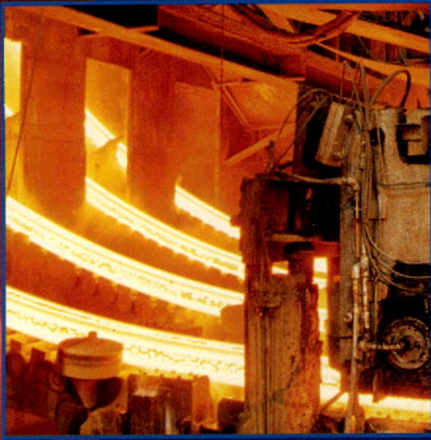
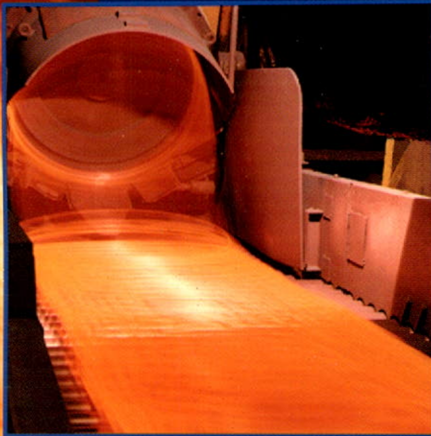
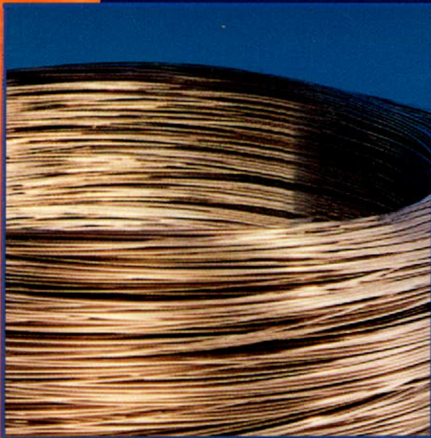


Annual Report 1999



Quality steel...
Quality products...

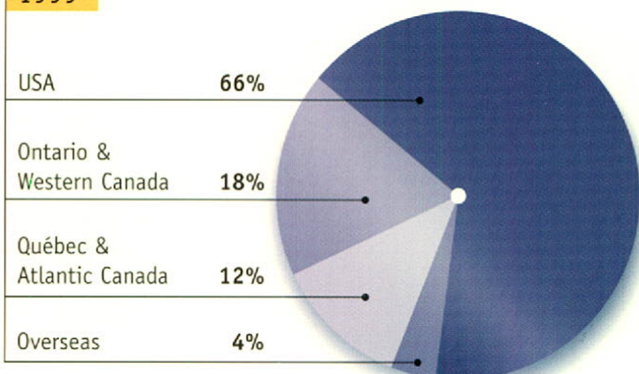
Highly Focused

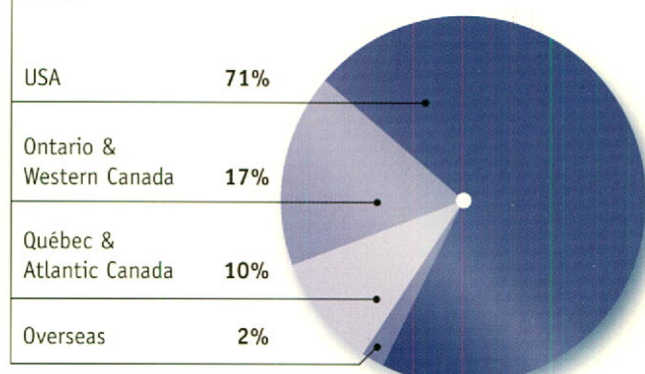


Company Profile

Ivaco is a Canadian corporation and leading North American producer of steel, fabricated steel products, and precision machined components. Strategic investments in state-of-the-art technology and productivity improvements have positioned Ivaco to be an industry leader into the 21st Century. The Company has operations in Canada and the United States.

