $15 million on the notes issued to finance construction of the slab and bloom caster facilities at Hilton Works in the mid-1980s.

Regular cash dividends of $14 million were paid on all series of preferred shares. An additional amount of $3 million in respect of preferred share dividend arrears was paid, reducing the total dividend in arrears to $34 million at year-end.

1995

Surplus land and buildings in Burlington, Ontario, formerly used as a fastener shipping facility were sold.

During the year, Hilton Works idled its tinplate production assets and withdrew from the market for tinplate. Steel formerly sold to container manufacturers was diverted into other markets principally in the form of cold rolled, galvanized and prepainted products.

The pulverized coal injection facility at Hilton Works began operation at year-end. This facility, which injects coal directly into the two blast furnaces, reduces operating costs by replacing more expensive coke with pulverized coal as part of the furnace burden and enhances environmental performance by allowing the idling of three of this Unit's older coke oven batteries.

A debt issue of $150 million was purchased in advance of its 1998 maturity date, and the repurchase of long-term debt for sinking fund purposes totalled $8 million. Payments on the notes payable issued in the 1980s to finance the construction of the slab and bloom caster facilities at Hilton Works totalled $30 million. In addition, all $9 million in outstanding long-term debt at Eveleth and Tilden iron ore mines was discharged. During the year, both the Canadian Bond Rating Service and the Dominion Bond Rating Service restored Stelco's senior and subordinated debt to investment grade.

Regular quarterly cash dividends on all series of preferred shares were paid in the amount of $14 million. In addition, all dividend arrears, totalling $34 million, were paid. The purchase of preferred shares pursuant to share condition requirements had been suspended

as long as dividends were in arrears. During the year, purchases of preferred shares resumed upon declaration and payment of all dividends in arrears.

1996

In April, Stelco's 40 percent interest in Bliss & Laughlin Industries Inc. was sold.

New collective agreements were signed with the United Steelworkers of America locals at nine Business Units. These agreements will run for six years at Hilton Works, Stelco-McMaster Ltée and Stelwire Ltd. (Burlington Works); for four years at Lake Erie Steel Company Ltd. and Stelwire Ltd. (Parkdale Works); for three years at AltaSteel Ltd., Frost Wire Products Ltd., and Stelfil Ltée; and for two years at CHT Steel Company Inc.

At Stelpipe Ltd., operations halted on October 31 when this Company and Local 523, CAW/TCA Canada were unable to reach a new labour agreement and the CAW/TCA elected to strike. The strike was ongoing at year-end. At Welland Pipe Ltd., an agreement with Local 523, CAW/TCA Canada to temporarily extend the labour agreement that expired October 31 allowed this Company to continue operations.

The process of organizational restructuring continued with the conversion of Lake Erie Works to the status of a wholly owned subsidiary known as Lake Erie Steel Company Ltd.

Lake Erie Steel successfully completed a 35-day planned shutdown when major repairs were made at the blast furnace, coke ovens, steelmaking, and central power station.

During the year, six more of the wholly owned Business Units received ISO 9002 registration status in recognition of their ongoing commitment to improved product and service quality. All manufacturing Units are ISO 9002 certified.

During 1996, Hilton Works participated actively in the administrative reviews by the U.S. Department of Commerce (DOC) of 1993 rulings involving steel shipments of plate and galvanized sheet from Canada to customers in the U.S. In March, the DOC issued its final margins on shipments for the period ending July 31, 1994. The low rates obtained by all Canadian producers were appealed by U.S. petitioners. In September, the DOC announced preliminary margins of zero and 0.45 percent respectively for sales of plate and galvanized sheet by Hilton Works for the 12 months ending July 31, 1995. In its final determination issued April 4, 1997, the DOC confirmed the zero margin for plate but increased the margin for galvanized to 0.55 percent, which is over the “de minimis” level of 0.5 percent and thus requires duty deposits for each shipment into the U.S.

In December 1996, Hilton Works' management requested that Revenue Canada investigate the injurious dumping of carbon steel plate from China, Mexico, Poland, Russia, and South Africa. The action was supported by the other Canadian plate producers and follows closely a similar complaint filed in the U.S. by producers exposed to dumped plate from many of the same sources. In February 1997, Revenue Canada accepted the case presented by Hilton Works.

During the year, the Corporation announced that it was proceeding with several projects which will significantly upgrade production facilities:

- A $23 million walking beam bloom reheat furnace to be built at the bloom and billet mill at Hilton Works to enhance billet quality and reduce conversion costs by 30 percent when completed in 1998.
- An $85 million upgrade of the plate mill at Hilton Works to reduce operating costs, enhance quality, expand product range, and increase mill capacity.
- At Hilton Works, a $108 million upgrade to No. 7 coke oven battery to reduce coke costs, improve output, and improve environmental performance.
- Lake Erie Steel to undertake a $105 million upgrade and expansion of its facilities. When completed in 1998, this programme will increase capacity by 20 percent and enhance cost, quality, and product range.

A debt issue with an outstanding balance of $20 million was repurchased in advance of its maturity date. Payments on the notes payable issued in the 1980s to finance the construction of the slab and bloom caster facilities at Hilton Works totalled $30 million.

An unscheduled plant-wide shutdown at Hilton Works in June, caused by an electrical failure, halted production at this facility for 48 hours. Failure of a 6,000 hp drive motor on Lake Erie Steel's hot strip mill interrupted strip rolling for 11 days in December.

1997

In May, Welland Pipe Ltd. entered into a new four-year labour agreement with its hourly-rated employees, who had been working under a temporary extension to an agreement that expired on October 31, 1996. In July, Stelpipe Ltd. successfully negotiated the resolution of a work stoppage which began on October 31, 1996; the new agreement expires in July 2001. Also, during the year, Chisholm Coal Company signed a new labour agreement with the United Mine Workers of America, which will expire on December 31, 2002.

During the year, the Canadian International Trade Tribunal (“CITT”) upheld an anti-dumping complaint filed in December 1996 by Stelco and other Canadian producers concerning plate imported from China, Mexico, Russia, and South Africa. An appeal to a binational panel has been filed by Mexico. The CITT also initiated sunset reviews of two existing unfair trade findings; the first relating to the May 6, 1993 finding on plate and the second relating to a cold sheet finding of July 29, 1993. Stelco and the other Canadian producers have filed submissions proposing that the rulings be kept in place.

In the United States, wire rod producers Co-Steel Raritan, GS Technologies, North Star Steel, and Keystone Steel and Wire filed both antidumping and countervail complaints against imports from Canada, Germany, Trinidad and Tobago, and Venezuela. The U.S. Department of Commerce found no subsidization of Stelco shipments. In November, the U.S. International Trade Commission (“ITC”) voted no injury with respect to subsidization. In February 1998, the U.S. Department of Commerce established a 0.91 percent margin for Stelco in its dumping

investigation, the lowest margin found against any of the corporations included, and below the "de minimis" level of 2 percent for new investigations. In March 1998, the ITC voted no injury with respect to dumping.

At year-end, the Corporation recorded an after-tax charge of $10 million, or $0.10 per share, against its investment in Stelco Fasteners Ltd. This Unit was subsequently sold on January 21, 1998 to Genfast Manufacturing Company.

