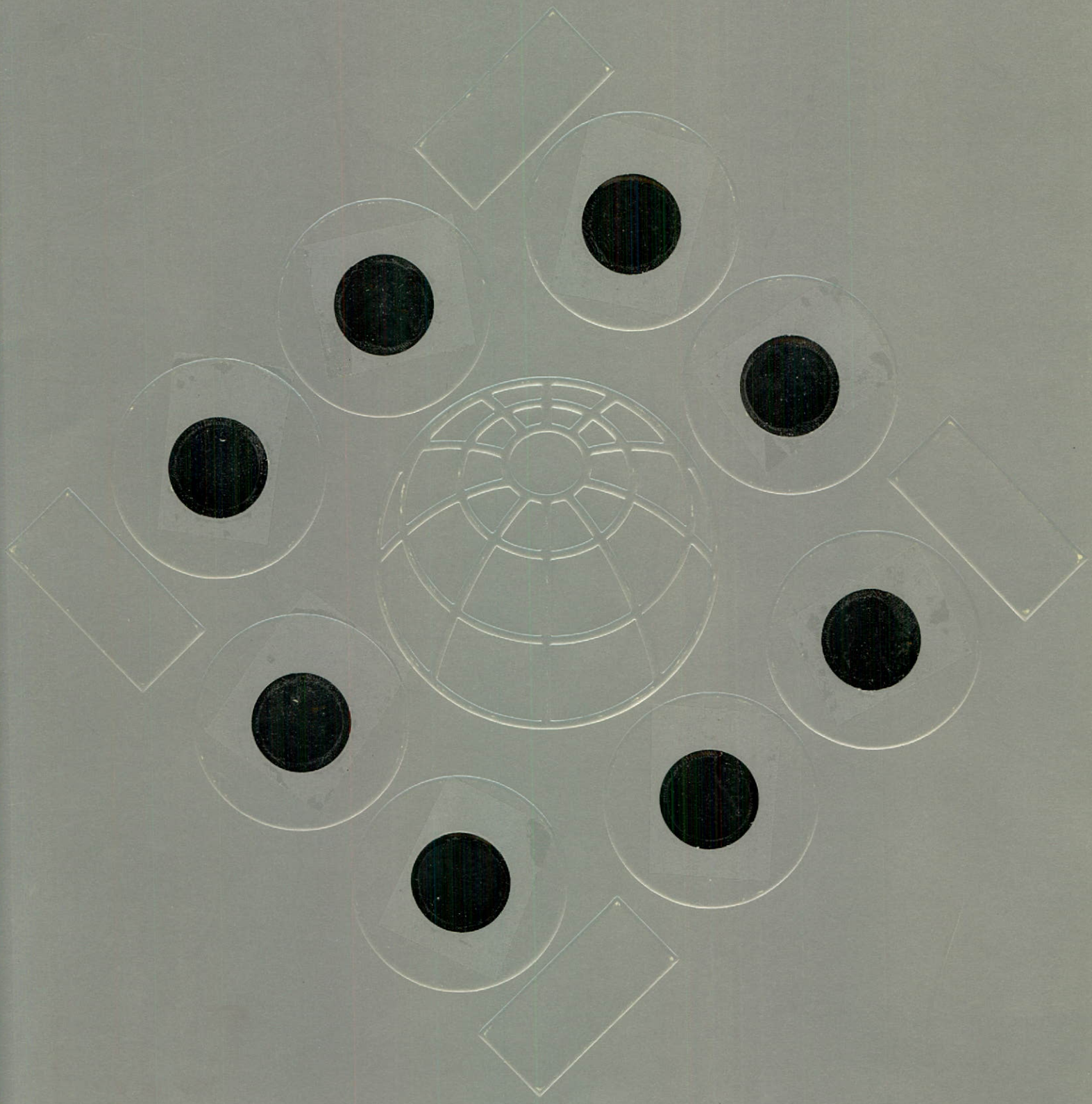
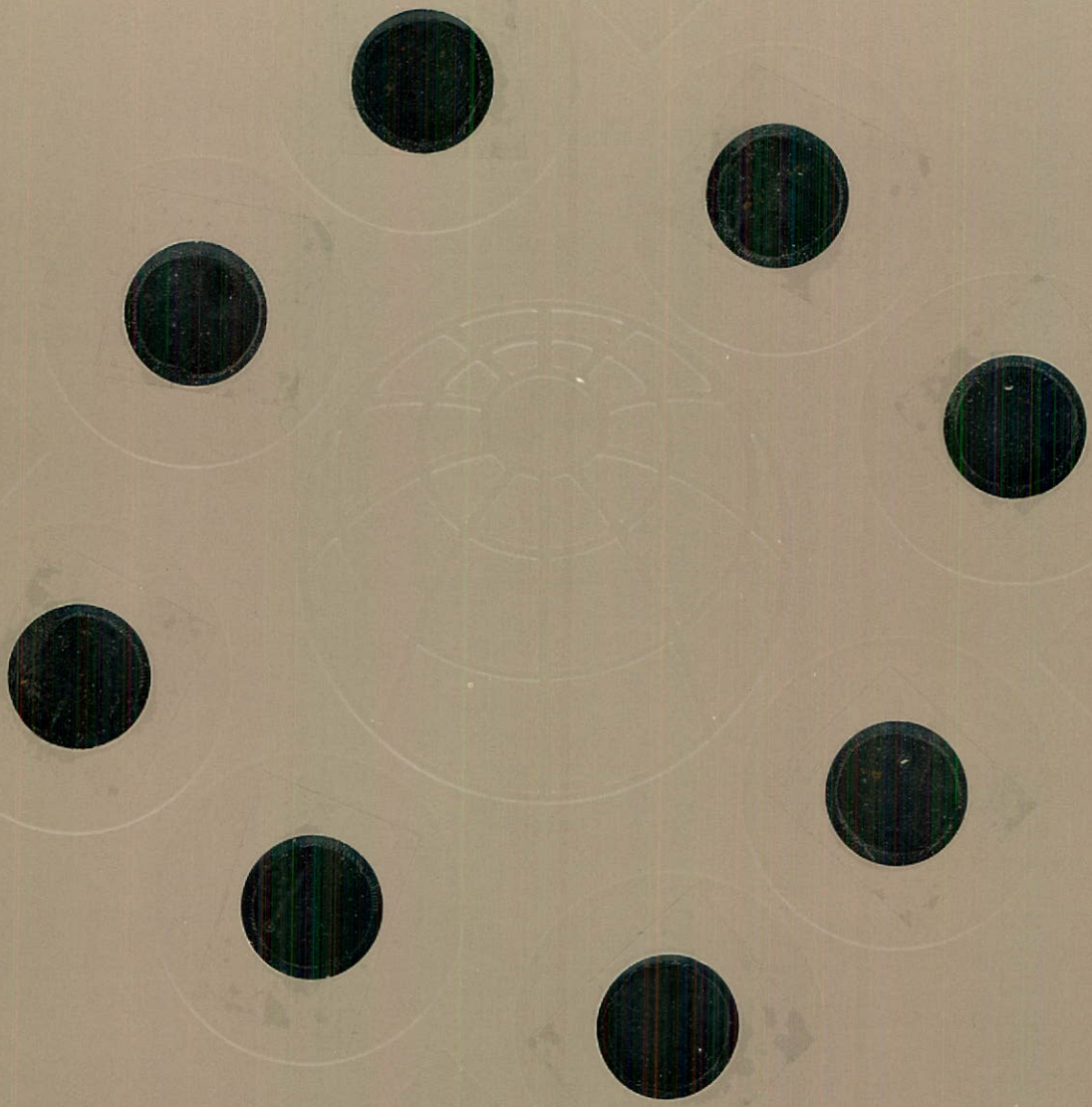
AMCA INTERNATIONAL LIMITED

ANNUAL REPORT 1982

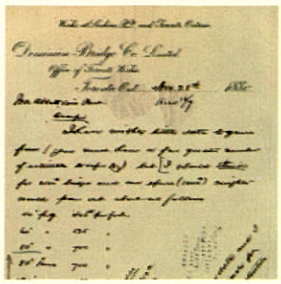


AMCA
INTERNATIONAL
1882-1982



Job Abbott, the founder of Dominion Bridge, graduated with an engineering degree from Harvard in 1864. He also left his mark as a patent lawyer, land promoter and mining engineer but it was his entrepreneurial talents that helped to bring together the businessmen who saw the opportunity to create a company to help Canadian Pacific build a railway across the continent.

This inter-office memo was written by Phelps Johnson in 1885. Mr. Johnson was brought to Dominion Bridge by Job Abbott and was in charge of engineering. He was president from 1913-1919 and responsible for design of one of the Company's most historic projects, the Quebec Bridge, completed in 1918.

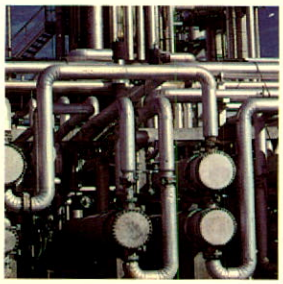


The Lachine Bridge across the St. Lawrence River near Montreal was the Company's most important early undertaking. Underscoring the firm's close ties with the Canadian Pacific Railway, it opened in 1886 but was replaced by a larger span in 1913.

Making shells, which the Company did in enormous volume to support the Allied armies in World War I, was one of many wartime tasks performed by Dominion Bridge. During World War II, the Company teamed with Fraser Brace Ltd. to organize a shipyard that built 45 cargo ships. Dominion Bridge also produced marine engines and components for weapons to help the war effort.

Specialized overhead traveling cranes made by Morgan Engineering and Provincial Crane are used by the steel, energy, container and materials handling industries. These cranes are frequently computer-controlled for precise, swift movement of large loads.

A 3,000-ton, double-tube section, intended for the eight-lane, mile long interstate highway tunnel beneath Baltimore Harbor around historic Fort McHenry in Maryland, is side-launched at Wiley Manufacturing. Thirty-two sections, each more than 300 feet long, were fabricated by Wiley. The $130 million contract is the largest single manufacturing project in the Company's history.



Through The Litwin Companies, AMCA provides engineering-design-construction services to the petroleum and petrochemical processing industries. The increased demand for refining heavier domestic crude oil has meant new business for Litwin in the retrofit design and expansion of refineries as well as construction of new facilities.

The Parliament Buildings in Ottawa burned to the ground in 1917, a blow to national pride and the process of government. The Company was chosen to erect new structures which remain the active seat of Canada's federal government. Many other buildings in Ottawa, including the Chateau Laurier and Union Station, now the National Conference Centre, both built in 1910, are Company achievements.

Centennial Salute – Dominion Bridge to AMCA International 1882-1982

The year 1982 marked the 100th anniversary of the company known today as AMCA International. While this report dwells primarily on today and tomorrow, it is fitting on this centennial occasion to look back to where the Company came from.

The Company was founded by Job Abbott, a New Englander who arrived in Canada in 1879 to establish a company he called Toronto Bridge. Three years later Abbott moved to Montreal, prompted by news that the newly formed Canadian Pacific Railway had established headquarters there and was negotiating to build a 2,600-mile railroad across the continent. Abbott, the bridge builder, knew that a transcontinental railroad would need many bridges.

On September 23, 1882, this lawyer-engineer and his associates were granted a charter for Dominion Bridge Company, Limited. That name fit the business plan – building the bridges that would help open the way to settlement and business development across the Dominion. And, just as Abbott changed his company's name to reflect his readiness to do business throughout Canada, so, too, did the Company's name change in its 99th year – to AMCA International.

Over more than 90 years, the Company came to be recognized as Canada's leading fabricator and erector of structural steel, a distinction it retains today. The new name reflects the *American/Canadian* heritage and the market, geographical and product diversification achieved largely in the United States during the past decade under the name of AMCA. The Company has today grown into an international enterprise serving a marketplace worldwide in scope. Meanwhile, certain Company units in Canada continue to operate under the name of Dominion Bridge.

The Founders Abbott was hardly alone in launching the Company. James Cooper, Frederick Fairman and James Dawes, businessmen in Montreal, helped identify investors in Scotland who put forth capital to secure the land for the first plant just outside Montreal.

Abbott, Harvard-educated, became the first president and spent most of his time negotiating business. Phelps Johnson, recruited by Abbott in New York in 1882, spent 44 years with the Company (including six as president) and supervised every major project during the first four decades of operation.

Bridges: The Beginning Though less than one percent of AMCA International's business today involves bridge building, during the years that it was known as Dominion Bridge the Company's engineering and construction skills resulted in a reputation for being one of the world's great bridge building companies. The magnificent spans across Canada are silent testimony to the Company's capability and historic role.

Business, however, was hardly confined to bridge building. Most of Canada's largest cities owe much of their present-day downtown atmosphere to the skills of the Company's engineers and construction crews who designed, fabricated and erected the steelwork for many government structures, hotels, commercial buildings, hospitals, and airport terminals that helped to establish the importance of the cities they served. The Company also played a lead role in fabrication and construction for many of the nation's primary industries. Well known projects include: James Bay and Churchill Falls hydro facilities; Bay of Fundy tidal power; the Pickering nuclear station; the distant early warning (DEW Line) air defense system; Arctic barges for the northern transportation network; the National Research Council radio telescope; locks, bridges and other elements of the St. Lawrence Seaway; floating ore concentrator factories for commercial extraction of high Arctic mineral resources and, in Montreal, the Olympic Stadium and numerous EXPO '67 buildings.

Decade of Change During the late 1960s, some fundamental conclusions about the Company's affairs and future were reached. In the process it was determined that effective growth on a significant scale could best be accomplished by acquisition and expansion beyond Canada.

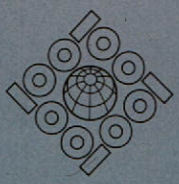
By crossing the international boundary into the United States, Dominion Bridge believed it would gain access to the largest and most disciplined business environment in the world. Through planned diversification (product, service, market and geographic) within its field of expertise the Company wanted to counterbalance the cyclical vagaries of the capital goods marketplace in Canada.

Through a series of acquisitions spanning the past decade, the Company has since grown, primarily in the United States, from a Canadian manufacturing organization doing $168 million in business in 1969 into a multinational operating company currently approaching $2 billion in revenues worldwide.

While the many acquisitions made during the last decade have resulted in the sought after diversity and vastly expanded scale, the Company has still managed to grow in line with its plans. Acquisitions have continued to be oriented to companies involved in the production of steel-based products or services sold primarily to industrial customers. In the process, the Company has maintained its position as a hands-on operating company with senior management closely involved with those people conducting daily business in its far flung operating units.

Were he with us today, Job Abbott would find his company alive, well and growing – far beyond his original business objectives. He'd probably have more than a twinkle in his eye to learn that history repeated itself as his company approached its centennial. Just as Abbott moved north to Canada from the United States to seek opportunity, AMCA International moved south to the United States and beyond into the rest of the world – an old company with a new name, seeking new and expanded business horizons.

AMCA International Limited



AMCA International is an operating company engaged worldwide in the design, engineering, manufacturing, marketing and financing of a broad range of industrial products, construction equipment, engineering and construction services and machine tools. The Company's business is segmented as follows:

Construction Products
Compaction equipment; concrete finishing equipment; cranes and derricks; excavators; material handling and pile-driving equipment.

Engineering and Construction Services
Coal handling systems; marine vessels and equipment; offshore petroleum production and distribution systems; turnkey petroleum refineries, petrochemical and industrial plants; pre-engineered buildings; vehicular tunnel tubes.

Financial, Marketing, Licensing Services and Special Products
Financing to promote sales of AMCA products; purchase of raw materials and components for AMCA units; marketing AMCA products; licensing of proprietary AMCA patents and trademarks outside North America; production and marketing of portable kerosene and oil-fired heaters, electric chain saws and powder-actuated tools, tree harvesting and pulp and paper processing equipment.

Industrial Products
Aerospace and automotive components; beverage, dairy and food processing and packaging machinery; foundry machinery and accessories; hydraulic components and systems; industrial fasteners; marine, industrial and shipyard cranes; metal forming machinery; oil field equipment; pressure tanks and cylinders.

Machine Tools
Computer numerically controlled horizontal and vertical lathes and turning centers; horizontal and vertical machining centers; horizontal boring, drilling and milling machines; automatic assembly machines; flexible manufacturing systems; transfer machines; computer numerical controls; microprocessors; cutting tools and fixtures; drill point grinders; balancing equipment.

Steel Products and Services
Steel production, distribution, fabrication and erection; energy products, services and systems related to the generation and transmission of electric power from fossil fuel, nuclear, hydroelectric, tidal power, and waste conversion plants.

