

24%

IPSCO's sales increased 24% in 2006 to a record \$3.78 billion.



IPSCO produced more than 3.6 million tons of plate and coil in 2006 and shipped 2.7 million tons of steel mill products, an increase of 16% from tons shipped in the previous year.

1

IPSCO is the leading supplier of plate in North America.

Financial and operating review

BUSINESS PROFILE

IPSCO owns and operates flat rolled steelworks in: Regina, Saskatchewan; Montpelier, Iowa; and Mobile, Alabama. These steelworks use electric arc furnace or “mini-mill” technology to convert scrap metal into liquid steel. Liquid steel is cast into slabs and subsequently hot rolled, using Steckel mill technology, into either discrete plate or coil.

We also own and operate one round billet steelworks which we acquired as part of the NS Group acquisition with an estimated annual meltshop capacity of 450,000 tons. Liquid steel is cast into 5 ½ inch round billets that are further processed into seamless tubes or sold as billets.

Five coil-processing locations, sourced primarily with IPSCO produced coil, fabricate cut-to-length products to meet customer requirements.

Seven pipe locations throughout North America utilize both IPSCO produced and third party coil to fabricate electric resistance welded (ERW) tubular products, as well as spiral formed, double submerged arc welded tubular products greater than 24 inches in diameter. Our seamless pipe mill in Ambridge, Pennsylvania, a former NS Group facility, heats and pierces solid steel billets into seamless pipe.

We also operate five auto shredder facilities in Western Canada and nine smaller scrap metal processing and auto wrecking yards. These supply a significant portion

of the scrap metal requirements of our Regina Steelworks in addition to processing ferrous and non-ferrous materials that are sold throughout the world.

OUR PRODUCTS

IPSCO is the leading supplier of plate in a North American market that reached approximately 14 million tons in 2006. Our flat rolled steelworks can produce discrete plate in thicknesses up to 4 ½ inches and coil in thicknesses up to ¾ inches. We have expanded our value-added product lines to include blast and painted products, as well as quench and tempered, and normalized plate products.

We are also a major supplier in the energy tubular markets in the U.S. and Canada, shipping more than 1.1 million tons in 2006. More than 80% of our tubular shipments in 2006 were energy related. We produce Oil Country Tubular Goods (OCTG) and small diameter line pipe in both seamless and ERW pipe in both carbon and alloy grades.

IPSCO is also a major producer of the large diameter pipe used in transporting oil and gas across long distances. Our large diameter pipe facility in Regina, Saskatchewan makes use of our own coil, allowing us full control of the production process. IPSCO also manufactures industrial pipe, including hollow structural sections (HSS) and standard pipe, which is produced at various tubular facilities.

\$13.43

Earnings per diluted share rose 12.3% to a record \$13.43.



IPSCO's large diameter spiral pipe mills are booked at full capacity through the first quarter of 2008.

4.1 million

Shipment volumes increased 18% to nearly 4.1 million tons in 2006.

WE BELIEVE OUR DIVERSE PRODUCT OFFERING, STATE-OF-THE-ART PRODUCTION FACILITIES AND THE STRENGTH OF OUR BALANCE SHEET WILL ALLOW US TO CONTINUE TO PERFORM WELL.

As part of the acquisition of NS Group, we also acquired ULTRA™ Premium Oilfield Services Ltd. (“ULTRA”) which specializes in premium connections, oilfield accessories and field services for complex oil and gas exploration and production, with operating facilities in Odessa and Houston, Texas. ULTRA is well positioned to support our growing carbon and alloy tubular market.

DIVERSIFIED CUSTOMER BASE

During 2006, our products served the needs of approximately 700 customers in the service center, distribution, energy, agricultural equipment, transportation equipment, heavy machinery and construction industries. Seventy percent of our sales were made to U.S. customers. Our wide assortment of plate product widths, lengths, thicknesses and grades are used by end customers to manufacture construction and farm equipment, rail cars, barges, ships, storage tanks, bridges, structural poles, wind towers, large diameter pipe and many other products.