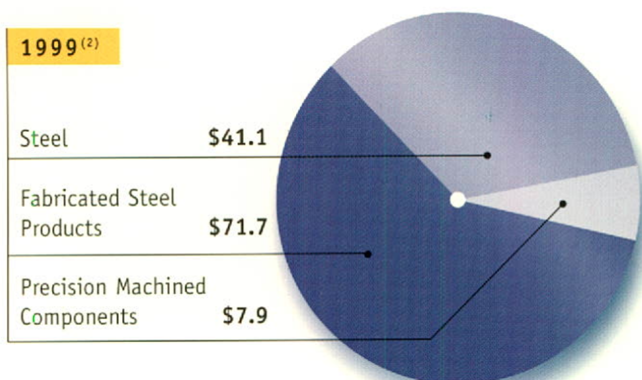
SALES DISTRIBUTION

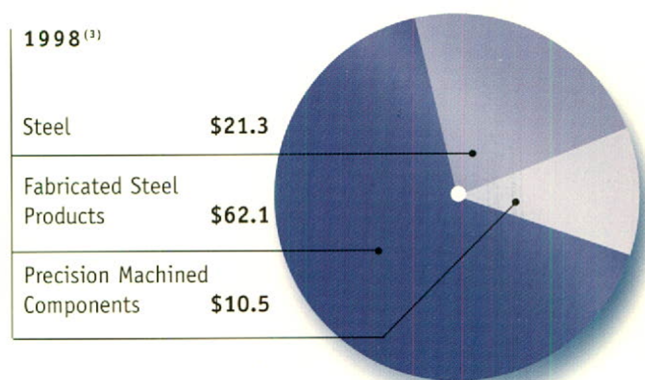




EBITDA[1]

(IN MILLIONS)





[1] Earnings before interest, taxes, depreciation and amortization.
[2] 1999 excludes Corporate costs of $17.8 million.
[3] 1998 excludes Corporate costs of $22.6 million.

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Place Mercantile, 770, rue Sherbrooke ouest
Montréal, Québec H3A 1G1
Tel: (514) 288-4545 • Fax: (514) 284-9414

Web site:
www.ivaco.com

Pour recevoir un exemplaire de la version française de ce rapport, veuillez écrire à Ivaco Inc.

Shares Listed:
The Toronto Stock Exchange

Transfer Agent and Registrar:
CIBC Mellon Trust Company in Montréal, Toronto, Calgary, Winnipeg, Regina, Vancouver and Halifax.

Annual Meeting:
The annual meeting of the Company will be held on May 23, 2000 at 10:00 a.m. at the Marriott Château Champlain Hotel, Montréal, Québec.

Financial Highlights

HOWARD ROSS LIBRARY OF MANAGEMENT
McGILL UNIVERSITY

(Thousands of dollars except per share amounts)	1999	1998
Sales	$ 913,847	$ 1,008,412
Operating earnings (EBITDA)[1]	$ 102,858	$ 71,278
Earnings (loss) from continuing operations before non-recurring items and income taxes	$ 15,164	$ (21,825)
Non-recurring items	$ (12,031)	-
Net earnings (loss) from continuing operations	$ 26,849	$ (27,818)
Net earnings from discontinued operations	$ 101,383	$ 9,830
Net earnings (loss)	$ 128,232	$ (17,988)
Net earnings (loss) per common share		
Continuing operations[2]	$ 0.34	$ (1.44)
Discontinued operations	$ 3.30	$ 0.32
Net earnings (loss) per share[2]	$ 3.64	$ (1.12)
Working capital	$ 239,085	$ 232,219
Long-term debt	$ 265,671	$ 490,077
Shareholders' equity	$ 502,831	$ 406,286
Additions to property, plant and equipment including $13,945 in new capital lease obligations (1998 – $30,950)	$ 55,787	$ 67,416

[1] *Earnings before interest, taxes, depreciation and amortization.*
[2] *Per share amounts are calculated after deducting preferred share dividends.*

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To our Shareholders

Paul Ivanier, President and Chief Executive Officer

March 31, 2000

We had one of our most eventful and productive years in 1999, improving the efficiency of our core businesses, expanding production capacity, increasing the proportion of value-added products, and strengthening our financial position. The beneficial impact of these initiatives, coupled with the major restructuring and investment activities undertaken during the previous two years, is now very apparent.