AMCA International Limited

Financial Highlights*
(Stated in millions)

	1982	1981
Revenues	**$1,465.8**	$1,573.0
Operating income	**47.1**	69.0
Net income	**47.8**	70.2
Total assets	**1,373.7**	1,212.4
Long-term debt	**340.1**	296.8
Shareholders' equity	**462.3**	368.4

Per Share Data
(Stated in dollars)

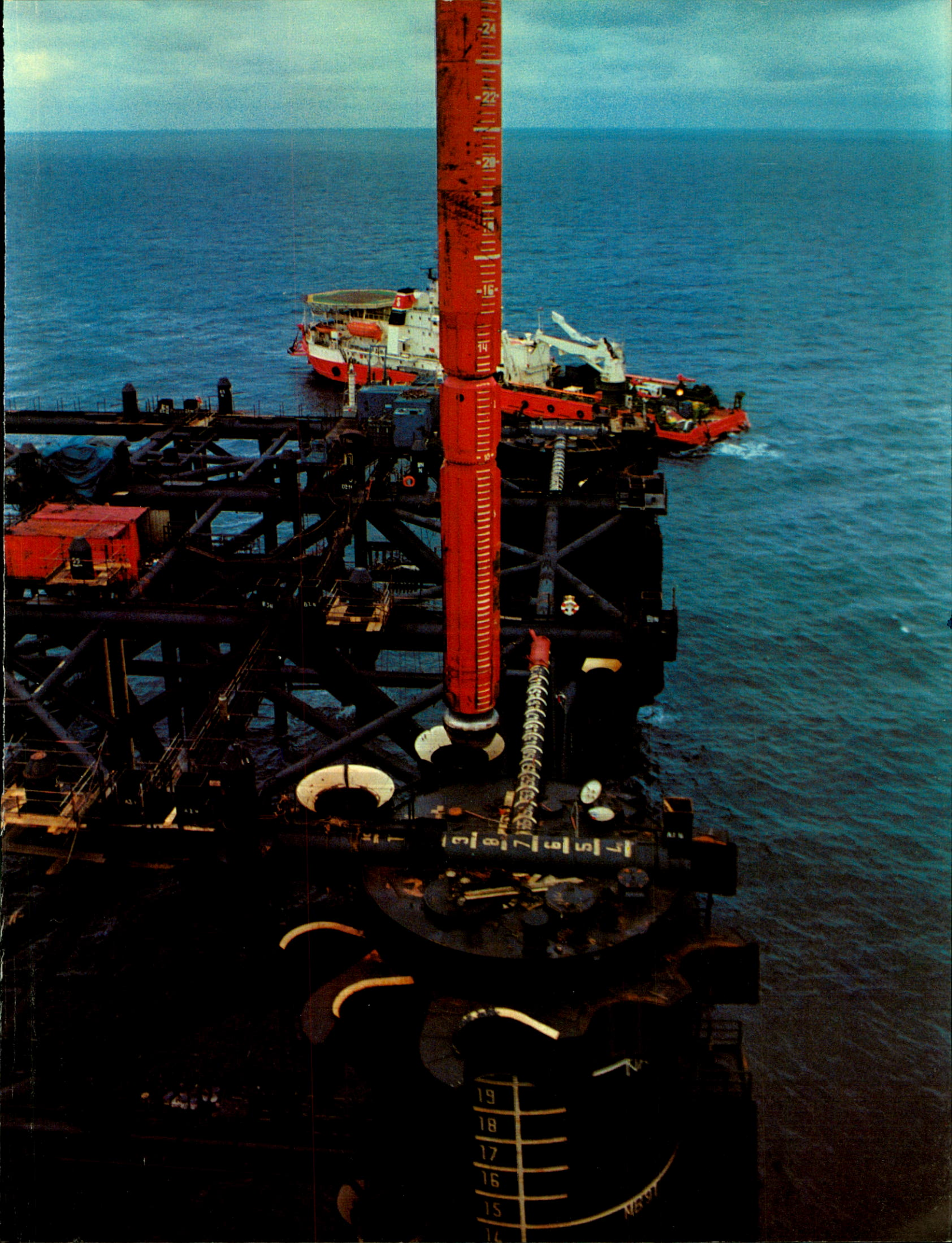
Operating income	**$ 1.70**	$ 2.56
Net income	**1.73**	2.61
Cash flow from operations	**2.47**	3.29
Dividends	**1.00**	1.00
Equity at year end	**14.06**	13.70

* All figures in this Annual Report for the years 1977 to present are stated in U.S. dollars while 1976 and prior years are stated in Canadian dollars.

Per share data, except equity at year end, has been calculated on a quarterly basis using the weighted average shares outstanding during each quarter.

Contents

Pile driving hammers are a vital piece of equipment for the installation of offshore platforms. BOMAG-MENCK is the world leader in the development and manufacture of offshore hydraulic hammers. At right, a hydraulic hammer enters the pile sleeve on a project in the Mediterranean Sea. Such hammers are capable of driving large piles in depths of water to 1,000 feet with greater speed and efficiency than previously possible.



Management's Report to Shareholders

K.S. Barclay, Chairman and Chief Executive Officer

1982 was a difficult year with the worldwide recession which, as we see it, started in 1980, finally taking a toll notwithstanding our geographic and product line diversity. Whereas AMCA, for the first time in 15 years, did not set operating records, revenues and net operating income were exceeded in only one previous year (1981) in our hundred year history.

In that context: The year's financial results are capsuled below and are reviewed in detail on page 21. Elsewhere in this Report, you will find commentary on the activities within our major product groups, on the results achieved by each group and on the outlook for the groups and their key businesses.

Briefly, in 1982:

– Revenues at approximately $1.5 billion were down seven percent versus $1.6 billion in 1981.

– Operating income at $47.1 million was down 32 percent compared with $69 million earned in 1981.

– Net income of $47.8 million versus $70.2 million in 1981 was also down 32 percent and included $759,000 on the sale of facilities versus $1.3 million in the previous year.

– Earnings per share of $1.70 before divestitures, and $1.73 after, compared with $2.56 and $2.61 respectively, a year ago, based on 27.7 million shares outstanding in 1982 and 26.9 million shares in 1981.

– Dividends were paid quarterly totaling $1.00 per share, the same as in 1981.

– The Company entered 1983 with a backlog of work to be completed of $594 million compared with $868 million a year ago. The former reflects reduced bookings in 1982 for recession-related reasons. Backlog should improve in the first quarter of 1983 as a number of significant letters of intent convert into firm orders.

Certainly, 1982 was the worst year for industry in the past 50. Manufacturing plants are operating at under 70 percent of capacity, the lowest rate in generations. Although inflation abated materially and interest rates dropped sharply, a turnaround in the economy did not materialize. At year end, although there was evidence in the major U.S. segment of our operations that the bottom had been reached, some consequences of the deterioration in the business sector in the last 12 months have yet to be felt by many industrial organizations.

The poor conditions which prevailed impacted AMCA's markets including, in particular, automotive, construction equipment, machine tools, oil field products and steel production, fabrication and construction activities. The "real" cost of money, although coming down, remained high throughout the year and represents a continuing negative in the marketplace.

Export markets were similarly impacted with the strong U.S. dollar an added handicap to the bulk of our world sales efforts.

Many measures, as might be expected, were adopted to combat the negative impact of the weak world economy. As commented upon at last year's Annual Meeting, we "ran lean" throughout the year with employment cut back 20-25 percent. Plant closings and consolidations were effected and are still in process, in the interests of long-term efficiency. Abbreviated work weeks were implemented with capital outlays, assets employed and expenses reduced. As a result, a tighter, stronger organization exists today, positioned to take advantage of an improving business climate.

Clearly, the major disappointment in 1982 was the absence of a turnaround in the world economy and, particularly, in the major U.S. marketplace which we, and others, had hoped for last spring.

On a positive note:

– A number of operating units performed admirably despite the economy, including our international financing and trading group; the Consumer Products Division (heating units in particular); Wiley Manufacturing (vehicular tunnel tubes); Compaction Equipment (in the international sector but not North America); Litwin France (engineering and construction operations); Clyde (one of the world's great crane builders); MENCK (a preeminent hydraulic and steam hammer pile driving manufacturer serving international markets); Fenn (supplying principally the aircraft industry); JESCO (a general contracting business) and, as always, Cherry-Burrell (processing and packaging machinery).

– As noted above, our financial services and trading businesses continued to develop. As we look ahead, these units should increasingly assist the profitable sale of Company products and services on a worldwide basis. In addition, there are possibilities for accelerating growth in these operations with a significant favorable impact on earnings given a return to normal business levels of activity.

– While Dominion Bridge-Sulzer in Quebec continued to suffer operating losses, considerable progress was made in the effectiveness of management, the reestablishment of sound operating controls and consequent reduction of operating losses. Further, and in contrast to an expensive strike in 1980, a two-year labor agreement was negotiated on realistic terms.

– A number of major contracts were secured, including: By the Western Canada Division for the construction of a coal preparation plant and a coal-burning power generating plant; a coal terminal for Indonesia booked by DB Engineers & Constructors; several pile driving hammer orders for offshore applications secured by MENCK; a large pipe handling system obtained by Morgan Engineering and modules for a major mobile arctic caisson entered by Dominion Bridge-Sulzer.

– The Marine Division and the DB/McDermott partnership continued to develop our ability to service the Canadian offshore energy industry. Requests from various companies have resulted in proposals for studies and installations, many of which will utilize the services of our Canadian operations, as well as IMODCO and Litwin. DB/McDermott has also reached agreement with Acres Consulting Services Limited to undertake jointly the engineering work required for various Canadian offshore activities. Funds have been allocated to complete, by early 1983, an in-depth study of Canadian East Coast requirements for DB/McDermott products and the need for suitable facilities for the production and assembly of offshore structures.

– The Company raised $100 million (Canadian) late in the year via an underwritten common stock issue. Approximately 52 percent was taken up by Canadian Pacific Enterprises and the balance by the general public. A significant part of the latter was purchased by substantial institutions – not previously shareholders – with the remainder acquired by more than 1,000 new individual shareholders. In summary, a successful issue with beneficial related consequences as noted.

– A finance company was established to provide similar services in Canada to those previously and advantageously set up in the U.S. and internationally.

– Canadian group headquarters were consolidated in Toronto which should help the leadership and administration of Canadian operations.

– The highlight of the year was the acquisition in the third quarter for $310 million of Giddings & Lewis, one of the world's top machine tool manufacturing companies. G&L, a well-managed business with an excellent record, is on the leading edge of technology in this industry. It produces large, computer-driven numerically controlled high productivity machining and turning centers and is a leader in horizontal boring mills, vertical turning lathes, upright and radial controls, automatic assembly and flexible manufacturing systems.

It should be noted that G&L maintained a profitable level of operation throughout 1982 in contrast to major competitors. This financial performance strengthened its leadership position within the machine tool industry.

Whereas a soft market for new orders existed at the time of the acquisition and, as then anticipated, is not expected to change materially until late in 1983, there is pent-up demand to be satisfied once interest rates bottom out and the economy turns with only 4-6 percent of all machine tools in the U.S. equipped with numerical controls. Further, recently enacted U.S. tax policies will, as the recovery takes hold, stimulate increased capital formation for business investment. In addition, there is the recognized need on a worldwide basis for productivity improvements plus an inherent requirement for greater automation in manufacturing.

We also believe that G&L machine tools and systems will help materially in our own worldwide manufacturing facilities added to which AMCA brings international marketing strength and assistance to G&L. To sum up, we are convinced that the acquisition of G&L will prove to be a significant step in the evolution of our company as this decade, and the future beyond, evolve.

– In a smaller context, an AMCA subsidiary acquired Pannell, Inc., a compaction equipment manufacturer based in Australia, which should enable our BOMAG operation (a world leader) to increase its penetration in that general area of operations.

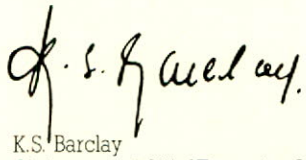
– At the end of the year, we acquired Chemetron Process Equipment, Inc., a modest size ($20-25 million annual sales), U.S.-based manufacturer of processing machinery for the food, meat and chemical industries. These operations will complement and be integrated with Cherry-Burrell, historically one of AMCA's most consistently profitable businesses.

If we turn briefly to 1983: Realistically, the operating difficulties encountered in the last six months of 1982 will continue through the first half as the residual impact of the recession works its way through the economy and backlog improves. In the process, we expect a slow recovery, of modest proportions in 1983, definitely oriented toward the last six months of the year. It is clear that a turnaround in the U.S., which appears to be under way, is critical to recovery elsewhere in the world.

Derived from the above, we will continue to run lean, focused on building backlog, asset management and continued tight control measures.

As we look further ahead, AMCA's cost structure is in good shape as a result of the many steps taken to pare expenses. We are well positioned by virtue of the additional acquisitions made in 1982 to take full advantage of the recovery in world markets that seems to be at hand. We believe the Company's prospects are excellent and look forward to an early resumption of the growth course that AMCA has been on successfully for years and which should lead to the attainment of our goals for the 1980s.

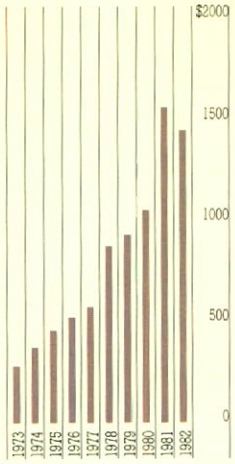
In conclusion, we are grateful for the diligence and wise counsel of the Directors and the unsparing efforts of our officers and employees on your behalf in what has been a testing period. We very much appreciate your continued support.



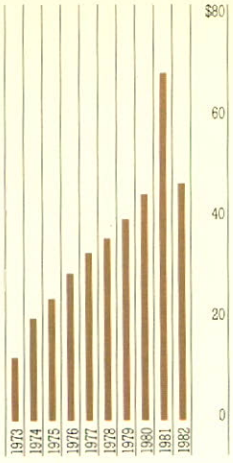
K.S. Barclay
Chairman and Chief Executive Officer
March 23, 1983

Operating Philosophy and Objectives

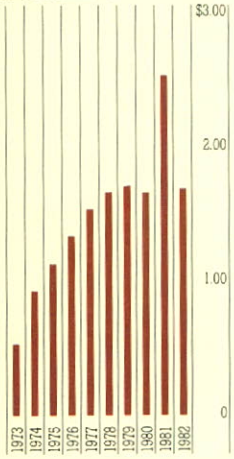
Revenues
(In Millions)



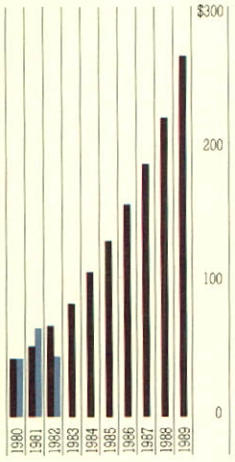
Operating Income
(In Millions)



Operating Income Per Share



Operating Income
Plan vs
Performance
(In Millions)



Pre-1970, the Company fabricated structural steel and provided engineering and construction services predominantly for the Canadian market. By planned acquisitions and internal growth it is now a worldwide producer of a broad range of industrial products, construction equipment, engineering and construction services and machine tools.

Philosophy: Acquire for balanced diversification...straddle industries and markets...avoid single nation/single industry dependence ...avoid catastrophe...beat current business plan...organize for profit improvement.

Objectives: By the end of 1980s – annual sales of at least $5 billion and operating income of not less than $270 million...continuing planned growth and development both internally and by selective acquisitions.

Philosophy

AMCA International was formed in 1882. Through the first 87 years of its existence it was essentially a structural steel fabricator serving the Canadian market. At the beginning of the 1970s the Company embarked on a program aimed at growth and diversification within the scope of its expertise – the design, engineering and manufacturing of steel-based products and services marketed primarily to industrial customers.

The expansion program has since produced substantial growth and diversification, largely in the United States. As the 1980s commenced, the Company purchased Koehring Company, adding 21 manufacturing locations and further strength to its international activities.

During 1982 the Company acquired Giddings & Lewis, Inc., a world leader in the production of sophisticated machine tools and other industrial products. This acquisition, the largest investment in AMCA's history, added 17 manufacturing plants including two overseas.

The acquisition program, founded on the principle of balanced diversification, helps protect AMCA against economic cycles and product obsolescence while promoting participation in new markets and technologies. The overriding philosophy: maintain the broadest posture possible; straddle a number of industries and markets; avoid the instability and unfavorable consequences invariably associated with single-industry/nation identification.