The Corporation continued with the significant capital projects initiated in 1996. Capital spending on these and other projects totalled $252 million in 1997. The $105 million upgrade and expansion at Lake Erie Steel Company Ltd. was essentially completed by year-end. Construction and commissioning of the slab caster, the major undertaking in the project, was completed in November 1997. Installation of a second casthouse at the blast furnace was completed in January 1998. During 1997, the Corporation announced approval of a $12 million project for Phase 1 of a programme to upgrade cold-rolling facilities at Hilton Works.

During 1997, the Corporation received $153 million from drawdowns on previously arranged long-term debt financing for major capital projects. Repayments of long-term debt totalled $57 million in 1997. Debts paid down were $30 million on the notes payable issued in the 1980s to finance the construction of slab and bloom caster facilities at Hilton Works, $13 million on the term loan at Stelco-McMaster Ltée, and $14 million against amounts owing by proportionately consolidated joint ventures.

In June 1997, the Corporation declared the first common share dividend in six years. On February 2, 1998, the Corporation announced that it had exercised its right to redeem about 60 percent of its outstanding preferred shares and that a plan was in place to purchase up to 5 percent of the outstanding common shares. These steps reflect the substantial strengthening of the balance sheet.

The United Steelworkers of America union local at Hilton Works filed a complaint with the Ontario Labour Relations Board regarding certain pension plan payments. Refer to section 3.12 on Page 29 for more information.

1998

In August, CHT Steel Company Inc. signed a four-year collective agreement with its hourly rated employees.

Several major capital projects were completed in 1998. At Hilton Works, a new bloom reheat furnace began commercial operation during the second quarter; installation of a quick-roll change system at the 4-stand cold mill was completed in the third quarter; and the No. 7 coke oven battery refurbishment project was completed in the fourth quarter. At Lake Erie Steel Company, a major expansion and upgrading of iron and steelmaking facilities was completed with the start-up of the desulphurization station and increased availability of oxygen to the blast furnace.

Three additional major capital projects were approved in 1998. Hot rolled capacity at Lake Erie Steel Company is being increased by 500,000 tons per year with a $120 million expansion of its hot strip mill. Bar production capacity at Stelco-McMaster is being expanded by 100,000 tons per year through a $27 million modernization of its rolling facilities. Target completion for both projects is second quarter 2000. At Hilton Works, a $48 million technology upgrade of the 4-stand cold mill is under way that will be completed in various stages over the next two years.

Steel imports in 1998 comprised 42 percent of Canadian apparent steel consumption, an increase from 37 percent in 1997, the previous high, and a dramatic increase from the traditional level of 28–30 percent. The surge in imports from offshore sources is due to the collapse in demand for steel in many economies outside North America. In response to a complaint filed by the Corporation in December 1998, Revenue Canada investigated dumping of hot rolled sheet from France, Romania, Russia, and Slovakia, and in March 1999, imposed substantial antidumping duty deposits on imports from these countries. The Corporation is also participating in a complaint filed by cold rolled sheet producers in January 1999.

During 1998, the Corporation received $57 million from drawdowns on previously arranged long-term debt financing for major capital projects. Debts paid down were $30 million on notes payable issued to finance the slab and bloom caster facilities at Hilton Works, $7 million on the term loan at Stelco-McMaster Ltée, $17 million on other term loans, and $13 million against amounts owing by proportionately consolidated joint ventures. In February 1999, the Corporation issued $150 million of 8 percent senior, unsecured debentures, maturing in 2006.

In May 1998, the Corporation redeemed all Series B preferred and one-half of the Series C preferred shares outstanding for $98 million.

During the year, the Corporation acquired for cancellation 1.7 million of its common shares for $17 million, through a normal course issuer bid.

In December 1998, the Board of Directors adopted a shareholder rights plan that, in the event of an unsolicited takeover bid, would allow the Board and the Corporation's shareholders more time to evaluate the offer and, if appropriate, to pursue other alternatives to maximize shareholder value.

3. DESCRIPTION OF THE BUSINESS

3.1 Market Overview

Canadian and U.S. steelmakers serve North American customers in a North American marketplace. The steel industry's automotive and automotive-supplier customer base is characterized by common ownership on both sides of the border. Purchasing decisions involve comparable products at comparable prices with emphasis being placed upon quality, service, and supply dependability, and not on country of origin.

The North American steel industry is also characterized by vigorous competition amongst the resident producers. The growth in recent years in steel output from mini-mills, which produce steel from scrap in electric-arc furnaces, and the emergence of thin-slab casting technologies, which allow mini-mills to produce certain sheet products, has increased competitive pressures in some market sectors.

North American steel producers also face significant competition from foreign producers. The intensity of such competition is affected by global steelmaking capacity, worldwide demand for steel products, and relative currency valuations. Some foreign steel producers are owned, controlled or subsidized by their governments; consequently, their sales decisions may be influenced by political and economic policy decisions rather than by prevailing market conditions. The Corporation monitors steel imports for compliance with fair-trade practices and initiates action under Canadian trade legislation where there is evidence of unfair trade.

The following tables set out summary information regarding producer shipments and steel consumption in Canada and the U.S.:

Apparent Steel Consumption – Canada

(Million Tons)	1998	1997	1996	1995	1994
Gross Shipments	15.5	16.0	15.6	14.7	14.8
Less: Exports	(5.2)	(5.3)	(5.3)	(5.1)	(4.9)
Domestic Shipments	10.3	10.7	10.3	9.6	9.9
Imports (ex producer imports)	7.4	6.3	4.0	4.1	4.3
Apparent Consumption	17.7	17.0	14.3	13.7	14.2
Imports (%)	42	37	28	30	30

Apparent Steel Consumption – U.S.

(Million Tons)	1998	1997	1996	1995	1994
Gross Shipments	102.1	105.5	100.9	97.5	95.1
Less: Exports	(5.5)	(6.0)	(5.0)	(7.1)	(3.8)
Domestic Shipments	96.6	99.5	95.8	90.4	91.3
Imports (ex producer imports)	34.7	24.8	21.6	19.2	22.1
Apparent Consumption	131.3	124.3	117.4	109.6	113.4
Imports (%)	26	20	18	18	19

The following table sets out Stelco's consolidated shipments and market share:

Consolidated Shipments – Stelco Inc.

(Thousand Tons)	1998	1997	1996	1995	1994
Steel Shipments	4,607	4,818	4,577	4,380	4,460
Domestic Shipments - Percent of Canadian Apparent Consumption	22	24	25	27	25
Total Shipments - Percent of Canadian and U.S Apparent Consumption	3	3	4	4	3

Over the 1994–1998 period, Stelco's share of Canadian apparent steel consumption and of combined Canada and U.S. apparent steel consumption has ranged from 22 to 27 percent and 3 to 4 percent, respectively.

3.2 Products and Markets

The following table provides the Corporation's total consolidated sales and a percentage breakdown by major product group over the past five years:

Sales By Product Type

	1998	1997	1996	1995	1994
Consolidated Sales ($ millions)	3,168	3,149	2,941	2,926	2,916
Hot Rolled Sheet	24%	27%	24%	24%	23%
Cold Rolled Sheet	10	11	11	11	10
Coated Sheet	23	22	22	21	23
Plate	4	6	6	7	6
Bars & Wire Rod	16	16	17	18	17
Wire & Wire Products	9	10	10	10	10
Pipe & Tubular Products	10	6	8	8	9
Other	4	2	2	1	2
Total	100%	100%	100%	100%	100%

The following table provides steel shipments from the Corporation’s steel-producing Units and a percentage breakdown by principal markets:

Shipments By Market Sector

	1998	1997	1996	1995	1994
Rolled Steel Shipments (thousand tons)	4,467	4,786	4,578	4,346	4,420
Automotive	40%	36%	36%	36%	36%
Steel Service Centres	24	26	26	25	21
Pipe & Tubular Products	11	12	13	12	16
Fabrication & Manufacturing	12	12	12	13	12
Other	13	14	13	14	15
Total	100%	100%	100%	100%	100%
Shipments to subsidiaries included above	14%	11%	14%	14%	16%

3.3 Business Strategy

Stelco's strategy is to maintain its solid financial position and enhance shareholder value through improved financial performance. This will be accomplished through continuous improvement in operational performance to reduce costs (particularly in productivity, quality, product yields and energy usage); improvement in the value-added mix of products sold; and securing access to markets through improved quality, customer service and supply dependability. Selective facility investment and workforce training will be employed to equip our people with the technology and skills required to carry out this strategy.