Net earnings in 1999 were $128.2 million or $3.64 per share compared with a net loss of $18.0 million or a loss per share of $1.12 in 1998. Operating earnings increased to $102.9 million from $71.3 million in 1998. Sales for 1999 were $913.8 million compared with $1,008.4 million in 1998. Since 1998 sales included $119.1 million from Atlantic Steel, which was shut down in December 1998, sales actually increased by $24.5 million in 1999. Shareholders' equity increased to $502.8 million at year-end, primarily because of a $113.0 million improvement in retained earnings.

Each of our operating segments performed satisfactorily during the year despite a difficult business environment. Demand was strong in all segments but selling prices for wire rod and some fabricated steel products came under severe pressure from an influx of low priced wire rod imports into North America. A partial resolution of this problem was achieved in February when the President of the United States ruled on a recommendation by the U.S. International Trade Commission ("ITC"). The ITC had recommended a 15% duty tariff on all wire rod imports, declining to 9% over four years, except for NAFTA countries such as Canada and Mexico, which would be exempt. The President announced import relief in the form of a three-year tariff rate quota. Additional duties of 10% in the first year, 7.5% in the second year and 5% in the third year would apply once imports exceed 1.58 million net tons of wire rods, with NAFTA countries being exempt from additional duties. While the import relief falls short of the ITC recommendation, it is certainly a step in the right direction for the North American rod producing industry that has suffered because of increased offshore imports at extremely low prices.

INCREASING QUALITY AND COMPETITIVENESS

One of our most important goals was to make each of our core businesses the most modern, most competitive, highest quality producer in its respective industry. We continued to take a number of positive steps along this path during 1999 and this continued into this year as well.

Ivaco Rolling Mills completed phase two of its upgrade program in 1999 and successfully launched the final phase in January of this year when it installed a new Tekisun® reducing/sizing mill. This program has transformed IRM into the leading wire rod mill in North America with an unequaled range of quality capabilities and sizes in the production of wire rod.

Last fall we established a 50%-owned joint venture called Numesh Inc. which combined our mesh production with that of Fertek Inc. and thus created the largest producer of wire mesh in Canada.

In February this year we announced plans to increase production of value-added wire products at our plant in Newnan, Georgia. Cold heading wire capacity will be doubled and we will begin producing prestressed strand wire. As a result, the addition of more than 50,000 tons of production capacity at Newnan will increase the overall

capacity of our wire group in North America to more than 400,000 tons per year.

Ifastgroupe, the largest producer of fasteners in North America, significantly strengthened its market position in 1999. It introduced new value-added products, increased production and distribution capacity, and improved productivity in all its manufacturing plants.

IMPROVING OUR FINANCIAL POSITION

While we were strengthening our operations, we were also improving our financial position and enhancing shareholder value. We made a commitment to our shareholders last year to substantially reduce long-term debt and fixed charges and we have done exactly that.

During the third quarter, we sold our 50% investment in IPEX Inc. for $260 million, realizing a net after tax gain of $92.7 million or $3.02 per share. A portion of the proceeds were used for the early redemption of our 11½% Senior Notes, reducing our long-term debt from $490.1 million to $265.7 million and permanently reducing interest costs by about $21 million per year.

In the fourth quarter, we sold our 136-acre prime real estate site in Atlanta, Georgia for $110.9 million and realized a pre-tax gain of $56.8 million. We also took a one-time non-cash pre-tax charge of $28.7 million to write down our investment in Laclede Steel Company and ended the year with net earnings of $128.2 million or $3.64 per share.

Also in the fourth quarter, we implemented a buy-back program for up to 1.2 million of our Class A Subordinate Voting Shares which have been trading in a price range substantially below their book value. We believe they are an attractive investment and represent a desirable use of a portion of our available funds. The book value of the common shares at year-end was $9.37 per share.

In another step to improve our financial position and enhance shareholder value, Ivaco plans to address and deal with the Second Preferred Shares, Series 1, 2, 3, and 5. In order to provide the funds to accomplish this objective we have listed some real estate properties for sale. They are located in Ontario, Québec, Nova Scotia and Virginia. We have also decided to sell three small businesses to third parties. These businesses are all profitable but do not fit into our core business concept. We have already begun negotiating the sale of some of these assets and expect to realize proceeds of approximately $70 million.