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

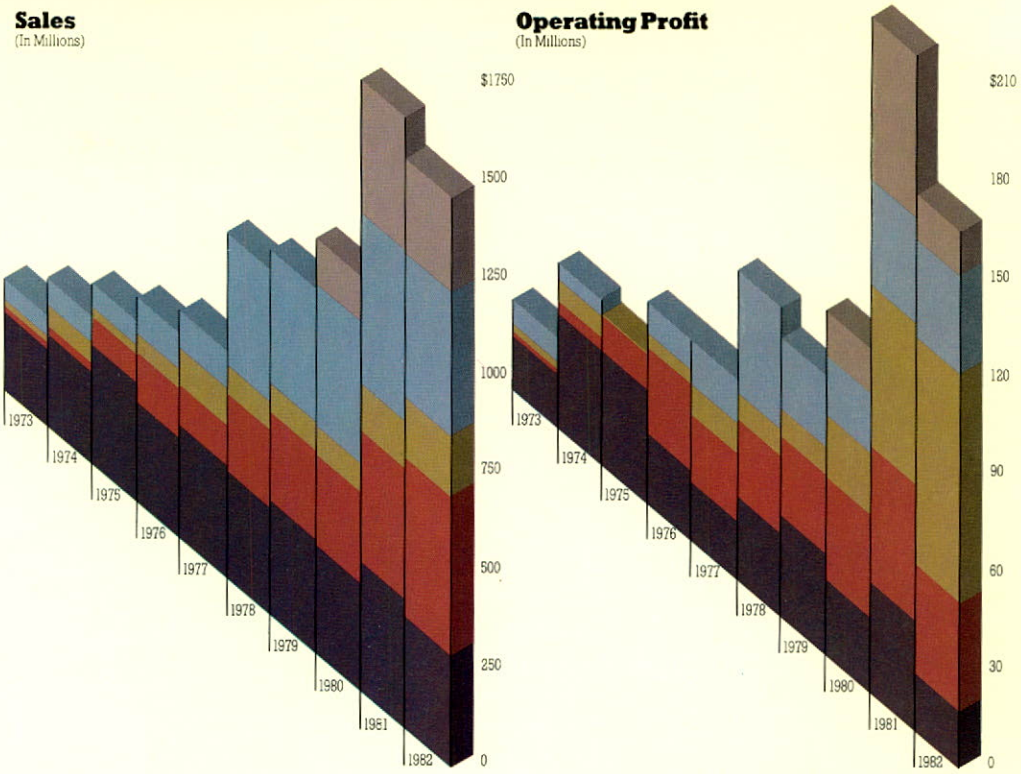
Objectives

Prior to the beginning of the 1970s the Company was operating at an annual sales level of $168 million. Operating income was $4 million. Management set out to improve those results and to expand the organization through acquisitions and internally generated growth with the objective of achieving $1 billion in sales by the end of the 1970s while generating income of $50 million net from operations (all as expressed in Canadian dollars at that time). These were ambitious goals and implied that, over the ten-year target period, the Company must increase sales and earnings at average annual compound rates of 20 percent and 30 percent respectively. In the final analysis, those objectives were met. In the process the Company:

- improved the quality of its earnings;
- developed an exceptionally capable management organization in its operations and at corporate staff levels;
- acquired industry strengtheners and entered new industries compatible with its basic skills;
- made the Company better known and more highly regarded;
- made significant progress in the vital area of return on shareholders' equity.

Subsequently, the Company worked out a broad strategy and related tactics for growth and development in the 1980s much as it did at the beginning of the last decade. It is AMCA's plan to continue to provide an expanded range of industrial, steel-based products and services of quality for a widening spectrum of customers and prospects. In essence, the Company has targeted to reach, by the end of this decade, sales exceeding $5 billion and operating income of at least $270 million. Although the world recession has had a negative impact on the Company's financial results for 1982, nonetheless, good progress toward its goals for the decade was achieved in 1981 and again in 1982 through the acquisition of Giddings & Lewis.

Sales and Operating Profit By Segment
(In Millions)



- Construction Products
- Engineering and Construction Services
- Financial, Marketing, Licensing Services and Special Products
- Industrial Products
- Steel Products and Services

	Construction Products		Engineering and Construction Services		Financial, Marketing, Licensing Services and Special Products		Industrial Products		Steel Products and Services		Total	
Sales	$	%	$	%	$	%	$	%	$	%	$	%
1973	–	–	54	20	18	6	13	5	193	69	278	100
1974	–	–	67	18	45	12	23	6	235	64	370	100
1975	–	–	66	15	24	5	69	15	300	65	459	100
1976	–	–	95	18	50	10	116	22	259	50	520	100
1977	–	–	104	18	94	16	96	17	287	49	581	100
1978	–	–	335	38	84	9	194	22	270	31	883	100
1979	–	–	349	37	69	7	229	25	287	31	934	100
1980	117	11	362	34	77	7	234	22	272	26	1,062	100
1981	336	21	439	28	122	8	338	22	327	21	1,562	100
1982	237	16	373	26	158	11	405	28	285	19	1,458	100
Segment Operating Profit												
1973	–	–	7	26	3	11	1	4	16	59	27	100
1974	–	–	4	8	7	14	4	8	35	70	50	100
1975	–	–	(1)	(2)	2	4	10	22	35	76	46	100
1976	–	–	10	17	3	5	27	44	21	34	61	100
1977	–	–	13	21	9	15	21	34	18	30	61	100
1978	–	–	37	39	9	10	24	25	25	26	95	100
1979	–	–	22	26	9	10	24	28	31	36	86	100
1980	14	13	18	17	19	18	32	30	23	22	106	100
1981	51	24	32	16	50	24	42	20	34	16	209	100
1982	13	8	30	18	72	44	32	19	18	11	165	100

Segment operating profit is further defined in Note 12 to the Consolidated Financial Statements. Years 1977 to present are stated in U.S dollars, while 1976 and prior years are stated in Canadian dollars.

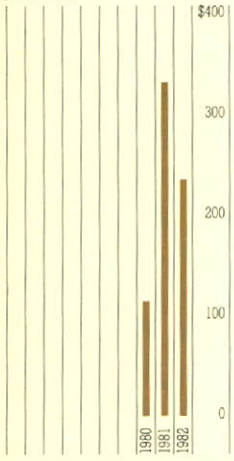
Sales Distribution

Of the total of all AMCA International products and services sold during 1982, 57 percent were sold to customers in the United States, 21 percent were sold to customers in Canada and 22 percent were sold to customers in other areas around the world.

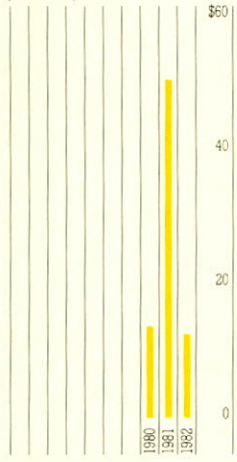
Construction Products

BOMAG Compaction and Material Handling Equipment
Koehring Excavators
Koehring and Lorain Cranes
MENCK Pile Hammers

Sales
(In Millions)



Operating Profit
(In Millions)



Results: Sales of $237 million were 29 percent lower than in 1981, and, as a consequence, operating profit declined by $38 million. The crane and excavator businesses were hardest hit by the worst construction equipment market worldwide since the Depression years. BOMAG compaction equipment, particularly outside North America, fared well during the first half, flattened in the second half but concluded the year in a satisfactory position as it entered 1983. The MENCK pile hammer line continued to enjoy excellent demand from offshore drilling contractors.

Outlook: While there are no indications of short-term improvement in the construction market, the lowering of interest rates in the United States and the anticipated gradual improvement in the general economy worldwide offer promise for improved results during the second half of 1983. As a result of judicious moves to tighten and streamline operations within this segment, the Company is well positioned to respond to any improvement in market conditions for its construction products.

BOMAG

BOMAG is the world's largest producer of compaction equipment with plants in West Germany, United States, United Kingdom, Austria, and Canada and other manufacturing facilities in France, South Africa, Japan and Australia. Products include tampers, walk-behind rollers and double-drum vibratory compactors, large earth compactors, and a full line of vibratory tandem and rubber-tired road rollers as well as hydraulic and steam pile hammers sold under the MENCK name and used for both underwater and onshore applications. BOMAG also produces sanitary landfill compaction equipment plus soil stabilizers. A full line of material handling equipment, including construction forklift trucks and small loaders, are sold under the SKYTRAK® and SCAT TRAK names.

While sales of MENCK hammers were excellent for the full year, BOMAG compaction equipment shipments fell off during the second half. The division was able to operate at a satisfactory profit level for the year despite deterioration of construction markets for BOMAG products in the Middle East, Europe and South Africa and collapse of the North American market.

During the year a number of new products were introduced, among them a BOMAG cold asphalt recycling machine designed to reduce the cost of repaving highways, airports and parking lots by as much as 50 percent. MENCK, whose unique hydraulic pile driving hammers are used to securely place offshore platforms in the oceans of the world, gained good market acceptance of a new electrically powered hydraulic hammer during 1982.

In a move to strengthen market position in the Far East, an Australian compaction equipment manufacturer was acquired. On balance, the fine reputation of this division's products and broad geographic diversity made possible its good performance in a difficult year. A planned plant expansion at BOMAG's primary facility, located in West Germany, neared completion in 1982 and will provide needed capacity as the world economy turns around. A commitment to research and product innovation in compaction technology continues to position BOMAG as the world leader in its field. Prospects for 1983 are excellent, reflecting a substantial backlog of orders.

Koehring Crane Division

Koehring Crane Division manufactures a broad line of both hydraulic and lattice boom cranes, carrier and crawler mounted, marketed worldwide under the Lorain and Bantam names. With half its output sold in North America, this division suffered from the depressed construction industry. During the year major overhead cost reductions were effected, a manufacturing restructuring program was initiated and design work commenced on a line of innovative new models for introduction during 1983-84 when the construction market is expected to recover. Despite disappointing results in the North American market, Lorain improved its overall penetration of export markets.

Koehring Excavator Division

Koehring Excavator Division manufactures one of the broadest lines of heavy duty hydraulic excavators in North America. As was the case in the crane division, the market for excavators in the United States was at an extremely low ebb throughout the year, reflecting the condition of the construction industry.

Operating expenses and production were severely curtailed and a concentrated effort was made to reduce assets, particularly inventories. To capitalize on government and export opportunities, the division has implemented an intensified sales and marketing program. Early in 1983 crane and excavator operations were consolidated under a unified management to achieve manufacturing and operating economies, broaden the distributor base and enhance the level of customer service and market penetration.

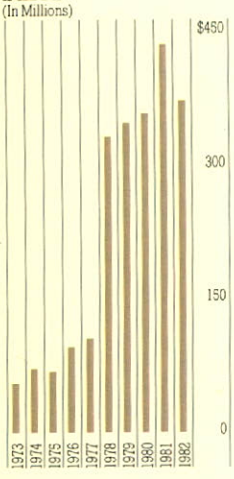
Over 85 different machines are produced by BOMAG-MENCK, the world leader in the manufacture of compaction and stabilization equipment. The BW-141-RD (top) is a tandem vibratory roller used for compacting large asphalt surfaces. The MPH-100 hydrostatic stabilizer (left) can pulverize, blend and recycle asphalt, cement, lime and other materials for economical construction work on paved surfaces and building sites.

Above, a Lorain MC-1650 Moto-Crane lifts the forward end of the space shuttle *Columbia* onto the back of a modified Boeing 747 following the orbiter's third voyage in March 1982. The MC-1650, with a capacity of 165 tons, was one of two cranes that lifted the 105-ton spacecraft onto the jumbo jet.

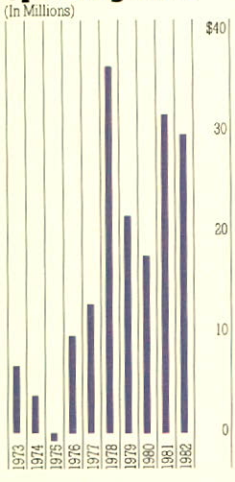
Engineering and Construction Services

The Litwin Companies
– JESCO
– Litwin Corporation
– Litwin Engineers & Constructors
– Litwin S.A.
– ORBA
Marine Division
– DB/McDermott
– IMODCO
– Wiley Manufacturing
Varco-Pruden Buildings

Sales
(In Millions)



Operating Profit
(In Millions)



Results: Sales of $373 million were 15 percent below 1981 while operating profit of $30 million was down only six percent. Recognizing the overall condition of the economy, this segment of the Company's business performed relatively well as a result of excellent performance by the Marine Division and greatly improved earnings at Litwin S.A. Varco-Pruden suffered from the adverse impact of high interest rates on industrial and commercial building construction activity. Despite these conditions, Varco-Pruden increased its market share in 1982.

Outlook: While this segment of the Company's business is directly impacted by interest rates and their effect on capital investment and construction, a number of projects have been identified and initiated during 1982 which should result in improved activity levels for Wiley Manufacturing, IMODCO and The Litwin Companies. These projects all involve innovative participation in the coal and oil segments of the energy industry.

The Litwin Companies

Litwin Engineers & Constructors designs and constructs petroleum refineries, petrochemical and chemical plants worldwide. In addition to its full range of services for new construction, Litwin has developed expertise in upgrading existing refineries to make possible the maximum range of processed products from lower quality crude. Litwin S.A., based in Paris, France, specializes primarily in design, engineering and construction of petrochemical plants outside the United States. JESCO is an open shop contractor in the light industrial, commercial and processing fields in the southeastern United States. ORBA provides turnkey engineering and construction services for handling and transporting bulk materials as well as the operation of completed facilities.

During 1982 The Litwin Companies suffered from recessionary disappointments such as job delays and cancellations in a market characterized by fewer projects available, increased competition and reduced margins. To cope with these conditions, Litwin effected major overhead cost reductions while maintaining the core strength of its engineering staff. To reduce repetitive engineering costs and provide greater flexibility and capacity, a computer-aided design system was installed at the Wichita, Kansas office.

While sales at Litwin S.A. for 1982 were below plan, profits improved and year-end backlog doubled that of year-end 1981, reflecting booking of a multi-million dollar varnishes plant to be built in Russia and a large polystyrene plant in Czechoslovakia.

During 1982, JESCO enjoyed excellent results in its engineering and construction activities. The largest single metal building in the United States – a Varco-Pruden building – was erected for Wal-Mart Stores, in Alabama.

The Marine Division

IMODCO, headquartered in Los Angeles, California, designs, manufactures and installs offshore terminal and yoke systems for mooring bulk carriers and loading or offloading various liquid cargoes, primarily crude oil, refined petroleum products and solids, such as coal, in slurry form. Wiley, a medium-sized shipyard in Port Deposit, Maryland, is a leading North American fabricator of steel tunnel tubes. Wiley also designs and builds specialty marine vessels including custom-designed barges for the energy-related market.

IMODCO's year was characterized by reduced volume and earnings, due to delayed projects worldwide. The year-end backlog of orders and prospective other business, however, holds good promise for 1983. A significant contract was received for an installation in Indonesia involving construction of a unique IMODCO mooring yoke and modification of an existing tanker into a floating crude oil storage vessel. The system was scheduled for commissioning in early 1983. This project follows IMODCO's highly successful installation of the unique single anchor leg mooring terminal offshore California covered in last year's annual report.

It was a superb year for Wiley as the $130 million Fort McHenry interstate highway tunnel tube project, begun in late 1980, neared completion. In anticipation of the conclusion of the tunnel tube project, Wiley has been actively involved with a major shipping company in planning an innovative barging concept for the efficient loading of Pennsylvania coal aboard deep draft super-colliers in Delaware Bay. The process would utilize a fleet of uniquely designed self-unloading, 37,000 DWT integrated tug-barges. Wiley has a letter of intent for the construction of these barges.

Varco-Pruden Buildings

Varco-Pruden Buildings of Memphis, Tennessee, designs, manufactures and markets pre-engineered building systems through over 700 builder-dealers in the United States and through Span Holdings Limited in the rest of the world. High interest rates, the general sluggishness in industrial building construction and depressed price levels had a negative impact on Varco-Pruden's financial results in 1982. Despite these conditions, the division significantly increased share of market and strengthened its number two position in the industry. Extensive cost reductions made it possible for Varco-Pruden to operate profitably for the year.

Mammoth double-tube section (top left), one of 32 fabricated by Wiley Manufacturing, is moved to position for the interstate highway tunnel around Fort McHenry in Baltimore, Md.

ORBA Corporation (top right) designed and built a taconite pellet terminal in Ohio that serves Great Lakes ore ships. Bulk shipments are transferred to railroad cars for movement to steel mill.

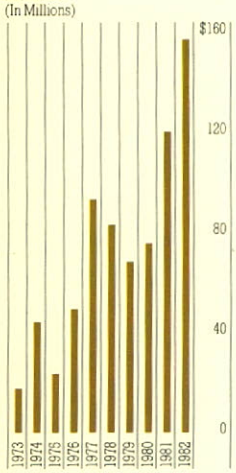
Above, a Varco-Pruden building that covers 21 acres (largest pre-engineered building in North America) will be a distribution center in Alabama for a major retailer. The building was erected by JESCO.

At left, Litwin built this refinery in Alaska and has been involved in major expansion projects at the facility.

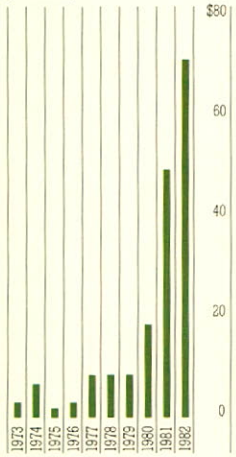
Financial, Marketing, Licensing Services and Special Products

AMCA International Finance Ltd.
AMCA Netherlands B.V.
Consumer Products Division
– Atomaster
– DESA
Koehring Canada
Koehring Finance Corporation
Span Holdings Ltd.
Span Holdings S.A.

Sales
(In Millions)



Operating Profit
(In Millions)



Results: Sales of $158 million were up nearly 30 percent compared with 1981 and operating profits of $72 million were 44 percent higher than last year. This outstanding performance can be credited to international and domestic financing activities as well as strong consumer demand for the Company's line of portable kerosene space heaters.

Outlook: The international money management, licensing, financing and marketing services this segment provides have been invaluable both as income-producers and as an effective means of providing access to hitherto untapped world markets for various operating units. It is expected that these services will continue to be even more important to the Company in further opening new markets for all of its products including the Giddings & Lewis line of computer numerically controlled machine tools. Growing demand for the modern generation of portable kerosene wick heaters, especially in North America, should benefit this portion of the Company's business.

AMCA Netherlands B.V.