3.4 Business Units

An outline of the Corporation's key operating businesses, by segments, is provided below:

	Unit/Location	Stelco[1] Ownership	Principal Products	1998 Sales[2] ($ millions)
Rolled Steel Products				
Steelmaking	Hilton Works Hamilton, Ontario	Division of Stelco Inc.	Hot rolled sheet Cold rolled sheet Coated sheet Plate Bars Wire rod	$ 1,890
	Lake Erie Steel Company Ltd. Nanticoke, Ontario[3]	100%	Hot rolled sheet	$ 905
	Stelco-McMaster Ltée Contrecoeur, Quebec	100%	Billets Merchant & special quality bars	$ 198
	AltaSteel Ltd. Edmonton, Alberta	100%	Merchant & special quality bars	$ 116
Steel Processing	CHT Steel Company Inc. Richmond Hill, Ontario	100%	Heat treatment of plate	$ 7
	Stelco USA, Inc. Troy, Michigan	100%	Processing, warehousing & sale of steel products	$ 123
	Z-Line Company Hamilton, Ontario	60%	Zinc coating of cold rolled steel	$ 62
	Baycoat Hamilton, Ontario	50%	Painting of cold rolled & galvanized steel	$ 86

	Unit/Location	Stelco[1] Ownership	Principal Products	1998 Sales[2] ($ millions)
Raw Materials	Chisholm Coal Company Jamboree, Kentucky	100%	Coal	$ U.S. 21
	Wabush Mines Newfoundland & Quebec	37.9%	Iron ore	$ 317
	Hibbing Mine Minnesota	15%	Iron ore	$ U.S. 298
	Eveleth Mines L.L.C. Minnesota	15%	Iron ore	$ U.S. 168
	Tilden Mining Company L.C. Michigan	15%	Iron ore	$ U.S. 270
	Fers et Métaux Recyclés Ltée New Brunswick & Quebec	50%	Scrap	$ 76
Manufactured Products				
Wire and Wire Products	Stelwire Ltd. Hamilton, Ontario	100%	Wire & nails	$ 197
	Frost Wire Products Ltd. Hamilton, Ontario	100%	Wire fence & mesh	$ 38
	Stelfil Ltée Lachine, Quebec	100%	Wire & wire products	$ 79
Pipe and Tubular Products	Stelpipe Ltd. Welland, Ontario	100%	Pipe & tubular products	$ 99
	Welland Pipe Ltd. Welland, Ontario	100%	Large-diameter oil & gas transmission pipe	$ 231
	Camrose Pipe Company Camrose, Alberta	40%	Pipe & tubular products large-diameter oil & gas transmission pipe	$ 248
Other	MOLY-COP Canada Kamloops, B.C.	50%	Grinding balls	$ 43
	Torcad Limited Toronto, Ontario	50%	Metal plating & finishing	$ 15

(1) Direct or Indirect.

(2) Sales include inter-Unit transactions at market prices. For the partially owned Units, sales represent 100 percent of the business activity of these entities.

(3) Effective January 1, 1999, Lake Erie Steel Company Ltd. was amalgamated with Stelco Inc. and will continue as a Division.

3.5 Rolled Steel Products Segment

3.5.1 Hilton Works

The Hilton Works Business Unit is a Division of Stelco It occupies 1,100 acres, including harbour facilities, in Hamilton. It is a fully integrated steelmaking facility and is Stelco's largest Business Unit. Its location on Lake Ontario provides good access to raw material sources in Canada and the U.S.A. via water-borne transportation. In addition, its location provides ready access via water, rail, and highway transportation to steel-consuming markets in Canada and the U.S.A.

(a) Semi-finished Steel

Facilities used in the production of semi-finished steel include two coke oven batteries, a pulverized coal injection facility, two blast furnaces, a three-vessel basic oxygen furnace shop, and a ladle metallurgy/continuous casting complex with one slab caster and one combination slab/bloom caster. Semi-finished steelmaking capacity is approximately 2.5 million tons. A $108 million upgrade to No. 7 coke oven battery was completed in 1998 which will reduce coke costs, improve output and enhance environmental performance.

Steel slabs and blooms produced are used at Hilton Works in the production of plate, sheet, and rod and bar products.

(b) Plate and Strip

Slabs for flat rolled products are hot-processed through a 148-inch plate mill or a 56-inch coilbox-equipped hot strip mill.

The 148-inch plate mill is being modernized to a “New Generation Plate Mill” with the capital expenditure of $85 million. The upgraded unit will be a combination discrete plate and coil plate rolling facility incorporating the Steckel mill rolling process. The mill will have lower costs and increased productivity and capabilities to meet the quality demanded in the market place in both discrete plate and coil plate products. At year-end 1998, work on this project was proceeding toward completion of construction in the first quarter of 1999.

Plate products supplied by this division of Hilton Works include structural-grade plate, heat-treated plate produced at CHT Steel Company Inc. and plate for high-strength, large-diameter transmission pipe.

Principal markets for plate products are steel service centres, steel fabricators, railway car manufacturers, shipbuilders, and producers of large-diameter transmission pipe for the oil and gas industry. Over the past five years, approximately 30 percent of plate sales were shipped to related-party customers.

Major competitors in the plate market include Algoma Steel Inc. and Ipsco Inc. in Canada, several steel producers in the U.S.A., and imports.

A significant portion of hot rolled sheet output is further processed at the Cold Roll and Coated division of Hilton Works. Principal markets for hot rolled sheet are the automotive sector, pipe and tubular products manufacturers and steel service centres. Over the past five years, approximately 18 percent of the sales of hot rolled sheet were to related-party customers.

Major competitors in the hot rolled sheet market include Dofasco Inc., Ispat-Sidbec Inc. and Algoma Steel Inc. in Canada, a number of integrated and mini-mill steel producers in the U.S.A., and imports.

(c) Cold Roll and Coated

Hot rolled sheet which has been “pickled” (i.e. cleaned of rolling scale) is further processed by cold rolling through an 80-inch 4-stand, 4-high tandem mill or a 56-inch 5-stand, 4-high tandem mill. Other facilities of this division of Hilton Works include batch annealing and temper mills and two hot-dip galvanizing lines. The division also provides management and operating services to the Z-Line Company (see Z-Line Company on Page 18).

A comprehensive programme is under way to upgrade the capabilities of the 4-stand cold mill. During 1998, Phase I of the programme was completed with installation of automatic quick roll changing equipment which significantly increased cold-rolling capacity. Phase II, a $48 million upgrade, will be completed in various stages over the next two years.