In addition, as partial consideration for the sale of the Atlanta property we received secured notes which are expected to be turned into cash during the next 12 months. It is intended to use approximately $55 million of the proceeds from these notes to deal with the Second Preferred Shares. When combined with the expected proceeds from real estate and other assets, the total cash available for the purchase of preferred shares could be in the range of $125 million. The Second Preferred Shares could also be purchased on a piecemeal basis as proceeds from asset sales are realized.

The Second Preferred Shares, Series 1, 2, 3 and 5 carry dividends of approximately $15 million per year and have a negative impact in the calculation of earnings per share available for common shareholders. Therefore, once all of these Second Preferred Shares have been repurchased, earnings per share available for common shareholders will be enhanced by approximately $0.50 per share annually.

BUILDING LEADERSHIP POSITIONS

The outlook this year is favorable and we will continue to benefit from the improvements made during the last several years. We have equipped each of our operations with state-of-the-art facilities and we are North American leaders in our core steel businesses – wire rod, wire and wire products and fastener products. Bookings are strong and we were able to increase wire rod prices effective on April 1 by $20 to $30 per ton depending on grade. This increase, however, falls far short of closing the gap to prevailing prices for wire rods prior to the onslaught of offshore imports.

The driving force behind all the developments outlined in this year's letter to shareholders, be they operational or financial, has been your Company's determination to rebuild its strengths and position itself for sustained growth as we enter the 21st Century. We have made strategic investments that should generate significant returns for our shareholders. As a result of these efforts, your Company has become an industry leader in its core businesses and has at the same time substantially strengthened its financial position.

Quality steel, quality products, highly focused. These words on the cover of our annual report represent our strengths and also our commitment to our shareholders, our customers and our employees. I would like to thank all of them for their faith in our company and thank our employees in particular for their dedication and hard work in helping us achieve our goals.

On behalf of the Board of Directors,

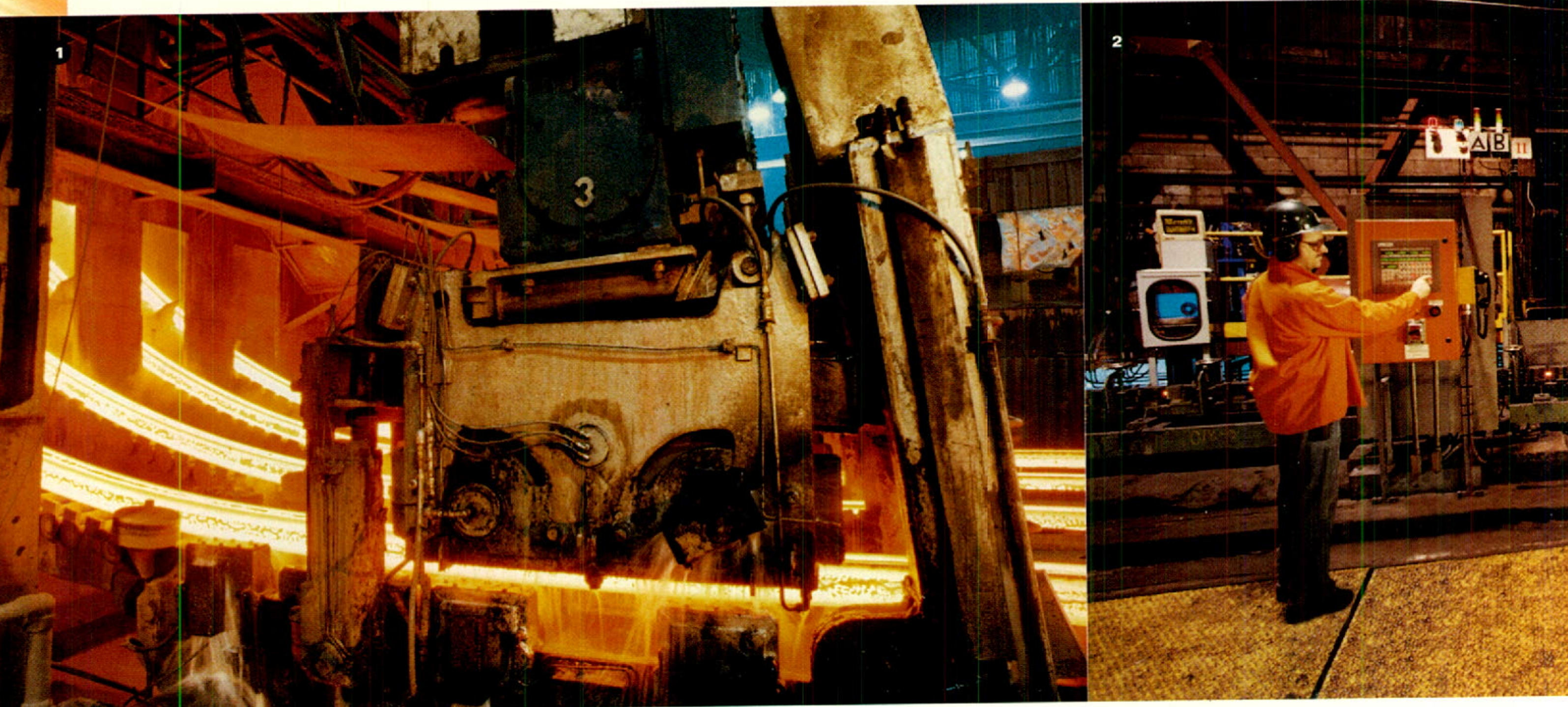
Paul Ivanier,
President and Chief Executive Officer