AMCA Netherlands B.V., from headquarters in Amsterdam and through branches and subsidiaries elsewhere, is engaged in a range of business activities associated with an international holding company, such as licensing of AMCA's proprietary patents and trademarks throughout the world and providing raw materials expediting and related services, in addition to its main business of international financing. This was the unit's most successful year since its inception in 1978. The Swiss branch of this organization, located in Fribourg, achieved record earnings by further penetrating world markets with the financing of such AMCA products as BOMAG compactors, Cherry-Burrell dairy processing systems, Lorain cranes, Speedstar well drilling equipment, Koehring excavators and Remington® electric chain saws.

AMCA International Finance Ltd.

AMCA International Finance Ltd., a wholly owned unconsolidated subsidiary, with headquarters in Calgary, Alberta, was formed during the year to provide a broad range of financial services to support the sale of products manufactured by AMCA International Limited. Activities of this unit are limited to transactions for Canadian operations.

Span Holdings Ltd.

Span Holdings Ltd., based in Nassau, Bahamas, owns or has under license, rights to market throughout most of the world a variety of AMCA products, including Varco-Pruden pre-engineered buildings, Clyde *Whirley* cranes, shipdeck equipment, hoists and derricks. A recessionary world economy reduced sales of Varco-Pruden buildings. The unit achieved good sales of *Whirley* cranes and related equipment to customers around the world. Initial start-up expenses were incurred in a market development program to promote sales of the Company's Morgan oil field products in such oil producing South American nations as Venezuela, Peru and Ecuador.

Span Holdings S.A.

Span Holdings S.A., located in Fribourg, Switzerland, purchases from worldwide sources semi-finished and rolled steel and components for resale to AMCA units. The division also markets a range of AMCA products, particularly in the European and Asian markets. Excellent results were achieved in purchasing component parts, and complete units for Atomaster's line of wick heaters. In the area of raw materials and steel purchases from the world market for resale to AMCA's North American units, the year was a poor one for this unit due to a combination of large steel inventories and general economic conditions prevailing in North America.

Koehring Finance Corporation

Koehring Finance Corporation, a wholly owned unconsolidated subsidiary, provides financial services for the sale in North America of products manufactured by AMCA. Services include both wholesale and retail financial assistance such as floor plans, installment sales plans, lease purchases and fleet rentals. KFC enjoyed a strong year as a result of high interest rates in the United States and expanded its staff to provide further services to purchasers of AMCA's products.

Consumer Products Division

Consumer Products Division, headquartered in Bowling Green, Kentucky, is responsible for all the Company's consumer-oriented products including the manufacture and marketing of portable kerosene wick heaters and oil-fired heaters. The wick heaters are sold under Comfort Glow®, Koehring® and private label brand names. The division also manufactures electric chain saws and special consumer and contractor hand tools sold under the Remington name. Sales of the modern generation portable kerosene wick heaters far exceeded those of prior years as Americans sought safe, efficient, low-cost alternate sources of space heating. The Company's line of wick heaters is solidly positioned as number two in the United States and production of selected models was increased at Bowling Green during 1982. Profitability of the chain saw and hand tool lines was greatly improved over previous years, reflecting the consolidation of all consumer products under single management and the divestiture of the Company's gasoline chain saw line.

Koehring Canada

Koehring Canada, located in Brantford, Ontario, manufactures specialized machinery for harvesting and processing pulpwood and other forest products. The unit also manufactures a limited line of paper mill machinery sold under the Waterous name. The poor condition of the

Canadian economy in general, coupled with a decline in demand in the pulp and paper industry, in particular, reduced sales and earnings. Field testing was completed on the new disc cutting head announced last year. As industry conditions improve, this product has good sales potential because it operates faster and produces more usable pulpwood per tree harvested than conventional harvesting cutters.

A portable heat system (top) represents state-of-the-art technology in kerosene heaters. Available under various brand labels including Koehring Vanguard and Comfort Glow, the system is computer-controlled, has a cool cabinet and numerous features not available in standard kerosene heaters.

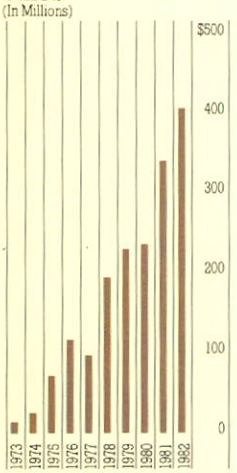
Above, Koehring Canada's newly designed feller-buncher includes an improved saw head that cuts trees cleanly, reducing damage to wood fibers and improving quality of raw material for pulp industry.

The Company's financing services strengthen marketing efforts worldwide. At left, BOMAG BW-212 rollers are loaded aboard ship for delivery to an overseas customer.

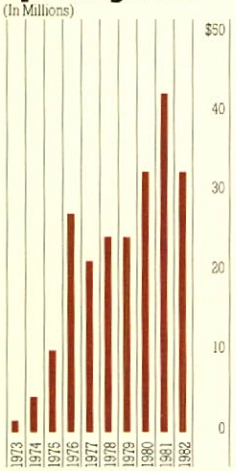
Industrial Products

Aerospace Division
– Fenn Manufacturing
– Monroe Forgings
Cherry-Burrell
– Chemetron Process Equipment
Industrial Components
– Benton Harbor – Janesville
– Continental – Midland
– HUSCO – Pegasus
Marine & Industrial Cranes
– Clyde
– Morgan Engineering
– Provincial
Petroleum Equipment
– Morgan Petroleum Equipment
– Speedstar

Sales
(In Millions)



Operating Profit
(In Millions)



Results: Sales of $405 million, reflecting the inclusion of Giddings & Lewis, were up $67 million or up 20 percent as compared with 1981. Operating profit of $32 million was down $10 million. The decline in earnings is associated with reduced margins resulting from the overall weak condition of the U.S. industrial sector which, in 1982, operated at its lowest level of capacity utilization in three decades. Results were particularly depressed in the automotive and oil field sectors. Despite the recessionary pressures of the economy, the Aerospace, Cherry-Burrell and Marine & Industrial Crane operations achieved satisfactory results.

Outlook: Improving conditions are anticipated in 1983 as a result of the lowering of interest rates and the positive impact of the recently enacted tax legislation favoring capital investment. The recovery, however, is expected to be gradual and oriented toward the second half of the year. Operating results for the Industrial Products segment of the Company's business will benefit from the cost reduction programs and expense savings implemented during 1982.

Aerospace Division

Aerospace Division is composed of Fenn Manufacturing in Newington, Connecticut and Monroe Forgings in Rochester, New York. Fenn machines helicopter components to precise tolerances and produces a variety of metal forming machines. Monroe makes alloy metal forgings used in the manufacture of jet engines. The division achieved planned levels of sales and earnings as a result of increased shipments of aircraft components, offsetting reduced demand for jet engine forgings and wire drawing machinery. Continued growth is anticipated in 1983 due to a broadening customer base and growth of the new Veetrac™ wire drawing product line.

Cherry-Burrell

Cherry-Burrell, headquartered in Cedar Rapids, Iowa, is a leading producer of fluid processing and packaging equipment for the dairy and beverage industries. During 1982 sales and earnings declined from the record levels achieved in previous years. Through an aggressive expense reduction program, Cherry-Burrell was able to maintain excellent levels of profitability and return on investment. A plastic jug filling machine plus a line of long shelf-life milk carton fillers were introduced in 1982. Both show good sales potential for the future. At year-end, AMCA International Corporation broadened its participation in the food processing industry by acquiring the business and certain assets of Chemetron Process Equipment, Inc. (CPE) of Louisville, Kentucky. With annual sales of $20-25 million, CPE manufactures processing equipment for the food, meat and chemical industries and will be operated as a part of Cherry-Burrell.

Industrial Components

Industrial Components activities include Janesville Products, manufacturers of urethane foam and non-woven fibrous products for automobile seats, padding and undercarpet padding; Continental Screw and Midland Screw, producers of threaded and non-threaded fasteners for the construction, automotive and appliance industries; HUSCO, Benton Harbor and Pegasus, manufacturers of valves, cylinders and load simulators for the automotive, construction, mining, machine tool and agricultural equipment industries. Results of these operations were disappointing and significantly below plan and the prior year, reflecting the sharp decline in the automotive and construction equipment markets – the principal industries served by these operations. Major cost reduction programs were implemented in all operations. Janesville's new automotive padding plant in Oklahoma operated profitably during its first full year. A new foam seating line went on-stream at Janesville's Wisconsin plant. Improved results are anticipated for the Company's industrial components activities in 1983 reflecting an overall improvement in market conditions and the favorable impact of the cost reducing consolidation programs implemented in 1982.

Marine & Industrial Cranes

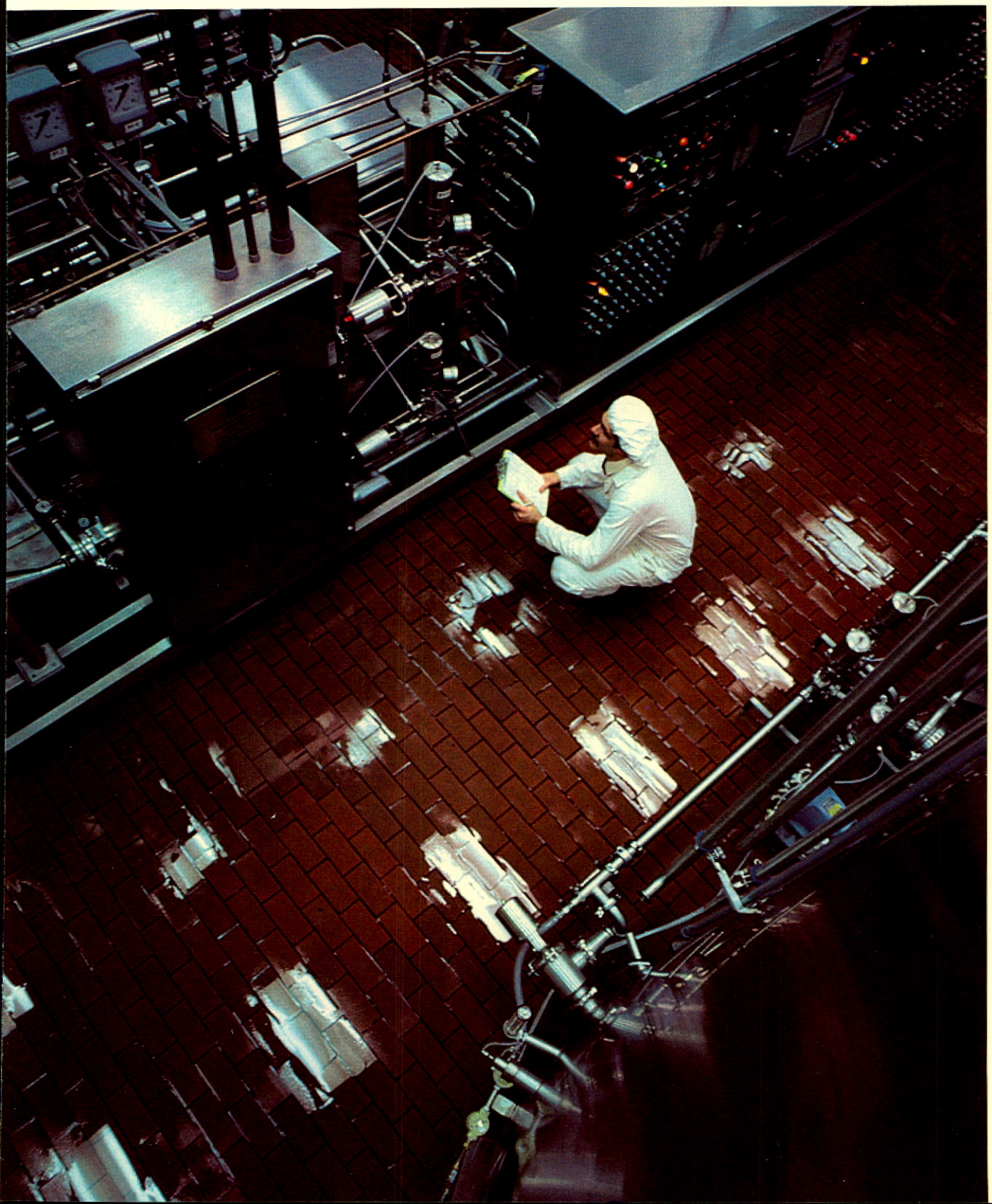
Marine & Industrial Cranes includes Morgan Engineering in Alliance, Ohio, Provincial in Niagara Falls, Ontario, and Clyde in Duluth, Minnesota. Morgan is a major U.S. manufacturer of steel mill and industrial cranes and materials handling cranes and systems. Provincial has a dominant position in the manufacture of steel mill cranes in Canada. Clyde designs and manufactures revolving *Whirley* cranes and specialized marine equipment for lifting and pulling extremely heavy loads. These crane operations enjoyed improved results due in large measure to a turnaround of Morgan Engineering's operations and increased bookings and shipments at Clyde. Morgan Engineering's improved performance stems from significant expense reductions plus increased volume associated with a major contract for a large steel company in the United States for a fully automated pipe storage, retrieval and handling system. Clyde achieved significant improvement in profitability resulting from the increased sales of its cranes for offshore construction and stevedoring applications. It also added volume by providing a retrofit service for upgrading and modernizing older cranes in the field and successfully introduced a new line of heavy duty winches for mooring offshore vessels. Clyde is in the process of introducing a new generation of traveling gantry cranes – smaller in size than current *Whirley* cranes.

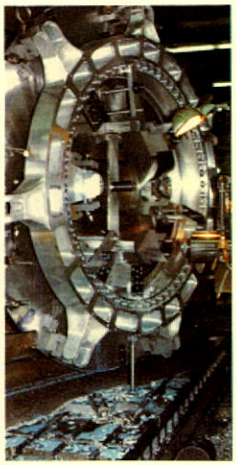
Petroleum Equipment

Petroleum Equipment consists of Morgan Petroleum Equipment in Tulsa, Oklahoma and Speedstar in Enid, Oklahoma. Morgan manufactures pump jacks and mud pumps for the petroleum industry. Speedstar manufactures water and oil drilling equipment.

Sales and earnings declined sharply from 1981 as a result of the precipitous decline in oilfield drilling activity in the United States and the worldwide oil glut. Demand for water well drilling equipment remained soft. The outlook for 1983 is for only a modest recovery in the North American and world oilfield markets.

Note: Included in 1982's financial results are five-month sales and earnings from Giddings & Lewis. See pages 40-41 for an introduction to Giddings & Lewis.





Barge-mounted Clyde *Whirley* cranes (top) are used extensively for transfer of coal along East and Gulf coasts of the United States, reducing in-port time for vessels destined for foreign ports.

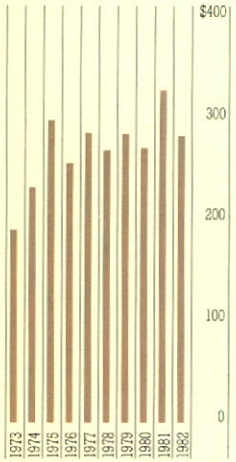
Above, a major component for a Sikorsky helicopter rotor assembly is machined on a Giddings & Lewis boring mill at Fenn Manufacturing. Fenn, which makes aerospace components, has nearly a dozen Giddings & Lewis machining centers in its plant.

At left, a complete aseptic fluid system made by Cherry-Burrell processes liquid dairy products and fruit juices at International Paper Company's R&D center. The system supports testing of carton paper and filler systems.

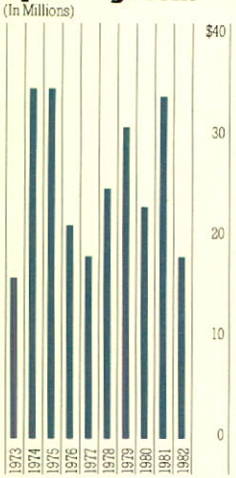
Steel Products and Services

Dominion Bridge: Eastern Canada
Dominion Bridge-Sulzer
Dominion Bridge: Western Canada
Manitoba Rolling Mills

Sales
(In Millions)



Operating Profit
(In Millions)



Results: Sales of $285 million were down $42 million or 13 percent compared with 1981 whereas operating profit of $18 million was down 47 percent from the previous year. Bookings and margins were adversely affected by depressed market conditions and the state of the overall Canadian economy. Steel sales at both Manitoba Rolling Mills (MRM) and at the Company's steel service centers were down significantly due to reduced demand and price competition. Project cancellations and capital investment deferrals caused a steady decline in the market for fabricated steel products and structures.

Outlook: Although a gradual recovery is anticipated by the third quarter of 1983, it is expected that this will have minimal effect on 1983 results. Any improvement in the economy will initially benefit MRM and the steel service centers. Year-end backlog of work to be done roughly equals that of the prior year. However, the lower margins at which the current work has been booked could reduce earnings in 1983.

The Company operates seven fabricating facilities, a rolling mill and ten steel service centers in Canada and is a 51-percent partner in Dominion Bridge-Sulzer. Manufacturing plants produce a wide range of products including structural steel, plate and specialty products and products for the electric utility, communications, resource mining and handling, transportation and petroleum markets. The Company's construction services include worldwide project management, erection, installation and turnkey services. The Western Canada Division designs, engineers and constructs in Canada, under license, coal preparation and handling facilities.

Canadian operations, headquartered in Toronto, include: Eastern Canada (Toronto), Western Canada (Calgary), Manitoba Rolling Mills (Selkirk, Manitoba) and Dominion Bridge-Sulzer (Montreal).