Hilton Works is a major supplier of cold rolled and coated products to the North American market. Products include cold rolled, galvanized, and prepainted sheet. Prepainted sheet is produced at Baycoat (see Baycoat on Page 18).

Principal markets for cold rolled and coated products in North America are the automotive, construction, appliance, and steel service centre sectors.

Principal competitors in the market for cold rolled and coated sheets in North America include Dofasco Inc., Ispat-Sidbec Inc. and Algoma Steel Inc. in Canada, a number of steel producers in the U.S.A., U.S.-based speciality producers of cold rolled and/or coated sheet, and imports.

(d) Rod and Bar

Blooms for long products (i.e. rod and bar) are hot-processed through a bloom and billet mill to produce billets, which are then processed through either a bar mill or rod mill. The rod mill is also used to process billets for outside producers. Installation of a $23 million walking beam bloom reheat furnace was completed in

1998 which has improved mill productivity and product quality and reduced operating costs.

Principal markets for rod and bar products in North America are the automotive sector, and wire and wire products producers. Over the past five years, approximately 42 percent of the sales of this Division were shipped to related-party customers.

This Division's principal competitors in North America include Ivaco Inc. and Ispat-Sidbec Inc. in Canada, and a number of mini-mill and speciality producers in the U.S.A.

3.5.2 Lake Erie Steel Company Ltd.

Lake Erie Steel Company Ltd. became a Division of Stelco Inc. on January 1, 1999 as a result of the amalgamation of Lake Erie Steel Company Ltd. and Stelco Inc. Lake Erie Steel Company is situated on 4,100 acres in Nanticoke, Ontario, on the north shore of Lake Erie approximately 65 kilometres from Hamilton. This is a fully integrated steelmaking facility, commissioned in stages from 1980 to 1983. A 2,500-acre industrial park and a woodlot preserve form a buffer zone on the north side of this facility in a predominantly rural location. Its location provides good access to raw material sources in the U.S.A. via water-borne transportation. Its location also provides ready access via highway transportation to steel-consuming markets in Canada and U.S.A.

Primary production facilities include coke ovens, one blast furnace, a two-vessel basic oxygen furnace shop, a vacuum degasser and a twin-strand slab caster. Semi-finished steelmaking capacity is 2.2 million tons, all in the form of slabs. Slabs produced at Lake Erie Steel Company are rolled on a coilbox-equipped 80-inch hot strip mill. In support of its position as a premier producer of hot rolled sheets, this Unit completed, in 1998, a $105 million upgrade to its facilities which will improve productivity and product quality, and increase steelmaking capacity to enable this Unit to meet the growing demand for high-quality hot rolled sheet. Hot rolled sheet production capacity is being increased by 500,000 tons per year with a $120 million expansion of the 80-inch mill, which is expected to be completed in the second quarter of 2000.

Lake Erie Steel Company is focused on the production and sale of high-quality hot rolled sheet. Principal markets for hot rolled sheet products in North America are the automotive sector, steel service centres, and pipe and tubular products manufacturers. Over the past five years, approximately 39 percent of the sales of this Unit were shipped to related-party customers.

Lake Erie Steel Company's major competitors in the North American market for hot rolled sheet include Dofasco Inc. and Algoma Steel Inc. in Canada, a number of integrated and mini-mill steel producers in the U.S.A., and imports.

3.5.3 Stelco-McMaster Ltée

Stelco-McMaster Ltée, a wholly owned subsidiary with its head office and plant in Contrecoeur, Quebec, about 55 kilometres from Montreal, is a stand-alone mini-mill steelmaking facility. The facility has ready access to major North American steel markets via rail and truck, and to offshore markets via year-round shipping facilities operated by the Port of Contrecoeur, located near the plant. Stelco-McMaster produces steel from scrap sourced in Canada and the northeastern United States. Stelco-McMaster owns 50 percent of Fers et Métaux Recyclés Ltée, a processor of ferrous and non-ferrous scrap (see section Scrap Supply on Page 20). Through its relationships with Fers et Métaux and other scrap suppliers, Stelco-McMaster has access to stable and adequate scrap supplies.

Steelmaking facilities include one 130-ton electric-arc furnace, a ladle metallurgy station and a four-strand billet caster. Semi-finished steelmaking capacity is approximately 500,000 tons per year. Bar mill facilities include a cross-country mill and an automatic bar packaging system. Bar rolling capacity is approximately 310,000 tons. A $27 million project is currently under way which will expand bar rolling capacity by 100,000 tons; completion is expected in the second quarter of 2000.

Stelco-McMaster manufactures and sells billets, rebar, merchant quality and special quality bars, and railway-related products.

Principal markets served by Stelco-McMaster include the automotive, railway, and construction industries, and steel service centres in North America. Efforts are under way to expand market participation in Mexico and South America. Over the past five years, approximately 33 percent of the sales of this Unit were shipped to related-party customers.

Stelco-McMaster's major competitors in the North American market include Ispat-Sidbec Inc., Co-Steel Inc., Gerdau Courtice Steel Inc., Gerdau MRM Steel Inc. and Slater Industries Inc. in Canada, and a number of mini-mill steel producers in the U.S.A.

3.5.4 AltaSteel Ltd.

AltaSteel Ltd., a wholly owned subsidiary with its plant and head office in Strathcona County near Edmonton, Alberta, is a stand-alone mini-mill steelmaking facility. AltaSteel produces steel from scrap sourced primarily from Western Canada. Scrap is purchased from local scrap dealers and scrap-generating customers. AltaSteel owns 50 percent of MOLY-COP Canada, (see section 3.6.3 on Page 23), a producer of grinding balls for the Canadian mining industry.

Steelmaking facilities consist of one 80-ton electric arc furnace, a ladle furnace, and one 3-strand billet caster. Semi-finished steel capacity is approximately 325,000 tons per year. The bar mill has evolved into a configuration which features two rolling outlets providing flexibility for a wide range of products. In addition, AltaSteel operates a scrap preparation facility, which includes an auto hulk shredder.

AltaSteel manufactures and sells merchant quality and special quality bars.

Principal markets served by AltaSteel Ltd. include the mining, construction, manufacturing, automotive, and oil and gas industries, and steel service centres. Over the past five years, approximately 17 percent of this Unit's sales were shipped to a related party.

AltaSteel's major competitors in the markets it serves are Co-Steel Inc., Gerdau MRM Steel Inc., and Ispat-Sidbec Inc. in Canada, and a number of mini-mill steelmakers located in the U.S.A.

3.5.5 Steel Processing

CHT Steel Company Inc.

CHT Steel Company Inc., a wholly owned subsidiary of Stelco located in Richmond Hill, Ontario, specializes in heat treating of plate. The business is operated from a 125,000-square-foot facility on seven acres. The facility contains three quench and temper lines, a normalizing/annealing line, and two shot blasters. CHT Steel provides a complete range of toll heat treating services including annealing, stress relieving, normalizing, and quenching and tempering. Hilton Works (see section 3.5.1 on Page 14) is CHT Steel's only significant customer.

Stelco USA, Inc.

Stelco USA, Inc., wholly owned by Stelco through Stelco Holding Company, is located in Troy, Michigan. Stelco USA purchases the products of Stelco's Business Units for the purposes of consignment, further processing, and warehousing in the United States prior to shipment to the final customer.

Z-Line Company

Stelco owns 60 percent of the Z-Line Company, which is located at Hilton Works (see section 3.5.1(c) on Page 15). The Z-Line facility toll zinc coats cold rolled sheets for Hilton Works for a wide variety of demanding applications. An $8 million upgrade to this facility, aimed at increasing capacity by 30,000 tons, was completed early in 1999.