FINANCIAL PERFORMANCE AND POSITION

- Net sales increased 24% to a record \$3.78 billion
- Operating income increased 10% to a record \$997 million
- Net income increased 10% to a record \$643 million
- Earnings per diluted share increased 12.3% to a record \$13.43
- Cash dividends on common shares increased 39% to CDN \$0.78

CAPITAL AND STRATEGIC INVESTMENTS

- Completed the \$1.43 billion acquisition of NS Group, Inc., a leading U.S. producer of tubular products serving energy and certain other industrial markets. This transaction broadened the Company's energy product offering with seamless pipe and premium oilfield connections and strengthened IPSCO's position as a leading North American supplier of tubular products to the oil and natural gas sectors.
- Announced plans for the installation of a vacuum degasser at our Montpelier, Iowa Steelworks to provide a more sophisticated and extensive range of steel products.
- Announced plans for the construction of Oil Country Tubular Goods (OCTG) heat treat facilities in Blytheville, Arkansas and Baytown, Texas. These new facilities will produce heat treated OCTG beginning in the third quarter of 2007 and increase our total tubular heat treat capacity to 575,000 tons annually.
- Announced the expansion of our large diameter pipe facility in Regina, Saskatchewan to include an additional pipe forming mill and related finishing equipment. This will increase our large diameter spiral pipe capacity to 500,000 tons by early 2008.

\$300 M

Planned capex of \$300 million will add more value to the product mix.



IPSCO produces value-added coil products for its own pipe facilities as well as for a wide range of external customers in the United States and Canada.



Cash dividends increased 39% to CDN \$0.78 in 2006.

OUR STRATEGY

The core objective of our strategy is to clearly differentiate IPSCO from other steel and pipe manufacturers through superior execution of: a customer-focused commercial strategy, delivery to market, product quality, value-added products, technical competence and financial performance. We strive to achieve a high brand presence in the primary markets we serve in order to support and extend our ability to differentiate “who we are” and “what we do” from others in the marketplace.

We attempt to minimize the volatility of our business and maximize earnings through our low-cost platform and flexibility to move finished production between plate, coil and other value-added products based on market trends. Our strength comes from our intrinsic competitive abilities at every link in the value chain, as well as the synergistic combination of our facilities. The benefits of this structure include better service for our customers, good penetration in competitive markets, and a set of alternatives which provides a strong defense in difficult markets. We are vigilant about maintaining low costs in each of our activities and strive to be among the lowest cost producers in the world.

We also operate “steel short,” which means we have more outlets for steel product than steel capacity. We purchase additional steel needs from third parties. We plan to continue to increase our value-added mix of products without the need for adding a green-field steel-making facility. We will continue to secure outlets for products through close customer collaboration, partnership, joint venture or acquisition.

OUTLOOK

The end-use market demand for IPSCO’s diverse product offering remains strong for both steel and tubular products. Distributor inventory reductions in both product groups are expected to continue through the first quarter of 2007. We will adjust production schedules as required to accommodate order levels from our distributors and focus on end-user sales, increased value-added product mix and maintaining our market share.

We anticipate continued strength in end-use markets overlaid with continuing inventory corrections throughout distribution channels. Although oil and gas prices continue to be volatile, we expect them to remain at levels sufficient to maintain high drilling activity and resultant demand for our Oil Country Tubular Goods (OCTG) products. Large diameter pipe shipments will be strong in 2007, consistent with our full order book. Margins in the first quarter are expected to experience some compression due to increased scrap prices and continued amortization of inventory and other tangible assets fair value increments.

IPSCO has positioned itself as a leader in the markets we serve. The addition of the NS Group to our family will help us deliver continued growth in the energy tubular market as well as the anticipated synergies. We believe our diverse product offering, state-of-the-art production facilities and the strength of our balance sheet will allow us to continue to perform well.

This review highlights some of the more significant financial and operating performance information. For a more complete discussion of IPSCO’s performance, risks and other information, please refer to the Form 10-K.