Eastern Canada Division

While the market for products and services in Ontario was relatively stable throughout the year, heavy competition in the marketplace kept margins low. In the Maritimes, the market continued to be severely depressed by the general economic slump in the area, evidenced by the current 25 percent unemployment level in the region. In general, businesses such as steel service centers, construction services and fabrication operations in Nova Scotia suffered while the Ontario fabrication operations exceeded earnings forecasts. In all, both sales and operating profits for the division were down. The division implemented extensive cost reduction programs and established a business development office in Halifax to pursue new opportunities for business in the Maritimes, particularly in the developing oil and gas industry.

Dominion Bridge-Sulzer

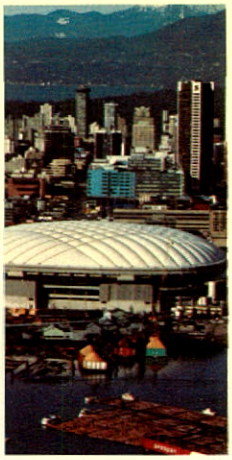
Dominion Bridge-Sulzer Inc. is a joint undertaking with Sulzer Brothers Limited of Switzerland. Dominion Bridge-Sulzer incurred a loss due to the depressed economy in general and the weak condition of industrial and commercial construction, particularly in Quebec. A bright spot in 1982 was the award of a $26 million contract for construction of modules for a mobile arctic caisson to be used in Beaufort Sea oil drilling, and a major export contract for two large turbines for Pakistan. The Straflo turbine for the Bay of Fundy tidal power project in Nova Scotia was shipped on time and within budget. Like other units in Canada, Dominion Bridge-Sulzer practiced tight cost controls throughout the year. A strong management team is in place ready to take advantage of any upturn in the economy.

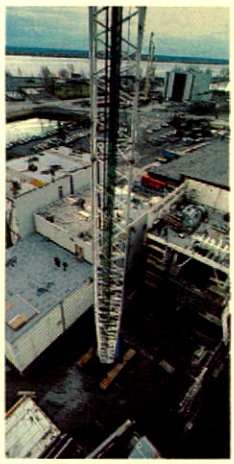
Western Canada Division

The economy of Western Canada depends heavily upon the fortunes of the natural resource industries – mining (particularly coal), oil and gas, agriculture and forest products. Depressed markets, collapse of world oil prices and high interest rates combined to dampen activities in all these sectors. The division, a heavy supplier to those industries indigenous to Western Canada, achieved higher sales than in 1981 due largely to a substantial bookings level in late 1981 as noted in last year's annual report. Operating profits, on the other hand, were down nine percent reflecting reduced margins and increased price competition. Major successes included the contract to design, supply, install and commission a major new coal handling facility, much of the structural work for a coal-fired electric generating station in Alberta and the contract to fabricate and erect steelwork for the second phase of a large health sciences facility in Alberta. Major disappointments included the sharp downturn in the steel service center business, the cancellation of several major oilfield construction projects and the postponement of a number of projects in the petrochemical, mining and forest industries. DB Engineers & Constructors, a design/build organization with its primary office in Calgary, was consolidated under single management in the Western Canada Division during 1982. The booking of a large coal terminal complex in Indonesia positions this unit well for 1983.

Manitoba Rolling Mills

Despite a significant decline in demand for steel the division was able to maintain a profitable operating level. MRM's performance through the first quarter of 1982 was very good although a deterioration in the market adversely affected results during the remainder of the year. The recent upgrading of one of its two electric melt furnaces, plus other completed plant modernization projects, will make it possible for MRM to compete favorably with other mills when the market returns to normal conditions. The division continued a program aimed at positioning itself as a leading producer of special shapes to a variety of industrial customers in the United States and Canada.





Dominion Bridge built major facilities including (top left) the concentrator and huge mine head frame at Potash Corporation of Saskatchewan's mine and mill in Lanigan.

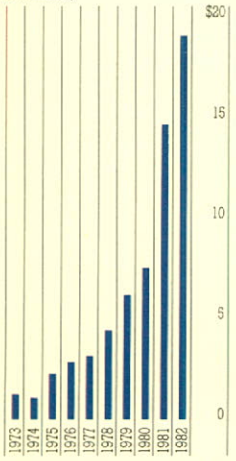
Top right, Dominion Bridge-Vancouver erected nearly three miles of bridge strand restraining cable during installation of the air-supported fiberglass fabric dome of the new B.C. Place stadium.

Above, 14 top-side modules being built by Dominion Bridge-Sulzer for Gulf Canada's mobile arctic caisson, are scheduled for oil drilling operations in the Beaufort Sea.

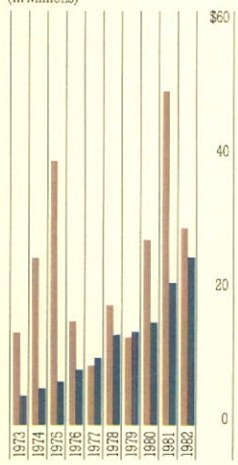
At left, a conveyor over the Gregg River will carry coal to the processing plant of Gregg River Resources in Alberta. Built by DB Engineers & Constructors, the plant will produce over two million tons of coal annually.

Profit Improvement

Research and Development Expenditures for Products, Processes and Systems
(In Millions)



Capital
Expenditures
Depreciation
(In Millions)



Continuing profit improvement is a primary objective, the achievement of which is one of the key responsibilities of each manager. Specific goals set annually are monitored at regular intervals to assure adequate efforts to reach and exceed them.

Productivity

The Company strives for continued productivity improvement at both manufacturing and office locations. This is especially important in a recessionary economy.

Special emphasis has been placed upon introduction of numerically controlled equipment and robotics in manufacturing operations. The Company has a growing number of applications in place utilizing computer-aided design and computer-aided manufacturing (CAD/CAM). Further installations of CAD/CAM are planned to reduce costs, improve quality, and enhance control of operations. The Giddings & Lewis companies have extensive experience in CAD/CAM technology, factory systems and robotics and will be of considerable assistance to other AMCA units in these areas. Continued effort has been expended to increase and improve the use of computerized data collection systems at manufacturing operations. Cost reduction plans were implemented at all divisions with significant beneficial results during the current difficult year.

During 1982 continued progress was made in introducing and extending the use of state-of-the-art office systems and procedures. These include electronic administrative systems, word processing, electronic document distribution and continued expansion of data processing applications.

Innovation

Product innovation and improvement is a critical part of the plans of all units, particularly those manufacturing proprietary products. Outstanding progress was made during 1982 including: a new generation of kerosene wick heaters; Veetrac wire drawing machinery; a new line of heavy duty winches for mooring offshore vessels; a new generation of traveling gantry cranes; long-life milk carton filling equipment; plastic jug filler machines; new designs for bulk transporting, storage and processing of crude oil at marine installations and systems for loading coal on deep draft ships. Of particular note is expanded activity at Morgan Engineering where development of new concepts in automated materials handling systems has resulted in a major project for a large steel company in the United States.

Innovation in process technology is pursued jointly by division staff and corporate staff resource groups. Expenditures for applied research and development have continued to increase with a current annualized expenditure of $19.2 million. During 1982 the Corporate Research & Technology Centre was relocated to Ottawa, Ontario to provide improved capabilities in welding and metallurgy research, development of improved fabrication techniques and laboratory services for Company operations.

The acquisition of Giddings & Lewis has also added a new dimension in computer control technology and factory automated systems. During the past four years, Giddings & Lewis has invested $45 million in product development and improvement to maintain its leadership position as a manufacturer of sophisticated machine tools.

In 1982 the Company completed a new Research and Technology Centre to provide the AMCA family of companies with a strong technical resource in the field of metals manufacturing. At right, engineers prepare wheel pads of a BOMAG soil stabilizer for series of tests that will provide welding information for field repairs in various climatic conditions.

Investment

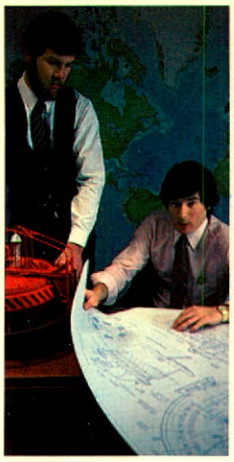
Excluding major acquisitions such as Koehring and Giddings & Lewis, capital investment in facilities, equipment and systems over the past five years has totalled $140 million. These investments have included facilities expansion to increase capacity, introduction of state-of-the-art equipment to achieve cost reductions, and construction of facilities to accommodate introduction of new products. Major projects in recent years have been the substantial rebuilding of the Company's shipyard at Wiley; construction of a new metal building manufacturing facility for Varco-Pruden at St. Joseph, Missouri; expansion of BOMAG manufacturing facilities at Boppard, West Germany; construction of the new hydraulic equipment manufacturing shop at Dominion Bridge-Sulzer; modernization and upgrading of Manitoba Rolling Mills, and the major improvement and expansion of foundry operations at Edmonton, Alberta. In 1982 the Company completed installation of cold foam manufacturing facilities at Janesville's Wisconsin plant and a kerosene wick heater assembly line at Bowling Green, Kentucky. Also during 1982 the acquisition of Chemetron Process Equipment, Inc., expanded the scope of Cherry-Burrell into other food processing lines. The acquisition of Pannell Plant Pty. Limited in Australia opened new manufacturing and marketing opportunities for compaction equipment in that part of the world.

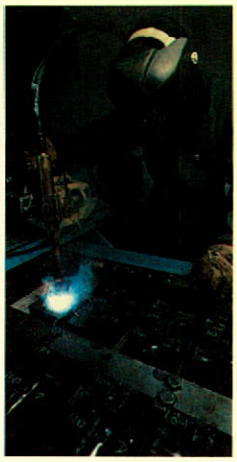
Asset Management

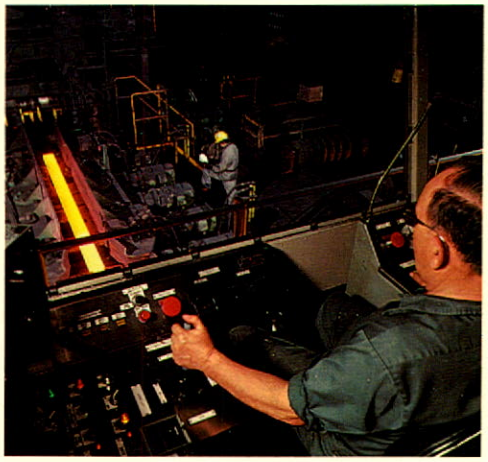
Control of working capital continued to receive priority attention at all divisions. Working capital, as a ratio to sales dollars, has reduced during the past decade from 27.7 cents to 17.4 cents.

People: The Most Important Asset

AMCA employees, utilizing state-of-the-art systems (steel production), concepts (product development) and equipment (gap welding), add their specialized skills in engineering, manufacturing and marketing to form an effective combination.







The Company's prime asset is its people. Fundamental to corporate strategy is the attraction, retention, development and replenishment of this basic resource. This is achieved through a variety of programs in recruiting, salaries, incentive compensation, fringe benefits, training, manpower development, employee relations and good working conditions.

Human Resources

The current recessionary economy brings into sharp focus the importance of each employee. To help assure the attraction and retention of the best available employees at all levels, the Company maintains a continuing program of recruitment and development.

As business conditions have made necessary a reduction in personnel by approximately 20-25 percent since the beginning of the year, renewed emphasis has been placed upon improved productivity per employee. During the past decade, sales per employee (excluding Giddings & Lewis) have increased from $34,228 to $98,711. Good results have been achieved through improved communications with employees to help assure their understanding the importance of quality workmanship and output so that the Company can retain its strong position in the many markets it serves. Also, increased emphasis has been placed upon training to help employees realize their potential in jobs they presently hold and to prepare them for increasing responsibilities within the Company. A recent analysis indicates that 70 percent of present senior managers in the Company were promoted from within.

During 1982 the corporate training department presented course study for over 600 employees in subjects such as: Interpersonal relationships, pre-supervisor development, supervisory management, management development, and legal and contractual conditions.

At the executive level, the Company continued its unique development activity centered about a special four-week intensive MBA-type program at the Amos Tuck School at Dartmouth College in Hanover, New Hampshire. The program features seminar instruction by both Tuck faculty and members of AMCA's management staff. In 1982, 23 AMCA managers graduated from the program.

Two other programs were also implemented during 1982: A management succession planning program and adoption of a college recruiting policy aimed at regular visits to leading colleges and universities.

A computerized data bank was established to provide background information on key AMCA management persons.

Health and Safety

As a result of accident prevention programs, the Company was able to realize a substantial reduction in accident-related costs during 1982. The combination of trained safety supervisors and medical staffs at nearly all AMCA plant locations has resulted in a notably reduced accident and absentee rate for 1982, one that equals or is less than industry averages as reported by the U.S. Bureau of National Affairs.

Labor Relations

The year was tranquil and productive. There were no work stoppages at any of the Company's locations and collective agreements were reached at 18 manufacturing locations. Eleven of the 18 contracts were at locations in the United States, seven in Canada. Settlements overall were at a lower cost than any over the last five years due to the declining inflation rate, the recessionary economy and a stepped-up program of employee communications. In Canada, construction settlements were achieved in all ten provinces with minimal work disruptions at isolated Company job sites.

None of the Company's non-union operations experienced organizing efforts and at Janesville Products in Wisconsin, employees voted to decertify their union.

During 1983 twelve labor agreements will expire at Company locations in the United States and nine in Canada while one construction-maintenance contract will be renegotiated at a project in the Virgin Islands.

As the Company's widely diversified operations continue to manage under the stress of a recessionary economy, a growing sense of realism has been exhibited at the bargaining table. Reduced expectations on the part of employees and their union representatives surfaced initially in the United States but have more recently been apparent in Canada as well. The Company's emphasis on communicating the need to reduce costs to preserve jobs and competitive position in world markets, combined with strengthened union relationships, augurs well for productive labor relations in the coming year.

Financial Review

Summary of Results

As mentioned, the worldwide recession had a negative impact on results. Nevertheless, sales were 93 percent of the 1981 record year and operating income, although below the 1981 level, was the second highest in the Company's history. Earnings per share of $1.73 were down 34 percent from 1981 earnings of $2.61.

The Company entered 1982 with a record backlog of $868 million, the highest in its history. Bookings were severely impacted by adverse economic conditions and backlog decreased to $594 million by the end of 1982.

Financial Position

Shareholders' equity increased by 25 percent as a result of earnings generated during the year, net of dividends and an $80.8 million equity issue, and was $14.06 per share at December 31, 1982, an increase of 2.6 percent over 1981.

Return on average shareholders' equity was 11.5 percent during 1982 compared with 20 percent during 1981. Dividends were paid totaling $1.00 (U.S.) per share, the same as 1981. This was the 70th year in a row that the Company paid a dividend.

The ratio of equity to long-term debt at December 31, 1982 was 1.4-to-1 compared with 1.2-to-1 a year earlier. Long-term debt increased by $43 million during the year. The increase was due to additional borrowings to support the acquisition of Giddings & Lewis net of repayments from the equity issue and the formation of AMCA International Finance Limited.

Working capital decreased by $92 million in 1982 and totaled $254 million at year-end, resulting in a current ratio of 1.52-to-1 compared to 1.68-to-1 a year ago. The decrease principally results from a reduced cash position due to funds required for the acquisition of Giddings & Lewis, the repayment of long-term debt and the payment of dividends. Excluding cash and short-term borrowings, working capital increased $89 million from year-to-year.

In 1982, the provision for income taxes reflected the effects of taxes paid on income from certain foreign operations in jurisdictions with lower tax rates offset by benefits taken on losses incurred in jurisdictions with rates approximating statutory rates.

Financing

During 1982, world capital markets began to stabilize with medium term international debt becoming more available, both short- and long-term interest rates declining significantly and North American equity markets improving. The Company was in a position during the year to take advantage of these events and, as mentioned, arranged a successful equity issue for $100 million Canadian ($80.8 million U.S.). The Company also maintained certain borrowings on a variable rate basis to take advantage of declining interest rates.

During the year a number of long-term loan agreements were successfully renegotiated while increasing borrowing capacity. Additional long-term debt incurred in 1982 was used primarily for the acquisition of Giddings & Lewis.

Net interest expense increased because of both the additional long-term debt and the reduction of cash and short-term deposits essentially used to fund the Giddings & Lewis acquisition.

The Company begins 1983 with unused borrowing capacity of $330 million in addition to approximately $50 million cash shown in the Consolidated Statement of Financial Position.

AMCA will continue to take advantage of capital market opportunities as they arise to maintain funding characteristics compatible with the Company's operating philosophy. As in the past, selective disposition of certain parts of the asset base may be made, where they are not consistent with strategic objectives or return on investment criteria.

This dockside crane was built by AMCA under license in Canada for loading and unloading ship containers. This stork-like system is located in New Westminster, near Vancouver, B.C. AMCA builds cranes in a wide variety of designs for the construction, energy, materials handling, marine and stevedoring industries and is recognized as one of the largest crane manufacturers in North America.