Baycoat

Stelco owns 50 percent of Baycoat, which toll applies a variety of paint finishes to flat rolled steel coils at its facility in Hamilton, Ontario. Baycoat operates three coil-coating lines each equipped to coat cold rolled or galvanized substrates with a variety of exterior and interior paint systems. Baycoat's customers are its owners, Stelco and Dofasco Inc.

3.5.6 Raw Materials

General

The principal raw materials used in the Corporation's integrated steelmaking operations are coal and iron ore. The Corporation obtained approximately 11 percent of its requirements for metallurgical coal from its wholly owned subsidiary, Chisholm Coal Company in 1998 with the balance being purchased from independent coal producers at market prices. The Corporation believes the current sources of purchased coal to be sufficiently stable and adequate for the maintenance of operations. The Corporation's iron ore requirements are met, mostly, from iron ore mines in which the Corporation has ownership interests. To meet total requirements for iron ore, the Corporation has entered into flexible, long-term supply contracts.

The principal raw material used in the Corporation's mini-mill steelmaking operation is scrap. The integrated steelmaking operations also consume considerable quantities of scrap. The Corporation believes the current sources are sufficiently stable and adequate for the maintenance of operations.

Coal Supply

Chisholm Coal Company, located in Jamboree, Kentucky, an indirect wholly owned subsidiary of Stelco Inc., produces high-quality metallurgical coal. Coal produced is consumed partially by the integrated steel producers, Hilton Works and Lake Erie Steel Company, with the remainder being sold commercially. In 1998, coal production at Chisholm represented 30 percent of total corporate requirements. At current mining rates, coal reserves at Chisholm are estimated to be four years.

Iron Ore Supply

Stelco owns substantial interests in iron ore properties in North America to ensure secure sources of iron ore. These interests include mining rights on leases and the ownership of related production facilities. Stelco has a right to a pro-rata share, based on ownership, to the production from each of its iron ore properties. The Corporation's mineral reserves are estimated at capacity mining rates to contain more than 30 years' supply of iron ore.

Ownership sources constitute about 75 percent of total corporate iron ore requirements. The balance is obtained under the terms of flexible long-term contracts.

The rated annual capacities for the iron ore mines referred to below represent maximum production capabilities. Actual operation levels are adjusted annually to meet the requirements of the participants in the mining projects.

The Corporation has a 37.9 percent direct interest, the largest interest of the several participants, in Wabush Mines. The mine and concentrator are located in Wabush, Newfoundland, and the pelletizing plant is located in Pointe Noire, Quebec. Rated annual capacity is 6.0 million gross tons of iron ore pellets.

Through wholly owned subsidiaries, the Corporation has a 15 percent interest in Tilden Mining Company L.C. located in Michigan. Rated annual capacity is 7.0 million gross tons of iron ore pellets. The Tilden holding was reorganized into an interest in a limited liability company in 1995.

Through wholly owned subsidiaries, the Corporation has a 15 percent interest in Eveleth Mines L.L.C. located in Minnesota. Rated annual capacity is 5.2 million gross tons of iron ore pellets. The Eveleth holding was reorganized into an interest in a limited liability company in 1996, with Stelco's share of the new entity remaining at 15 percent.

Through wholly owned subsidiaries and partially owned joint ventures, the Corporation has a 15 percent interest in the Hibbing Mine located in Minnesota. Rated annual capacity is 8.3 million gross tons of iron ore pellets.

Scrap Supply

Stelco-McMaster Ltée owns 50 percent of Fers et Métaux Recyclés Ltée, a processor of scrap derived primarily from obsolete vehicles, which operates facilities in La Prairie, Quebec, and Scoudouc, N.B.

Fers et Métaux operates vehicle shredding facilities at both its plants. The steel fractions of the shredded vehicles are recovered. At the La Prairie facilities, the remainder of the shredded scrap is separated into non-ferrous metals and residual material.

Essentially all steel scrap produced by Fers et Métaux is supplied to Stelco-McMaster under a cost recovery arrangement and comprises, typically, 25 – 30 percent of the scrap used in Stelco-McMaster's electric steelmaking furnace. Other metals are sold to non-ferrous refiners or processors.

3.6 Manufactured Products Segment

3.6.1 Wire Businesses

Stelwire Ltd.

Stelwire Ltd., a wholly owned subsidiary with its head office in Hamilton, Ontario, and plants in Hamilton (Parkdale Works) and Burlington, Ontario (Burlington Works), is one of North America's largest producers of steel wire and nails.

The Parkdale Works operation consists of a 621,000-square-foot production plant located on a 51-acre site. Facilities include rod storage and handling, 2 cleaning and coating lines, more than 40 wire drawing machines, a batch annealing shop, over 100 nail machines, a 36-strand hot-dip wire galvanizing line, 1 stabilized prestressed concrete strand manufacturing line and 3 oil-temper lines. The plant also operates extensive wire and nail packaging, inspection, testing, maintenance and shipping facilities. The Burlington Works operation consists of a 91,000-square-foot production plant located on a 26-acre site. Facilities include a cleaning and coating line and 2 high-capacity continuous annealing furnaces.

Products manufactured at Stelwire include cold heading wire, low carbon bright and galvanized industrial quality wire, high carbon and alloy wire for springs and wire screens, prestressed concrete strand, processed rod and bar, and a wide range of bright and galvanized nails.

Stelwire services the major industrial and commercial markets of North America either directly or through distributors. The automotive, agricultural, construction, and residential sectors of the North American market make up a large portion of Stelwire's customer base. Over the past five years, approximately 18 percent of the sales of this Unit were to related-party customers.

Stelwire's major competitors in the North American market are Ivaco Inc., Ispat-Sidbec Inc., Titan Steel and Wire Co. Ltd., Tree Island Industries Ltd., Duchesne & Fils Limitée, and Laurel Steel (Div. of Harris Steel Group) in Canada, a number of wire and wire products producers based in the U.S.A., and imports.

Stelfil Ltée

Stelfil Ltée, a wholly owned subsidiary with its head office and plant in Lachine, Quebec (near Montreal), produces wire and wire products.

Stelfil's operation is located in a 443,000-square-foot manufacturing facility on a 20-acre site. Facilities include rod storage and handling, a fully automated batch cleaning and coating line, 2 hot-dip galvanizing and 2 electro-galvanizing lines, 1 patenting line, 26 wire drawing frames, a small batch anneal operation, and 2 tubular wire stranders. The facility is also equipped with extensive material testing and maintenance facilities.

Products manufactured at Stelfil include low and high carbon wire, bright and galvanized wire, and industrial and special quality wire.

Stelfil services the major industrial markets in North America either directly or through distributors. The communication-cable, pulp-tying, electrical, and construction sectors of the North American market make up a large portion of Stelfil's customer base. Over the past five years, approximately 10 percent of the sales of this Unit were to related-party customers.

Stelfil's principal competitors in the North American market are Ivaco Inc. and Ispat-Sidbec Inc. in Canada, a number of wire and wire products producers based in the U.S.A., and imports.

Frost Wire Products Ltd.

Frost Wire Products Ltd., a wholly owned subsidiary with its head office and plant in Hamilton, Ontario, is Canada's largest manufacturer of fence and welded wire products.