Ten Year Statistical Summary

	1982	1981
Operating Results ($ Millions)		
Sales	**1,458**	1,562
Operating income before income taxes	**43**	117
Income taxes	**(4)**	48
Operating income	**47**	69
Gain on sale of assets – net of income tax	**1**	1
Net income	**48**	70
Dividends	**29**	27
Income retained	**19**	43
Financial Condition and Ratios ($ Millions)		
Working capital	**254**	346
Cash flow from operations	**69**	88
Net fixed assets	**326**	198
Depreciation	**26**	21
Additions to fixed assets	**30**	51
Long-term debt	**340**	297
Shareholders' equity	**462**	368
Return on average shareholders' equity %	**11.5**	20.0
Net income on sales %	**3.3**	4.5
Per Share Data ($)		
Sales	**51.38**	58.15
Operating income	**1.70**	2.56
Gain on sale of assets – net of income tax	**0.03**	0.05
Net income	**1.73**	2.61
Dividends	**1.00**	1.00
Income retained	**0.73**	1.61
Cash flow from operations	**2.47**	3.29
Equity at year end	**14.06**	13.70
Shareholders and Employees		
Number of shareholders	**6,766**	5,733
Number of employees	**16,748**	21,779*
Number of shares outstanding (thousands)	**32,887**	26,891

Data for all years has been adjusted to reflect the two-for-one stock subdivisions in November 1974, October 1976 and December 1979.

Per share data, except equity at year-end, has been calculated on a quarterly basis using the weighted average shares outstanding during each quarter.

*For purposes of this summary, includes 4,474 at Giddings & Lewis.

1980	1979	1978	1977	1976	1975	1974	1973
U.S. Dollars				Canadian Dollars			
1,062	934	883	581	520	459	370	278
70	63	68	52	51	39	36	21
25	23	32	19	22	15	16	9
45	40	36	33	29	24	20	12
4	13	–	–	–	4	–	–
49	53	36	33	29	28	20	12
23	17	11	9	10	9	6	4
26	36	25	24	19	19	14	8
235	263	171	107	104	88	73	77
59	51	52	45	40	37	32	19
181	106	124	128	108	102	70	51
15	14	14	10	9	7	6	5
28	13	18	9	16	40	25	14
163	115	139	104	31	32	20	22
334	309	198	181	161	142	123	109
15.2	20.9	19.0	19.3	19.0	18.2	17.1	11.0
4.6	5.7	4.1	5.7	5.6	5.3	5.4	4.2
39.60	40.06	41.42	27.29	24.45	21.65	17.48	13.14
1.69	1.72	1.69	1.55	1.36	1.14	0.94	0.55
0.13	0.57	–	–	–	0.20	–	–
1.82	2.29	1.69	1.55	1.36	1.34	0.94	0.55
0.85	0.71	0.51	0.44	0.49	0.43	0.27	0.19
0.97	1.58	1.18	1.11	0.87	0.92	0.67	0.36
2.20	2.19	2.43	2.12	1.88	1.76	1.49	0.90
12.43	11.61	9.28	8.51	7.58	6.74	5.82	5.15
5,810	4,397	3,859	3,835	3,688	3,504	3,402	3,607
16,235	13,336	13,595	8,995	10,313	11,166	9,087	8,122
26,853	26,630	21,329	21,268	21,250	21,216	21,192	21,184

Consolidated Statement of Income

Year ended December 31, 1982
(In thousands of U.S. dollars)

	1982	1981
Revenues:		
Sales	**$1,457,660**	$1,562,378
Equity in pre-tax earnings of unconsolidated subsidiaries and affiliates (Note 4)	**8,133**	10,606
	1,465,793	1,572,984
Costs and Expenses:		
Cost of sales and operating expenses	**1,346,388**	1,407,059
Depreciation and amortization	**33,761**	24,061
Interest – net (Note 8)	**44,061**	26,650
Foreign currency transaction gain	**(1,150)**	(1,986)
	1,423,060	1,455,784
Operating Income Before Income Taxes	**42,733**	117,200
Provision for Income Taxes (Note 3)		
Current	**16,598**	47,166
Deferred	**(20,948)**	1,078
	(4,350)	48,244
Operating Income	**47,083**	68,956
Gain on sale of assets – net of income tax of $295 in 1982 and $757 in 1981	**759**	1,274
Net Income	**$ 47,842**	$ 70,230
Earnings Per Share (Note 1):		
Operating income	**$1.70**	$2.56
Gain on sale of assets – net of income tax	**.03**	.05
Net Income	**$1.73**	$2.61

Consolidated Statement of Retained Earnings

Year ended December 31, 1982
(In thousands of U.S. dollars)

	1982	1981
Balance at Beginning of Year:	**$298,786**	$255,426
Net income	**47,842**	70,230
	346,628	325,656
Dividends (per share: 1982 – $1.00, 1981 – $1.00)	**28,506**	26,870
Expenses related to issue of capital stock, net of income taxes of $1,034 (Note 9)	**1,206**	–
Balance at End of Year	**$316,916**	$298,786

See accompanying notes.

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1982
(In thousands of U.S. dollars)

	1982	1981
Sources of Working Capital:		
Operations:		
Net income	**$ 47,842**	$ 70,230
Add (deduct) items not affecting working capital:		
Depreciation	**25,530**	21,446
Amortization	**8,231**	2,615
Increase (decrease) in deferred income taxes (noncurrent)	**(9,608)**	1,154
Pre-tax gain on sale of assets	**(1,304)**	(2,859)
Equity in net income of unconsolidated subsidiaries and affiliates	**(2,973)**	(5,427)
Other	**1,323**	1,320
Working capital provided from operations	**69,041**	88,479
Proceeds from long-term debt	**247,000**	156,309
Proceeds from sale of assets, net of working capital of $177 in 1981	**9,919**	10,182
Issue of share capital, net of expenses	**83,805**	327
Increase (decrease) in deferred income taxes	**17,809**	(10,949)
Other	**3,766**	547
Total working capital provided	**431,340**	244,895
Applications of Working Capital:		
Acquisition of net noncurrent assets of Giddings & Lewis (Note 2):		
Fixed assets	**129,511**	–
Patents and intangibles	**56,500**	–
Goodwill	**80,111**	–
Assumption of long-term debt	**(13,999)**	–
Deferred income taxes	**(38,267)**	–
Other, net	**3,938**	–
	217,794	–
Investments in and advances to unconsolidated subsidiaries and affiliates	**13,572**	9,502
Purchase of fixed assets	**29,858**	50,517
Payment of long-term debt	**216,936**	23,985
Dividends	**28,506**	26,870
Increase in other assets	**11,015**	16,814
Adjustment from translation of foreign currency	**5,417**	6,720
Total working capital applied	**523,098**	134,408
Increase (Decrease) in Working Capital	**(91,758)**	110,487
Working Capital at Beginning of Year	**345,959**	235,472
Working Capital at End of Year	**$254,201**	$345,959

See accompanying notes.

Consolidated Statement of Financial Position

December 31, 1982
(In thousands of U.S. dollars)

	1982	1981
Assets		
Current assets:		
Cash and short-term deposits	**$ 49,778**	$ 176,601
Accounts and notes receivable (Note 1)	**237,661**	277,178
Inventories (Note 5)	**440,808**	392,788
Other current assets	**15,636**	9,152
Total current assets	**743,883**	855,719
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 4)	**72,857**	69,010
Fixed assets (Note 6)	**325,653**	198,353
Patents and intangibles	**57,970**	4,430
Goodwill (Note 2)	**134,241**	55,626
Other assets	**39,132**	29,237
	$1,373,736	$1,212,375
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term borrowings	**$ 154,547**	$ 100,812
Accounts payable and accrued liabilities	**231,416**	250,256
Customer advances	**78,493**	77,864
Income taxes:		
Current	**–**	19,035
Deferred	**14,009**	45,681
Current installments on long-term debt	**11,217**	16,112
Total current liabilities	**489,682**	509,760
Long-term debt (Note 7)	**340,144**	296,803
Other deferred liabilities:		
Deferred income taxes	**67,979**	22,962
Pension plans	**11,207**	10,205
Other	**2,470**	4,215
	911,482	843,945
Shareholders' equity:		
Capital stock (Note 9)		
Issued – 32,887,277 shares (1981 – 26,890,722)	**178,354**	93,343
Retained earnings	**316,916**	298,786
	495,270	392,129
Equity adjustment from foreign currency translation (Note 1)	**(33,016)**	(23,699)
Total shareholders' equity	**462,254**	368,430
	$1,373,736	$1,212,375

On behalf of the Board
K.S. Barclay, Director
Dalton D. Ruffin, Director

See accompanying notes.

Notes to Consolidated Financial Statements

Year ended December 31, 1982
(In thousands of U.S. dollars)

1. Summary of Significant Accounting Policies

Consolidation. All subsidiary companies except the wholly-owned finance subsidiaries, Koehring Finance Corporation ("KFC") and AMCA International Finance, Limited ("AIFL"), are consolidated and all significant intercompany accounts and transactions between consolidated companies have been eliminated. The investments in KFC, AIFL and 50%-owned companies are recorded at equity in the underlying net assets and the applicable years' earnings or losses are included in consolidated income.

Construction Contracts. For financial statement purposes, income on substantially all construction contracts is recognized on the percentage-of-completion basis; provision is made for the entire amount of expected losses, if any, in the period in which such losses are first determinable. Included in accounts receivable are unbilled receivables related to these contracts of $35,422 (1981 – $36,432).

Inventories. Work-in-process related to construction contracts is stated at accumulated production costs less amounts charged to income based on the percentage-of-completion of individual contracts. Other inventories are stated at the lower of cost (average or first-in, first-out) or net realizable value.

Fixed Assets. Property, plant and equipment are carried at cost including interest incurred during the construction period. Major renewals and betterments are capitalized; maintenance and repairs are expensed as incurred. Cost of property sold or otherwise disposed of and related accumulated depreciation are removed from the accounts at the time of disposal and any resulting gain or loss is included in income.

Depreciation of plant and equipment is determined principally on a straight-line or unit-of-production basis over the estimated useful lives of the assets.

Goodwill. Goodwill is amortized using the straight-line method over a period not exceeding 40 years.

Patents and Intangibles. Patents and other intangible assets are carried at cost and amortized over their remaining economic lives. Accumulated amortization was $5,278 and $2,318 at December 31, 1982 and 1981, respectively.

Income Taxes. Provisions have not been made for taxes on undistributed income of foreign subsidiaries inasmuch as such income is being reinvested abroad.

Foreign Currency Translation. All assets and liabilities are translated into U.S. dollars using current exchange rates and income statement items are translated using weighted average exchange rates for the year. The translation adjustment is included as a component of shareholders' equity whereas gains and losses on foreign currency transactions are included in income.

The following table shows the changes in the equity adjustment from foreign currency translation for the years ended December 31, 1982 and 1981:

	1982	1981
Balance at beginning of year	**$23,699**	$14,654
Net effect of currency translation adjustments	**9,317**	9,045
Balance at end of year	**$33,016**	$23,699

Earnings Per Share. Earnings per share are calculated on a quarterly basis using the weighted average shares outstanding during each quarter.

Notes to Consolidated Financial Statements

Year ended December 31, 1982
(In thousands of U.S. dollars)
(Continued)

2. Acquisition

Effective August 1, 1982, the common stock of Giddings & Lewis, Inc., a major United States manufacturer of machine tools and industrial products, was acquired for approximately $310,000 cash.

This acquisition has been accounted for as a purchase and results of operations from the date of acquisition have been included in the consolidated statement of income. The assets and liabilities acquired have been stated at fair values and the excess of the purchase price over these fair values has been recorded as goodwill amounting to $80,111. The fair values related to certain operations may be adjusted based upon further study.

If the above acquisition had been made at January 1, 1981, the unaudited pro forma consolidated net sales and net income of the Company would have been $1,654,089 and $50,895 in 1982 and $1,938,251 and $82,335 in 1981, respectively. The unaudited pro forma earnings per share would have been $1.84 in 1982 and $3.06 in 1981.

3. Income Taxes

The provision for income taxes in 1982 differs from the statutory rate as a result of benefits taken on losses incurred in jurisdictions with rates approximating statutory rates being partially offset by taxes paid on income from certain foreign operations in jurisdictions with lower tax rates.

4. Investments In and Advances To Unconsolidated Subsidiaries and Affiliates

Included in the caption "Investments in and advances to unconsolidated subsidiaries and affiliates" in the consolidated statement of financial position are investments in two wholly-owned finance subsidiaries, KFC and AIFL, of $59,157 and $50,608 at December 31, 1982 and 1981, respectively.

AIFL, which was formed in September 1982 with an investment of approximately $8,000, finances the sale of Company products in Canada. The investment in AIFL and the initial purchase of Company receivables reduced working capital and long-term debt by $53,000 and $45,000 respectively.

Condensed, combined statements of financial position and income of KFC and AIFL at and for the years ended December 31, 1982 and 1981 are as follows:

Statement of Financial Position

	1982	1981
Assets		
Cash	**$ 1,819**	$ 1,069
Receivables	**213,151**	181,749
Other assets	**10,300**	7,509
Total assets	**$225,270**	$190,327
Liabilities and shareholder's equity		
Short-term debt	**$102,699**	$112,969
Accounts payable and accrued liabilities	**6,293**	6,997
Long-term debt	**57,121**	19,753
	166,113	139,719
Shareholder's equity (represented by subordinated notes of $13,199 and $14,503 and an investment of $45,958 and $36,105 at December 31, 1982 and 1981, respectively)	**59,157**	50,608
Total liabilities and shareholder's equity	**$225,270**	$190,327

Notes to Consolidated Financial Statements

Year ended December 31, 1982
(In thousands of U.S. dollars)
(Continued)

4. Investments In and Advances To Unconsolidated Subsidiaries and Affiliates (Continued)

Statement of Income

	1982	1981
Interest and finance income		
Affiliated companies	**$ 15,774**	$ 17,598
Other	**17,543**	19,853
	33,317	37,451
Expenses		
Interest	**20,801**	22,557
Other	**2,501**	1,670
	23,302	24,227
Income before income taxes	**10,015**	13,224
Income taxes	**4,818**	6,435
Net income	**$ 5,197**	$ 6,789

KFC and AIFL are engaged in financing the sale of Company products to distributors and end users. With respect to KFC, the Company has agreed to repurchase any contracts that become in default and to pay finance charges to KFC at such rates as will result in KFC's annual net earnings before interest expense and income taxes being equal to 150% of interest expense of KFC for such fiscal year. With respect to AIFL, the Company has agreed to repurchase any receivables or contracts that become in default and to pay finance charges to AIFL at a mutually agreeable rate.

5. Inventories

	1982	1981
Work-in-process	**$144,660**	$130,616
Steel and other supplies	**170,752**	195,601
Finished products	**125,396**	66,571
	$440,808	$392,788

6. Fixed Assets

	Cost	Accumulated depreciation and amortization	Net
December 31, 1982			
Land	**$ 10,856**	**$ –**	**$ 10,856**
Plant	**129,199**	**30,300**	**98,899**
Machinery and equipment	**283,357**	**84,938**	**198,419**
Property under capital leases	**12,975**	**3,256**	**9,719**
Construction in progress	**7,760**	**–**	**7,760**
	$444,147	**$118,494**	**$325,653**
December 31, 1981			
Land	$ 8,634	$ –	$ 8,634
Plant	84,266	25,874	58,392
Machinery and equipment	177,067	73,101	103,966
Property under capital leases	12,975	2,280	10,695
Construction in progress	16,666	–	16,666
	$299,608	$101,255	$198,353

Notes to Consolidated Financial Statements

Year ended December 31, 1982
(In thousands of U.S. dollars)
(Continued)

7. Long-Term Debt

	1982	1981
Revolving credit bank notes	**$ 38,000**	$152,809
Debentures due 1984 – 10.25%	**30,000**	30,000
Debentures due 1986 – 9%	**25,000**	25,000
	93,000	207,809
Debt of Subsidiary Companies		
Revolving credit bank notes	**175,000**	–
Note payable to insurance company due in installments through 1992 – 9.5%	**29,200**	32,100
Note payable to insurance company due in installments through 1989 – 6.95%	**17,095**	19,230
Other notes payable due in installments through 2004 at interest rates varying from 5.36% to 14%	**26,966**	42,506
Obligations under capital leases (Note 11)	**10,100**	11,270
	258,361	105,106
	351,361	312,915
Less installments due in one year	**11,217**	16,112
	$340,144	$296,803

The Company has revolving credit agreements with a group of banks which provide that the Company may borrow up to $120,000. The amounts outstanding under these agreements at December 31, 1982 and 1981 were $18,000 and $52,809, respectively. The outstanding loan balances as of September 1, 1984 will convert into term loans repayable in 16 equal quarterly installments commencing on December 1, 1984. Interest is payable at rates not exceeding the U.S. prime rate. The weighted average interest rate was 14.2% and 17.4% during 1982 and 1981, respectively.

The Company also has revolving credit agreements with two banks which provide that the Company may borrow up to $100,000. The amounts outstanding under these agreements at December 31, 1982 and 1981 were $20,000 and $100,000, respectively. On August 1, 1984 or later with the consent of the banks, the banks' commitment will commence to be extinguished by 24 equal semi-annual reductions, and the Company will be required to make repayments to the extent that the outstanding loans exceed the commitment limit. Interest is payable at rates not exceeding the U.S. prime rate. The weighted average interest rate was 15.1% and 16.4% during 1982 and 1981, respectively.

A subsidiary of the Company has revolving credit agreements with a group of banks which provide that the subsidiary may borrow up to $225,000. The amount outstanding under these agreements was $175,000 at December 31, 1982. The outstanding loan balances at October 31, 1984 will convert into term loans repayable in 16 equal quarterly installments commencing on February 1, 1985. Interest is payable at rates not exceeding the U.S. prime rate. The weighted average interest rate during 1982 was 11.4%.

The revolving credit agreements and the loan agreements relating to subsidiary companies contain certain covenants with respect to working capital, net worth, leases, indebtedness, the payment of dividends and other items. The Company has complied with all provisions of these agreements.

Future principal payments on long-term debt are as follows (assuming that the revolving credit agreements are converted into term loans at the earliest possible dates indicated above):

1984	$ 42,730
1985	57,678
1986	82,617
1987	57,639
1988	55,834
Thereafter	43,646
	$340,144

Notes to Consolidated Financial Statements

Year ended December 31, 1982
(In thousands of U.S. dollars)
(Continued)

8. Interest Expense – Net (See Note 13)

	1982	1981
Interest on long-term debt	**$48,230**	$28,087
Interest on short-term debt	**20,339**	20,952
Interest income	**(23,308)**	(20,789)
Interest capitalized on fixed assets	**(1,200)**	(1,600)
	$44,061	$26,650

9. Capital Stock

The Company is incorporated under the Canada Business Corporations Act and is authorized to issue an unlimited number of common and preferred shares of no par value.

On October 4, 1982, 5,555,555 shares of capital stock were issued for a cash consideration of $80,780 (Cdn. $100 million). Proceeds from the issue were used to retire long-term debt. Expenses of $1,206 net of taxes of $1,034 have been charged directly to retained earnings.

At December 31, 1982, employee stock options were outstanding with respect to 834,450 shares exercisable at various dates through August 1992 at prices ranging from Cdn. $6.875 to Cdn. $20.375 per share and totalling Cdn. $11,519,000. Exercise of these options would not materially dilute earnings per share. Officers of the Company held 636,450 of the total options outstanding at December 31, 1982. In 1982, 441,000 shares were issued for Cdn. $5,181,000 cash and notes receivable.

10. Pension Plans

The Company and its subsidiaries have defined benefit pension plans covering substantially all employees. Pension expense was $9,667 and $7,674 in 1982 and 1981, respectively. It is the Company's policy to fund pension costs accrued. Benefits under certain German pension plans, in accordance with applicable laws, have not been funded and the costs not being funded ($4,594 and $6,266 at December 31, 1982 and 1981, respectively) are included in other deferred liabilities in the accompanying Consolidated Statement of Financial Position.

A comparison of accumulated plan benefits and plan net assets for the pension plans of the Company and its subsidiaries at January 1, 1982 and 1981 is as follows:

	1982	1981
Actuarial present value of accumulated plan benefits:		
Vested	**$167,700**	$127,034
Nonvested	**14,814**	11,525
	$182,514	$138,559
Net assets available for benefits	**$211,574**	$169,621

The weighted average assumed rates of return used in determining the actuarial present value of accumulated plan benefits were 8% and 7.4% in 1982 and 1981, respectively.

Notes to Consolidated Financial Statements

Year ended December 31, 1982
(In thousands of U.S. dollars)
(Continued)

11. Long-Term Lease Commitments

The Company leases machinery, transportation equipment, office, warehouse and manufacturing facilities for periods up to 25 years.

The following is an analysis of the property under capital leases by major classes:

Classes of Property	Asset balances (Note 6) at December 31, 1982	1981
Manufacturing facilities	**$ 8,085**	$ 8,085
Other	**4,890**	4,890
	12,975	12,975
Less accumulated amortization	**3,256**	2,280
	$ 9,719	$10,695

Future minimum lease payments under all leases at December 31, 1982 are:

	Capital leases	Operating leases
1983	$ 2,300	$ 6,880
1984	2,188	5,520
1985	1,997	4,029
1986	1,763	3,088
1987	1,526	1,835
Subsequent to 1987	12,878	2,694
Total minimum lease payments	22,652	$24,046
Less amount representing interest	12,552	
Present value of minimum lease payments	$10,100	

Total rental expense for all operating leases for the years ended December 31, 1982 and 1981 was $13,670 and $13,465, respectively.

Notes to Consolidated Financial Statements

Year ended December 31, 1982
(In thousands of U.S. dollars)
(Continued)

12. Business Segments

The Company operates in the following industry segments:

Construction Products
Compaction equipment; concrete finishing equipment; cranes and derricks; excavators; material handling and pile-driving equipment.

Engineering and Construction Services
Coal handling systems; marine vessels and equipment; offshore petroleum production and distribution systems; turnkey petroleum refineries, petrochemical and industrial plants; pre-engineered buildings; vehicular tunnel tubes.

Financial, Marketing, Licensing Services and Special Products
Financing to promote sales of AMCA products; purchase of raw materials and components for AMCA units; marketing AMCA products; licensing of proprietary AMCA patents and trademarks outside North America; production and marketing of portable kerosene and oil-fired heaters, electric chain saws and powder-actuated tools, tree harvesting and pulp and paper processing equipment.

Industrial Products
Aerospace and automotive components; beverage, dairy and food processing and packaging machinery; foundry machinery and accessories; hydraulic components and systems; industrial fasteners; marine, industrial and shipyard cranes; metal forming machinery; oil field equipment; pressure tanks and cylinders. Machine Tools – Computer numerically controlled horizontal and vertical lathes and turning centers; horizontal and vertical machining centers; horizontal boring, drilling and milling machines; automatic assembly machines; flexible manufacturing systems; transfer machines; computer numerical controls; microprocessors; cutting tools and fixtures; drill point grinders; balancing equipment.

Steel Products and Services
Steel production, distribution, fabrication and erection; energy products, services and systems related to the generation and transmission of electric power from fossil fuel, nuclear, hydroelectric, tidal power, and waste conversion plants.

Notes to Consolidated Statements

Year ended December 31, 1982

Year ended December 31, 1982
(In thousands of U.S. dollars)
(Continued)

12. Business Segments	Assets	Sales: Gross	Sales: Inter-segment	Sales: Net	Segment operating profit	Capital expenditures(2)	Depreciation and amortization(2)
Industry Segment							
Construction Products	$ 206,500	$ 239,323	$ 2,616	$ 236,707	$ 13,022	$ 4,702	$ 4,064
Engineering and Construction Services	137,285	375,574	2,058	373,516	30,234	1,497	4,166
Financial, Marketing, Licensing Services and Special Products	468,996	167,595	9,685	157,910	71,514(1)	838	2,042
Industrial Products	515,862	407,893	3,011	404,882	32,018	9,695	15,131
Steel Products and Services	153,419	286,232	1,587	284,645	18,271	4,436	4,666
Eliminations	(316,340)	–	–	–	(43,402)	–	–
	1,165,722	$1,476,617	$18,957	$1,457,660	$121,657	$21,168	$30,069
Corporate	194,314						
Investments in and advances to unconsolidated subsidiaries and affiliates (excluding KFC & AIFL)	13,700						
Total assets	$1,373,736						
Geographic Segment							
Canada	$ 185,688	$ 327,188	$ 4,360	$ 322,828	$ 19,476		
United States	792,888	948,558	140	948,418	61,338		
Europe	473,812	236,507	74,034	162,473	81,464		
Other	76,265	23,941	–	23,941	2,299		
Eliminations	(362,931)	–	–	–	(42,920)		
	$1,165,722	$1,536,194	$78,534	$1,457,660	$121,657		

Reconciliation of Segment Operating Profit to Net Income	
Segment operating profit	$121,657
Corporate expenses	(21,465)
Unallocated net interest expense	(55,480)
Equity in pre-tax earnings of unconsolidated subsidiaries and affiliates (excluding KFC & AIFL)	(1,979)
Operating income	42,733
Income tax benefit	4,350
Gain on sale of assets – net of income tax	759
Net income	$ 47,842

(1) Includes interest and financing income of $53,514 with no related sales.
(2) Capital expenditures and depreciation and amortization exclude $8,690 and $3,692, respectively, of corporate amounts.

Notes to Consolidated Financial Statements

Year ended December 31, 1981

Year ended December 31, 1982
(In thousands of U.S. dollars)
(Continued)

12. Business Segments	Assets	Sales: Gross	Sales: Inter-segment	Sales: Net	Segment operating profit	Capital expenditures(2)	Depreciation and amortization(2)
Industry Segment							
Construction Products	$ 238,071	$ 336,234	$ 128	$ 336,106	$ 51,292	$ 9,863	$ 4,120
Engineering and Construction Services	179,958	441,135	2,216	438,919	31,700	12,355	3,566
Financial, Marketing, Licensing Services and Special Products	430,730	149,699	27,512	122,187	49,790(1)	3,022	1,778
Industrial Products	208,276	343,574	5,471	338,103	41,951	7,275	7,078
Steel Products and Services	225,048	328,849	1,786	327,063	33,875	7,423	4,552
Eliminations	(289,185)	–	–	–	(17,028)	–	–
	992,898	$1,599,491	$37,113	$1,562,378	$191,580	$39,938	$21,094
Corporate	201,075						
Investments in and advances to unconsolidated subsidiaries and affiliates (excluding KFC)	18,402						
Total assets	$1,212,375						
Geographic Segment							
Canada	$ 266,277	$ 399,042	$10,489	$ 388,553	$ 42,792		
United States	542,657	980,141	22,692	957,449	107,779		
Europe	439,467	178,357	1,978	176,379	51,223		
Other	77,364	67,509	27,512	39,997	7,368		
Eliminations	(332,867)	–	–	–	(17,582)		
	$ 992,898	$1,625,049	$62,671	$1,562,378	$191,580		
Reconciliation of Segment Operating Profit to Net Income							
Segment operating profit					$191,580		
Corporate expenses					(33,260)		
Unallocated net interest expense					(38,502)		
Equity in pre-tax earnings of unconsolidated subsidiaries and affiliates (excluding KFC)					(2,618)		
Operating income					117,200		
Income taxes					(48,244)		
Gain on sale of assets – net of income tax					1,274		
Net income					$ 70,230		

(1) Includes interest and financing income of $35,904 with no related sales.
(2) Capital expenditures and depreciation and amortization exclude $10,579 and $2,967, respectively, of corporate amounts.

Intersegment and interregional sales are accounted for at prices which approximate market. The Canadian operations include export sales, primarily to customers in the United States and Africa, of $31,486 and $36,216 in 1982 and 1981, respectively.

Notes to Consolidated Financial Statements

Year ended December 31, 1982
(In thousands of U.S. dollars)
(Continued)

13. Transactions with Related Parties

Transactions with related companies during the years ended December 31, 1982 and 1981 were as follows:

	1982	1981
Sales of various products	**$ 9,926**	$21,500
Purchases of raw materials	**32,085**	46,600
Finance charges from unconsolidated subsidiaries	**15,774**	17,598

The finance charges from the unconsolidated subsidiaries previously reflected in interest expense in the consolidated statement of income have been reclassified and are included in cost of sales and operating expenses in the accompanying financial statements.

14. Contingent Liabilities

A number of claims and lawsuits seeking unspecified damages and other relief are pending against the Company. It is impossible at this time for the Company to predict with any certainty the outcome of such litigation. However, management is of the opinion, based upon information presently available to it, that it is unlikely that any liability, to the extent not provided for through insurance or otherwise, would be material in relation to the Company's consolidated financial position.

Auditors' Report

To the Shareholders of
AMCA International Limited

We have examined the consolidated statement of financial position of AMCA International Limited as at December 31, 1982 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Young & Company

Montreal, Canada
January 31, 1983

Chartered Accountants

Consolidated Statement of Income by Quarters*

(Unaudited, in thousands of dollars except per share data)	1982 December	1982 September	1982 June	1982 March	1981 December	1981 September	1981 June	1981 March
Revenues								
Sales	**$382,170**	**$348,426**	**$364,860**	**$362,204**	$438,238	$408,230	$374,454	$341,456
Equity in pre-tax earnings of unconsolidated subsidiaries and affiliates	**1,796**	**2,644**	**2,124**	**1,569**	665	2,401	3,790	3,750
	383,966	**351,070**	**366,984**	**363,773**	438,903	410,631	378,244	345,206
Costs and Expenses								
Cost of sales and operating expenses	**357,384**	**328,527**	**332,028**	**328,449**	402,321	362,379	333,700	308,659
Depreciation and amortization	**11,956**	**10,025**	**5,900**	**5,880**	6,550	6,302	5,925	5,284
Interest – net	**13,394**	**11,762**	**9,029**	**9,876**	5,548	9,378	7,164	4,560
Foreign currency transaction (gain) loss	**114**	**98**	**92**	**(1,454)**	1,429	(595)	(1,385)	(1,435)
	382,848	**350,412**	**347,049**	**342,751**	415,848	377,464	345,404	317,068
Operating Income Before Income Taxes	**1,118**	**658**	**19,935**	**21,022**	23,055	33,167	32,840	28,138
Income taxes	**(5,832)**	**(6,940)**	**3,218**	**5,204**	7,267	14,056	14,150	12,771
Operating Income	**6,950**	**7,598**	**16,717**	**15,818**	15,788	19,111	18,690	15,367
Gain on sale of assets – net of income tax	**–**	**–**	**–**	**759**	–	–	–	1,274
Net Income	**$ 6,950**	**$ 7,598**	**$ 16,717**	**$ 16,577**	$ 15,788	$ 19,111	$ 18,690	$ 16,641
Per Share Data								
Sales	**$ 11.63**	**$ 12.81**	**$ 13.47**	**$ 13.47**	$ 16.31	$ 15.19	$ 13.94	$ 12.71
Operating income	**.21**	**.28**	**.62**	**.59**	.59	.71	.69	.57
Net income	**.21**	**.28**	**.62**	**.62**	.59	.71	.69	.62
Dividends	**.25**	**.25**	**.25**	**.25**	.25	.25	.25	.25

*The figures for the quarter ended September 30, 1982 reflect the restatement of the consolidated financial statements to give effect to the allocation of the purchase price of Giddings & Lewis (G&L), acquired on August 1, 1982, based on management's in-depth study of the fair values of G&L's assets and liabilities, in accordance with generally accepted accounting principles.

Finance charges from unconsolidated subsidiaries ($15,774 and $17,598 in 1982 and 1981, respectively) previously reflected in interest expense have been reclassified and are included in cost of sales and operating expenses in the accompanying financial statements in order to better reflect the character of the charges (see Note 13 to the Consolidated Financial Statements).

Per share data, except book value, has been calculated on a quarterly basis using the weighted average shares outstanding during each quarter.

Stock Information

Stock Exchanges
Montreal, Toronto

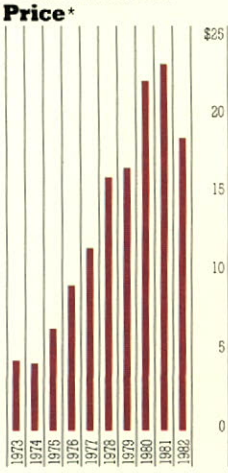
Ticker Symbol
AIL

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

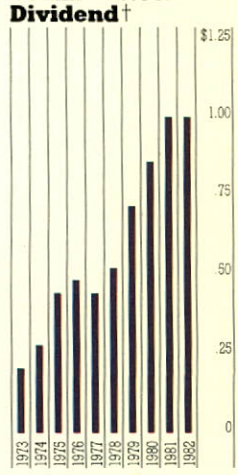
Stock Ownership
The Algoma Steel Corporation, Limited owns approximately 34.7 percent of the Company's outstanding common stock. Canadian Pacific Enterprises Limited owns approximately 16.2 percent of the Company's outstanding common stock.

Dividend Information
A $1.00 (U.S.) dividend was paid in 1982.

Common Stock Price*



Common Stock Dividend†



*Canadian Dollars Per Share. At the end of December the stock closed at $19 on the Toronto Stock Exchange.

†Dividends converted to U.S. dollars for purposes of this chart. The apparent reduction in dividends in 1977 resulted from the manner in which the Company chose to pay the increase allowed by the Canadian Anti-Inflation Board in late 1976.

Data adjusted to reflect the two-for-one stock subdivisions in November 1974, October 1976 and December 1979.

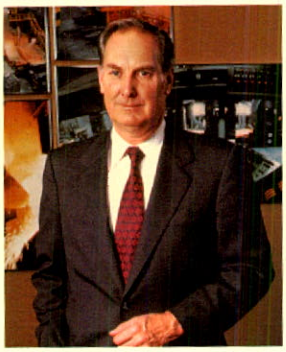
Directors

*K.S. Barclay
Chairman and Chief
Executive Officer
AMCA International Limited

Robert W. Campbell
Vice Chairman and
Chief Executive Officer
Canadian Pacific Enterprises
Limited

*Michael D. Dingman
President
The Signal Companies, Inc.

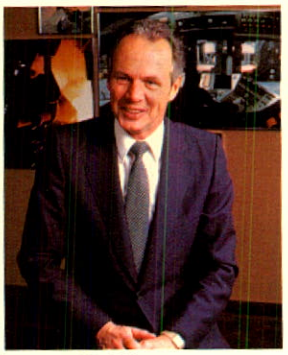
Jack Hatcher
President and
Chief Operating Officer
AMCA International Limited



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

†‡Brian R.B. Magee
Honorary Chairman
A.E. LePage Limited

John R. Meyer
Vice Chairman
Union Pacific Corporation



†Peter M. Nixon
President and
Chief Operating Officer
The Algoma Steel
Corporation, Limited

James E. Robison
President
Lonsdale Enterprises, Inc.