Frost's Hamilton operation is housed in a 320,000-square-foot facility located on a 15-acre site. Facilities include a hot-dip galvanizing line for chainlink and light welded-wire fabrics, 9 welded-fabric machines, 9 chainlink looms, 3 tightlock fence looms, 1 hingelock loom, 2 vinyl extruders, 14 barbed wire machines, a post punch and paint line, and a number of wire coiling and bundling machines.

Products manufactured by Frost include chain link fence, welded-wire fabric, farm fencing, barbed wire, and a range of packaged wire, fence accessories, and merchant wire products.

Frost's principal customers are in the construction, farm, residential, and industrial sectors, primarily in Ontario and Quebec, although products are shipped coast to coast in Canada and to selected U.S. markets.

Frost's competitors in Canada for construction and welded-wire mesh are Laurel Steel (Div. of Harris Steel Group), Canadian Phoenix Ltd., Ivaco Inc., and Fertek Inc. Frost's competitors for fence products in Canada are Tree Island Industries Ltd., Langley Wire Ind. Ltd., Advanced Fence and Wire Manufacturing, Clôture Lasalle Ltée, and imports from manufacturers in the U.S.A.

3.6.2 Pipe and Tubular Businesses

Stelpipe Ltd.

Stelpipe Ltd., a wholly owned subsidiary with its head office and plant in Welland, Ontario, manufactures pipe and tubular products in diameters ranging from 0.5 to 8 inches.

Facilities at Stelpipe include one electric-resistance-weld, hot-stretch-reduction mill (ERW/SRM), one ERW pipe mill and one cold-drawn tubing mill. Pipe-making capacity is approximately 175,000 tons.

Stelpipe's product range includes oil well tubing hollows, oil well casing hollows, water well casing, sprinkler pipe, mechanical and automotive tubing, heating and plumbing pipe, galvanized pipe, drill rod and pressure and speciality tubing.

Stelpipe's principal markets are the North American automotive, construction, energy, manufacturing, and distribution market sectors.

Stelpipe's competitors include Ispat-Sidbec Inc., Ipsco Inc., Prudential Steel Ltd., Copperweld Canada Ltd., and Welded Tube of Canada Limited, and a large number of tubular product producers in the U.S.A.

Welland Pipe Ltd.

Welland Pipe Ltd., a wholly owned subsidiary with its head office and plant in Welland, Ontario, produces large-diameter transmission pipe for the oil and gas industry.

Facilities include a Stelform spiral weld mill (36- to 60-inch diameter) and a U and O mill (20- to 36-inch) diameter. Combined annual capacity of the two mills is approximately 500,000 tons.

Welland Pipe serves the oil and gas transmission industry in North America.

Welland Pipe competes with Ipsco Inc. and Camrose Pipe Company in Canada, and a number of U.S.-based large-diameter pipe producers.

Camrose Pipe Company

Stelco owns 40 percent of the Camrose Pipe Company ("Camrose"), a partnership with Oregon Steel Mills, Inc. ("Oregon Steel"), of Portland, Oregon, which produces large-diameter transmission pipe for the oil and gas industry as well as pipe ranging in diameter from 4 to 16 inches.

Camrose operates two pipe mills: an electric-resistance-weld (ERW) mill that manufactures pipe ranging in diameter from 4 to 16 inches with an annual capacity of 140,000 tons, and a U and O mill that manufactures pipe ranging in diameter from 20 to 42 inches with an annual capacity of 180,000 tons.

Camrose services the oil and gas distribution, and transmission and construction markets, primarily in Western Canada and the northwestern United States.

Under the agreement by which Oregon Steel acquired its 60-percent interest in Camrose from Stelco, either Stelco or Oregon Steel may initiate a buy-sell procedure pursuant to which the initiating party establishes a price for Camrose and the other party must either sell its interest at that price or purchase the initiating party's interest at that price.

3.6.3 Other

MOLY-COP Canada

AltaSteel Ltd. (see section 3.5.4 on Page 17) owns 50 percent of MOLY-COP Canada, a producer of forged grinding balls for the mining and mineral industry. This partnership with GS Industries of Charlotte, North Carolina, is located in Kamloops, B.C.

MOLY-COP's 83,000 ton-per-year plant is the largest grinding media production facility in Canada. It produces a complete range of forged and heat treated grinding balls from 1 inch to 5.25 inches in diameter.

MOLY-COP's products are sold principally to the Canadian mining and mineral industry.

Torcad Limited

Stelco owns 50 percent of Torcad Limited, which operates a metal plating plant (Torcad Division) in Toronto, Ontario, and a metal finishing plant (D.C. Chrome Division) in Stoney Creek, Ontario.

The Torcad Division provides a wide variety of metal plating services for numerous customers in the automotive-related, manufacturing, and construction sectors. The D.C. Chrome Division textures and chromium plates work rolls used in cold rolling of steel for Hilton Works (see section 3.5.1 on Page 14) as well as for other customers.

3.7 Employees

The Corporation, directly and through its wholly owned subsidiaries, employed an average of 10,649 people in 1998. Of this total, approximately 8,061 were represented by 12 separate collective bargaining agreements, such agreements being limited to single plants. Approximately 91 percent of the unionized employees belong to the United Steelworkers of America with the balance holding membership in either the CAW/TCA Canada or the United Mine Workers of America.

Labour contract termination dates and union affiliation of the wholly owned Business Units are shown below:

Business Unit	Length of Contract	Expiry Date
United Steelworkers of America (USWA)		
Hilton Works (Unit of Stelco Inc.)	6 years	July 31, 2002
Lake Erie Steel Company Ltd.	4 years	July 31, 2000
Stelco-McMaster Ltée	6 years	July 31, 2002 (wage reopener July 31, 1999)
AltaSteel Ltd.	3 years	July 31, 1999
Stelwire Ltd. – Parkdale	4 years	July 31, 2000
Stelwire Ltd. – Burlington	6 years	July 31, 2002
Frost Wire Products Ltd.	3 years	July 31, 1999
Stelfil Ltée	3 years	July 31, 1999
CHT Steel Company Inc.	4 years	Mar. 31, 2002
National Automobile, Aerospace and Agricultural Implement Workers' Union of Canada (CAW/TCA)		
Stelpipe Ltd.	4 years	July 7, 2001
Welland Pipe	4 years	Oct. 31, 2000
International Union, United Mineworkers of America (UMWA)		
Chisholm Coal Company	5 years	Dec. 31, 2002

3.8 Health, Safety & Environment

The Corporation's Group of Businesses are subject to substantial and evolving environmental laws and regulations concerning, among other things, emissions to the air, discharges to surface ground water, noise control, and the generation, handling, storage, transportation, treatment, and disposal of toxic and hazardous substances. These laws and regulations vary depending on the location of the Business Unit and can involve federal, provincial, and municipal laws and regulations.

In 1998, the Stelco Group of Businesses incurred operating costs of $60 million and spent $44 million on capital improvements to meet overall corporate and business environmental goals and objectives, and to maintain compliance with environmental laws. The Corporation believes that future costs relating to environmental compliance will not have a material adverse effect on its financial position, but there can be no assurance that unforeseen changes in the laws or enforcement policies of relevant government bodies, or the discovery of changed conditions on the Corporation's real property or in its operations, will not result in the occurrence of materially adverse costs.

Facilities improvements at Hilton Works needed to meet certain water emission standards established by the Ontario government under its Municipal/Industrial Strategy for Abatement (MISA) were substantially completed in 1998.

The Corporation's Group of Businesses have engaged in a range of voluntary activities aimed at environmental abatement, such as the Canadian Steel Producers Association Statement of Commitment and Action, the Accelerated Reduction and Elimination of Toxics (ARET) programme, the Canadian Industrial Program for Energy Conservation (CIPEC), the Federal Environment Minister's Benzene Challenge, the Canadian Chemical Producers' Association National Emission Reduction Masterplan and Responsible Care Activity, the Ontario Ministry of the Environment Smog Accord, Saint Laurent 2000 in Quebec, Lake Erie Steel's Community Advisory Panel, Hilton Works' Hamilton Air Quality Committee, and the Remedial Action Plan for Hamilton Harbour.

The Stelco Group of Businesses face varying challenges arising from the federal government's Toxic Substances Management Plan (TSMP) as it relates to Priority Substances Lists of toxic substances that continue to be identified, characterized, and, in certain cases, added to the list of substances requiring management pursuant to the TSMP. During the year the federal government introduced Bill C32 the Canadian Environmental Protection Act (CEPA) in which TSMP is incorporated. The Bill was still before Parliament at year-end. Despite the fact that this is an ongoing process, the Corporation believes that any operating or capital expenditures that may be required to achieve compliance with the TSMP will not have a material adverse effect on the Corporation's financial position; however, there can be no assurance that unforeseen changes in the law will not result in costs being incurred which will have a materially adverse effect.

The Corporation also faces uncertainties arising from the federal government's commitments to global warming and the Kyoto Accord, signed by Canada in 1998. Since the

Canadian government has not yet developed policies to address the requirements of the Accord, the effect on the Corporation's financial position cannot be assessed at this time.

The Corporation maintains an internal health, safety, environment, and risk audit system, which is carried out at its wholly owned Business Units, to determine compliance with respect to legal requirements and Stelco's corporate policies in these areas.

The Corporation is faced with a variety of health and safety legislation administered by provincial authorities throughout Canada where facilities are located. The Corporation does not believe that it is faced with any requirements in respect of health and safety or industrial hygiene that will have a material adverse effect on the Corporation's financial position.

3.9 Research and Development

Stelco and its wholly owned subsidiaries spent $4 million on Scientific Research and Experimental Development (SR&ED) eligible research activities in 1998. In addition to product and process development undertaken at the individual businesses, significant research was undertaken through industry-based consortia under the auspices of Corporate Research and Development. These include:

- **UltraLight Steel Auto Body (ULSAB)** – Phase II – this programme, sponsored by 35 of the world's leading steel companies, was developed to demonstrate a lightweight steel auto body structure that meets a wide range of performance targets. Phase II – Validation, successfully completed in 1998, included an improved economic analysis of ULSAB versus conventional steel auto bodies; development of a final engineering design, including crash simulation; and demonstration of ULSAB's manufacturability using body-in-white prototypes.

- **ULSAB-AVC (Advanced Vehicle Concept)** – the consortium, currently consisting of 31 international steelmakers, was launched in January 1999. Phase I will benchmark and define design targets with reference to the United States Partnership for a New Generation of Vehicles (PNGV) and the European CO_2 Reduction (EUCAR) programmes for a complete vehicle. Although the design focus will be the body, it will take into account advances in engine, transmission, and suspension systems. Phase I will be completed in mid-2000, and will be followed by Phase II –Validation, which will develop a detailed design and build a prototype for testing.

- **ULSAS (Ultralight Steel Auto Suspension)** – this programme, sponsored by 34 international steelmakers, is intended to demonstrate a lightweight rear suspension system that meets both cost and performance targets. Phase I – Step 1 was completed and involved benchmarking the weight, cost, and ride characteristics of rear suspension systems on eight representative vehicles. Phase I – Step 2 is under way, and is intended to develop rear suspension design concepts for four different suspension types, applied to four different body sizes.

- **ULSAC (Ultralight Steel Auto Closures)** – this programme, sponsored by 34 international steel companies, is intended to develop automotive closures (hood, decklid, door, liftgate, hatchback) that will achieve equal performance with benchmark vehicles with significant weight savings and no cost penalty. Phase I was completed and covered benchmarking of closure panels on 15 representative vehicles and concept design of improved closures. Phase II – Validation is under way and is developing a detailed design for one part – a headerless door. Design work was completed and a prototype door will be available for testing in the fall of 1999.

- **Projet Bessemer** has been sponsored by a consortium of six Canadian steel companies in co-operation with the National Research Council (NRC). Phase V continued the development of the product and process technology for the direct casting of thin (5 mm) carbon steel strip using a twin-roll pilot caster at the Industrial Material Institute (IMI) of NRC. During 1998, IMI continued development of the casting process, including studies on the effect of inert atmosphere over the molten steel pool, steel chemistry modification, and in-line rolling. The reliability of the casting operation was significantly improved during this period. An economic evaluation of the strip casting process was also completed. Given the international status of commercial development of the strip casting technology, the Board of Projet Bessemer has elected not to proceed to the demonstration phase of this programme and the project will be wound-up in 1999.

- **AISI Advanced Process Control** – the multi-project programme completed in 1998 was sponsored by 14 member companies of the American Iron and Steel Institute (AISI). Its purpose was to develop advanced process sensors and software to maintain the competitive advantage of North American steel producers. During 1998, significant progress was achieved in the areas of microstructural engineering of hot strip mills, optical sensors and controls for improved BOF operation, and on-line measurement of mechanical properties.

- **AISI Committee on Manufacturing Technology (COMT)** – Strategic Planning for Research and Development (SPRD). The COMT has developed a Steel Industry Technology Roadmap which has identified the critical technical advances that the steel industry believes is necessary to remain the material of choice. The Roadmap has focussed on four critical areas in which continued technology development are required: process efficiency, recycling, environmental engineering, and product development. Annually, the SPRD solicits and launches new collaborative research projects that target Roadmap technology needs. The Corporation is participating in a select number of the 17 projects launched in the last two years covering a variety of process, product, and environmental technologies.

3.10 Patents and Trademarks

The Corporation's operations are not dependent, to any significant extent, upon any single or related patents, licenses, or franchises. The Corporation's operations are also not dependent upon any single trademark, although certain trademarks are identified with a number of the Corporation's products and services, and are important in the sale and marketing of such products and services.

3.11 Foreign Operations

The Corporation has owned properties for producing iron ore and coal in the U.S.A. for many years. These properties are a critical source of raw materials for the integrated steelmaking Units. Although these properties and the operations associated with them are located in a foreign country, the Corporation believes that there are no material risks associated with them by virtue of that fact.

3.12 Litigation

The union local at Hilton Works has complained to the Ontario Labour Relations Board (the "Board") that representations were made to it in the course of bargaining that solvency deficiency payments would be made to the bargaining unit pension plan over the course of the six-year labour agreement reached in 1996. The union is seeking various remedies including a reopening of the 1996 labour agreement or an order that solvency deficiency payments be made. Should the Board order solvency deficiency funding to be made to the plan on a continuing basis, the special employer contribution on account of solvency deficiency payments would be in the range of $65 million for 1998, $60 million for 1997, and $20 million for 1996. In subsequent years, such contributions would depend on a variety of factors such as interest rates and workforce retirement age. The Corporation believes the complaint to be without merit. In any event, the Corporation believes it is unlikely that the Board would order solvency deficiency payments be made as an outcome. Should, however, such an order be made, making such payments to the pension plan for 1996, 1997, and 1998 would affect the Corporation's cash resources as described above, but not the pension expense amount for years prior to that in which a payment is made. The accounting treatment of such payments in the year or years that they are made would depend on a variety of factors including the amount and timing of the payments required and the impact of expected changes to accounting rules with respect to pension expense accounting.