†‡Dalton D. Ruffin
Regional Vice President
Wachovia Bank and Trust
Company, N.A.

Ian D. Sinclair
Chairman
Canadian Pacific Enterprises
Limited

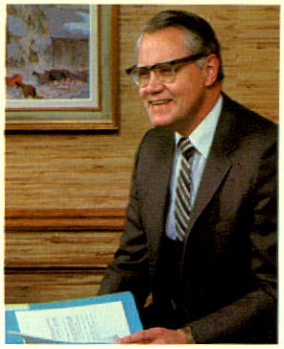
*W.J. Stenason
President
Canadian Pacific Enterprises
Limited

*Member:
Executive Committee

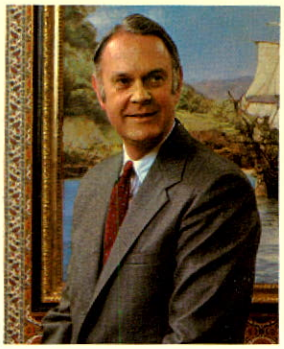
†Member:
Management Resources and
Remuneration Committee

‡Member:
Audit Committee

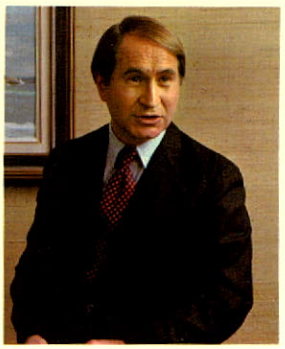
†‡H. Heward Stikeman, Q.C.
Senior Partner
Stikeman, Elliott, Tamaki,
Mercier and Robb



A.B. Bjornsson
Senior Vice President

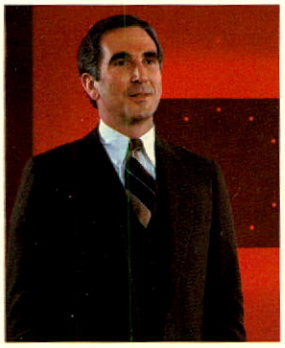


R.E. Chamberlain
Group Vice President

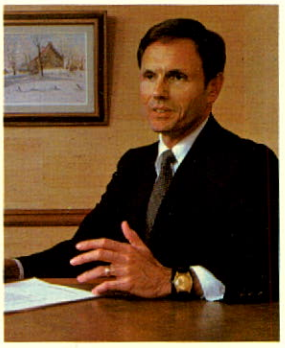


R.H. Elman
Group Vice President

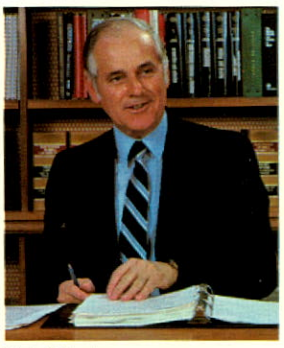
W.R. Holland
Executive Vice President



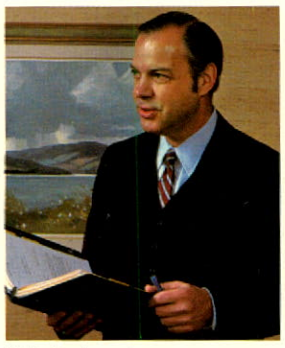
F.W. Jones
Group Vice President



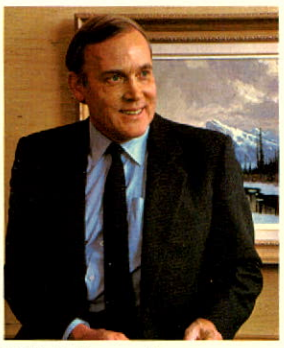
V.L. Martin
Group Vice President



J.B. Phelan
Group Vice President



F.H. Roland
Senior Vice President



K.H. Schwamborn
Group Vice President

F.J. Stevenson
Executive Vice President

J.B. Twombly
Group Vice President

Principal Corporate Officers

K.S. Barclay
Chairman and
Chief Executive Officer

J. Hatcher
President and
Chief Operating Officer

W.R. Holland
Executive Vice President

F.J. Stevenson
Executive Vice President

Senior Corporate Officers

R.E. Chamberlain
Group Vice President

R.H. Elman
Group Vice President

F.W. Jones
Group Vice President

V.L. Martin
Group Vice President

J.B. Phelan
Group Vice President

K.H. Schwamborn
Group Vice President

J.B. Twombly
Group Vice President

A.B. Bjornsson
Senior Vice President

F.H. Roland
Senior Vice President
(Treasurer)

Other Corporate Officers

J.A. Davis
Vice President,
General Counsel
(Secretary)

J.H. Frost
Vice President

R.A.C. Henry
Assistant Secretary

E.J. McDonald
Controller

D.E. Reed
Assistant Treasurer

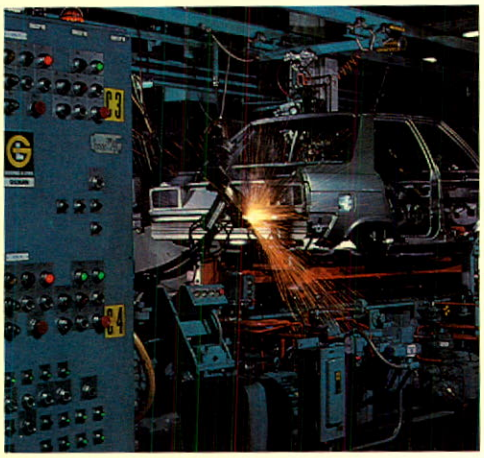
R.A. Reid
Vice President

H.S. Tamaki
Vice President

M. Train
Vice President

M.J. Ucci
Vice President

G&Ls Gilman automatic assembly lines at the American Motors plant in Wisconsin, shown below and in main photo opposite, are fully automated and equipped with programmable robots to perform 572 body framing and respot welds on the Renault/Alliance auto. The assembly lines are some 360 feet in length – can accommodate four different body styles – and produce approximately 60 autos an hour.



On August 1, 1982, AMCA International Corporation announced the largest investment in its history as Giddings & Lewis, Inc. joined the AMCA family of companies. The new subsidiary at year-end 1981 reported sales of $393 million, net income of $35 million, employment of 4,500 and a total of 17 plants in Wisconsin, Michigan, Indiana, Illinois, North Carolina, Ohio and overseas in France and Scotland.

Headquartered in Fond du Lac, Wisconsin, G&L was listed on the New York Stock Exchange and was number 547 on the 1982 Fortune 1,000 list.

Machine Tool Builder

Giddings & Lewis, one of the foremost designers and manufacturers of machine tools in the world, produces one of the broadest product lines in the industry. Machine tools are stationary power-driven machines used to remove metal by cutting, impact, pressure, electrical techniques, or a combination of these processes. Machine tools are used in nearly every kind of industrial manufacturing operation and G&L has a broad customer and market base among such basic industries as manufacturers of automobiles, aircraft, appliances, farm and oilfield machinery. In addition to machine tools, G&L also produces a line of general industrial products. These product lines were added by acquisition, a program begun in 1975 as part of an effort to diversify in related areas so as to avoid total dependence on the machine tool market.

Today, products bearing the G&L symbol include an extensive range of precision heavy-duty machine tools; machining centers; transfer lines, manufacturing systems and accessories; computer numerical controls and industrial controllers; cutting tools; industrial and maintenance brushes; grinding and buffing wheels; foundry equipment; pressure cylinders and ferrous castings.

The company has attained a premier position in computer numerically controlled (CNC) machining and turning centers. In addition, Giddings & Lewis produces automatic assembly and transfer machines under the Gilman and Snyder names. These systems incorporate advanced technology and can automatically weld, assemble, machine and inspect products ranging from miniature parts to complete automobile bodies. Assembly can be combined with machining operations to develop automatic manufacturing systems. With its capabilities in computer controls and materials handling systems, G&L is a leading factor in the growing flexible manufacturing systems market. A flexible manufacturing system is an organized arrangement of modules that makes it possible for the manufacturer to run small or medium batches of work and have a cost-efficient result with either.

Highlights of 1982

Sales and operating profits of G&L products in 1982 were, as anticipated, down compared with the record levels achieved in 1981. The machine tool portion of G&L business was able to perform relatively well due to a backlog carryover from 1981. Despite the decline, G&L's machine tool business performance in 1982 was among the best in the industry. Total orders for the machine tool industry for 1982 were down 54 percent compared with 1981.

Major disappointments suffered included: Cancellations of machine tool orders for the production of oilfield products, a decline in machine tool backlog resulting from a generally longer and deeper recessionary period than had been anticipated and lower than expected sales and earnings levels for industrial products.

G&L held close rein on overhead expenses during the year and reduced employment from a peak of 4,800 in April of 1981 to approximately 3,100 at year-end 1982. G&L has been in business for nearly 125 years and through its long history has successfully traversed the many peaks and valleys associated with the machine tool industry. It is expected that when the economy does turn up and capital investment returns to normal levels, G&L will be a major beneficiary of the pent-up demands for machine tools.

Preparing for Better Business

During 1982, G&L embarked upon the first phase of installation of an automated warehouse for more cost-efficient handling of production and service parts at its Fond du Lac machine tool facility. The system is due for completion by the first quarter of 1984. Also completed was the installation of additional computer-aided design and computer-aided manufacturing (CAD/CAM) terminals to improve design and manufacturing productivity. The company also installed several of its own CNC machines in its facilities to improve manufacturing productivity and reduce costs. G&L successfully introduced three new products and an expanded machine tool line at the 1982 International Machine Tool Show held in Chicago.

The long-term future of Giddings & Lewis is excellent. The company is well positioned as a world leader in computer-controlled machine tools. Skilled machine tool operators are a fast declining breed in the United States and only four to five percent of machine tools now in use in North America are numerically controlled. These factors, as well as recent changes in government tax legislation, portend steady and increasing demand for G&L products once the economy turns the corner.

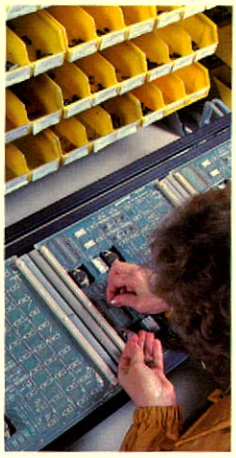
Historical Highlights

Giddings & Lewis had its beginnings just before the start of the Civil War and the inauguration of Abraham Lincoln as president of the United States. Founded in Fond du Lac, Wisconsin in 1859, the small machine shop repaired sawmill, railroad and flour mill equipment. Following the Civil War, the company began producing industrial steam engines, power-driven sawmill machinery and iron castings. By 1910, hydraulic shapers and small lathes were being produced. During World War I, the firm reorganized as Giddings & Lewis Machine Tool Company and subsequently gained a reputation as a precision builder of heavy-duty horizontal boring, drilling and milling machines. By 1943, G&L produced over 57 percent of the nation's total output of horizontal boring machines. It began acquiring companies in 1945 when it added

Davis Tool. It has subsequently acquired seven machine tool firms and five industrial products companies.

In 1955, G&L unveiled the first commercially available numerically controlled machine tool which was used to carve out airframe components, vital in jet aircraft production.

With the combination of its broad computer-controlled machine tool product line and its total systems capability, Giddings & Lewis is well positioned to serve the current and future needs of a wide variety of metalworking industries.



Giddings & Lewis machining centers perform metal cutting functions that are basic to industry. Horizontal machining center, top left, is equipped with 100 interchangeable tools that can mill, drill, bore and tap metal that will become part of a large machine.

Worker at G&L Electronics assembles (top right) printed circuit board for computer numerically controlled system that will be used to operate a G&L machining center.

Computer-aided design and manufacturing (CAD/CAM), above, is used extensively at Giddings & Lewis and at other AMCA units. These systems allow engineers to generate with accuracy and speed multiple views, including isometric images, that improve ability to manufacture complex machine parts.

Products and Services

Construction Products	Engineering & Construction Services	Financial, Marketing, Licensing Services & Special Products	Industrial Products	Machine Tools	Steel Products & Services	
		•				**AMCA International Finance** – Financial services
		•				**AMCA Netherlands** – Holding company and financial services
		•				**Atomaster** – Portable heaters
			•			**Basic Electronics** – Single, double-sided and multi-layered printed circuit boards
			•			**Benton Harbor** – Hydraulic valves and cylinders
•						**BOMAG** – Light and heavy duty compaction and stabilization equipment
			•			**Chemetron** – Processing equipment for food, meat and chemical industries
			•			**Cherry-Burrell** – Processing and packaging equipment for food, beverage, pharmaceutical and cosmetic industries
			•			**Clyde** – Whirley cranes, specialized heavy duty lifting and pulling equipment
			•			**Continental Screw** – Threaded and non-threaded fasteners
				•		**Davis Tool** – Boring tools, fixtures and special boring and facing machines
		•				**DESA** – Chain saws, construction and do-it-yourself tools
	•				•	**DB Engineers & Constructors** – Engineering and construction services
	•					**DB/McDermott** – Design, fabricate and install offshore structures and lay marine pipeline
	•				•	**Dominion Bridge** – Fabricated industrial steel products and equipment; structural steel for buildings and bridges; steel service centers
	•				•	**Dominion Bridge-Sulzer** – Fabricated industrial steel products especially for electric utility applications; structural steel; construction services
			•			**Fenn** – Precision aerospace components; metal forming machines
				•		**Giddings & Lewis-Bickford** – CNC machining centers, tool grinders, radial and upright drills
			•			**Giddings & Lewis Electronics** – Executive computer systems, computer numerical controls, programmable controllers and microprocessors
				•		**Giddings & Lewis Foundries** – Castings and patterns
				•		**Giddings & Lewis-Fraser** – Machining, turning and working centers and textile machinery
				•		**Giddings & Lewis Machine Tool** – CNC machining and turning centers, CNC vertical turret and horizontal lathes
				•		**Gilman** – Automatic assembly equipment, balancing machines and vertical automatic lathes
			•			**HUSCO** – Control valves
	•					**IMODCO** – Offshore marine terminals
			•			**Jackson Buff** – Buffing and polishing wheels
			•			**Janesville** – Foam products and non-woven padding for autos, trucks
	•					**JESCO** – Commercial, industrial and process industry construction and millwright services
		•				**Koehring Canada** – Pulpwood harvesting and paper mill machinery
•						**Koehring Construction Equipment** – General construction and material handling equipment
•						**Koehring Excavators** – Hydraulic excavators and cable cranes
		•				**Koehring Finance** – Financing assistance for purchase of company products and services
	•					**Litwin Companies** – Engineering and construction services to worldwide petroleum and chemical processors
•						**Lorain** – Light and heavy duty hydraulic, friction, lattice boom tower cranes
					•	**Manitoba Rolling Mills** – Rolling mill products; bar and light structural steel sections
				•		**Marshall & Huschart** – Machine tool distribution
•						**MENCK** – Pile-driving and related equipment
			•			**Midland Screw** – Threaded and non-threaded fasteners
			•			**Monroe Forgings** – Alloy metal forged rings, bars, discs
			•			**Morgan Engineering** – Industrial overhead traveling cranes; steel mill equipment
			•			**Morgan Petroleum Equipment** – Oil field equipment
	•					**ORBA** – Design, construction and operation of dry bulk materials handling systems
			•			**Osborn** – Power brushes, maintenance brushes, paint brushes, rollers and aerosols
			•			**Pegasus** – Servo valves and load simulators
			•			**Pressed Steel Tank** – Steel pressure vessels for storage of solids, liquids and gases
			•			**Provincial** – Industrial overhead traveling cranes, gantry cranes
					•	**Robb Engineering** – Structural steel fabrication and erection
				•		**Snyder** – Special machine tools and transfer systems
		•				**Span Holdings** – International purchasing, marketing, consulting and licensing services
			•			**Speedstar** – Well drilling machines
	•					**Varco-Pruden Buildings** – Pre-engineered non-residential buildings
	•					**Wiley** – Barges, self-propelled vessels, dredges and tunnel tube fabrication

AMCA International Limited
1155 Dorchester Boulevard West
Montreal, Quebec H3B 4C7

The Company was initially incorporated as Dominion Bridge Company, Limited in 1882, reincorporated with the same name under the Companies Act of Canada on July 30, 1912 and continued under the Canada Business Corporations Act effective May 8, 1980. On June 1, 1981 the Company name was changed to AMCA International Limited.

Shareholders' Meeting
The annual meeting of shareholders will be held in Salon C, The Toronto Hilton Harbour Castle Hotel, One Harbour Square, Toronto, Ontario, on Tuesday, April 26, 1983 at 11:15 a.m.

Other Reports Available
Copies of previous annual reports and quarterly statements and the latest pictorial review *World of AMCA International* may be obtained by writing to Corporate Director of Communications, AMCA International Limited, Dartmouth National Bank Building, Hanover, NH 03755.

Autres rapports disponibles
On peut se procurer des copies des rapports annuels et des états financiers trimestriels antérieurs ainsi que de la plus récente édition de la revue illustrée *World of AMCA International* en s'adressant au Corporate Director of Communications, AMCA International Limited, Dartmouth National Bank Building, Hanover, NH 03755.

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