4. SELECTED CONSOLIDATED FINANCIAL INFORMATION

Consolidated financial results for each of the last five years and for the eight quarters ended December 31, 1998, are summarized in the following tables:

4.1 Five Year

($ in millions except per share amounts)

Year Ended December 31	1998	1997	1996	1995	1994
Net sales	3,168	3,149	2,941	2,926	2,916
Net income	119	137	79	156	115
Total assets	2,833	2,833	2,488	2,534	2,587
Long term debt	474	486	393	457	581
Redeemable preferred shares	67	166	167	172	178
Income per common share Basic	1.04	1.17	0.63	1.35	1.01
Fully diluted	1.03	1.14	N/A	N/A	N/A
Dividends declared – preferred shares					
Series A	-	$0.22220	$1.15322	$4.60268	$1.58286
Series B	$0.4850	$1.94000	$1.94000	$6.66875	$2.42500
Series C	$1.9400	$1.94000	$1.94000	$6.66875	$2.42500
Dividends declared – common shares					
Series A	$0.12	$0.09	-	-	-
Series B	$0.12	$0.09	-	-	-

As of March 18, 1991, the Corporation suspended the payment of dividends on all series of preferred shares. Dividends were resumed on all series on December 20, 1993 and, in 1994 and 1995, all dividends in arrears were repaid.

As of March 18, 1991, the Corporation suspended the payment of dividends on all series of common shares as part of the cash conservation initiatives instituted to strengthen its financial position. On June 23, 1997, in a decision reflective of the substantial strengthening of the Corporation's balance sheet, cash reserves and cash flow from operations, a common share dividend of $0.03 per share, payable quarterly, was resumed.

Dividends on each of the above classes and series of shares are paid quarterly on the first day of February, May, August, and November.

4.2 Quarterly

($ in millions except per share amounts)

Three months ended	Net sales	Net income	Net income attributable to common shares	Earnings per common share basic	Earnings per common share fully diluted
1998					
December 31	$775	$18	$17	$0.15	$0.15
September 30	780	24	22	0.21	0.21
June 30	801	45	44	0.41	0.40
March 31	812	32	29	0.27	0.27
1997					
December 31	$795	$21	$18	$0.17	$0.17
September 30	763	41	38	0.35	0.34
June 30	819	43	39	0.38	0.37
March 31	772	32	29	0.27	0.27

5. MANAGEMENT'S DISCUSSION AND ANALYSIS

The information contained under the heading "Management's Discussion and Analysis" on pages 21 to 36 inclusive of the Corporation's 1998 Annual Report is incorporated herein by reference.

6. MARKET FOR SECURITIES

The Series A and Series B Convertible Common Shares, and the Preferred Shares Series C are listed on The Toronto Stock Exchange and the Montreal Exchange.

7. DIRECTORS AND OFFICERS

The Corporation's Directors and officers as at December 31, 1998, are set out below.

7.1 Directors

Name & Municipality of Residence	Principal Occupation(s) Within Past Five Years	Director Since
John N. Abell* Marlborough, Wilts., UK	Corporate Director	1992
James C. Alfano Ancaster, Ontario	President and Chief Executive Officer (formerly President and Chief Operating Officer, and Vice President and General Manager, Hilton Works)	1996
John E. Caldwell Thornhill, Ontario	President and Chief Executive Officer CAE Inc.	1997
William P. Cooper Oakville, Ontario	President and Chief Executive Officer Cooper Construction Limited	1989
Richard Drouin Sillery, Quebec	Corporate Director (formerly President and Chief Executive Officer, Hydro-Québec)	1996
Gilles Labbé Longueuil, Quebec	Chairman and Chief Executive Officer Héroux Inc.	1998
Douglas W. Mahaffy Toronto, Ontario	President and Chief Executive Officer McLean Budden Limited	1993
J. Dean Muncaster* Collingwood, Ontario	Corporate Director (formerly President, Environmental Technologies Inc.)	1985
Peter J. Nicholson* Westmount, Quebec	Chief Strategy Officer BCE Inc. and Bell Canada	1997
Helen K. Sinclair* Toronto, Ontario	Chief Executive Officer BankWorks Trading Inc. (formerly Chief Executive Officer Canadian Bankers Association)	1995
Frederick H. Telmer Burlington, Ontario	Chairman of the Board	1989

* Member - Audit Committee

The term of office of all Directors expires with the annual meeting of the Corporation. The Corporation does not have an Executive Committee.

7.2 Officers

Frederick H. Telmer Burlington, Ontario	Chairman of the Board
James C. Alfano Ancaster, Ontario	President and Chief Executive Officer
R. Eric Rogan Burlington, Ontario	Executive Vice President and Chief Financial Officer
G. Blair Cowper-Smith Toronto, Ontario	Corporate Secretary and Special Counsel
Marcel Francoeur Brossard, Quebec	Vice President – Stelco Inc.
Paul J. Paciocco Burlington, Ontario	Vice President and General Manager – Hilton Works
Gordon W. Rich Burlington, Ontario	Vice President and General Manager – Lake Erie Steel Company Ltd.
Brian W. Warry Dundas, Ontario	Vice President – Purchasing, Raw Materials and Pipe Operations

All of the above-named officers of Stelco have been engaged for more than five years in their present occupations or in other positions with the Corporation, other than G. Blair Cowper-Smith, who is a partner with the law firm of McCarthy Tétrault in Toronto, Ontario, and Paul J. Paciocco, who was appointed Vice President and General Manager - Hilton Works, effective July 15, 1996, and had previously been employed outside the Stelco Group of Businesses.

As at December 31, 1998, the Directors and senior officers of Stelco as a group owned, directly or indirectly, less than one percent of the common shares of Stelco.

8. ADDITIONAL INFORMATION

(A) Additional financial information is provided in the Corporation's consolidated financial statements for the years ended December 31, 1998 and 1997, contained in the 1998 Annual Report.

(B) Additional information, including the principal holders of securities; named executive remuneration, indebtedness, and options to purchase securities; and compensation of Directors, is contained in the most recent Management Proxy Circular of the Corporation dated March 12, 1999, for the Annual Meeting of Shareholders to be held on April 28, 1999.

(C) When the securities of the Corporation are in the course of a distribution pursuant to a short form prospectus or when a preliminary short form prospectus has been filed in respect of a distribution of the Corporation's securities, the Corporation will provide to any person, upon request to the Secretary of the Corporation at the address noted below, one copy of

(i) this Annual Information Form;
(ii) the 1998 Annual Report of the Corporation;
(iii) any interim financial statements of the Corporation issued subsequent to December 31, 1998;
(iv) the Management Proxy Circular of the Corporation referred to in (B) above; and
(v) any other document that is incorporated by reference into the preliminary short form prospectus or the short form prospectus.

When the securities of the Corporation are not in the course of distribution, the Corporation will provide to any person, upon request to the Secretary of the Corporation at the address below, a copy of the documents referred to in (C) (i), (ii), (iii) and (iv) above, provided that the Corporation may require payment of a reasonable charge if the request is made by a person who is not a security holder of the Corporation.

Corporate Secretary, Stelco Inc.
P.O. Box 2030
Hamilton, Ontario
L8N 3T1

Telephone: (905) 528-2511, ext. 4985.