Steel
Wire Rod

($ in millions)	1999	1998
Sales [1]	$ 422.0	$ 550.5
EBITDA	$ 41.1	$ 21.3
Tons shipped [2]	811,400	695,600

[1] *Includes shipments to downstream affiliates. 1998 amount includes $119.1 million for Atlantic Steel which was shut down in December 1998.*
[2] *Includes only Ivaco Rolling Mills wire rod shipments to trade and downstream affiliates.*

IVACO ROLLING MILLS



Ivaco Rolling Mills (IRM) welcomed the new century at its L'Orignal, Ontario plant in January by putting the finishing touches on the third phase of a major modernization program that will dramatically increase its production capabilities for quality wire rods.

The successful installation of a new Tekisun® 230/150 reducing/sizing mill was accomplished with a minimum of disruption during a four-day period in January and the mill is now in the commissioning stage, which is expected to be completed during the second quarter. This completes a three-year transformation that has made IRM the premier producer of hot rolled steel wire rod in North America. No other mill has the range of capabilities that IRM now enjoys and none can produce as consistently high quality rod. In excess of three quarters of the mill's output is now premium grade product.

The reducing/sizing mill is the only one of its kind in a rod mill in North America. It will increase IRM's range of product sizes to encompass 5mm through 25mm rod and will reduce product tolerances to -+0.1mm. The expanded size capability opens up new high-end markets and helps offset market cycles. The extremely precise tolerances make it possible to produce rods with tolerances similar to those of drawn wire, a distinct market advantage. The size control provided by the reducing/sizing mill allows IRM to produce any diameter within its product size range.

The mill's new billet reheat furnace, which went into operation early in 1999 as part of the phase two upgrade, was exceeding its production targets before the end of the year.

IRM is the largest rod mill in Canada with a rated capacity of over 900,000 tons per year. It recently received the highest quality cost ranking assigned to any rod mill in North America based on a recent World Steel Dynamics' study.

The steel mill at the L'Orignal complex also underwent significant improvements during 1999. Installation of a new melting furnace shell has reduced maintenance outages; new filter reactors on the furnace have reduced electrode consumption; and better operating procedures have improved scrap utilization.

Ivaco Steel Processing in Tonawanda, New York stopped producing drawn wire in 1998 and is now devoted exclusively to further processing of wire rod. This has enhanced IRM's ability to deliver customized product and service to value-added

customers. In addition, a significant investment was made at the wire rod processing plant in Ingersoll, Ontario in 1999, which is also devoted exclusively to processing wire rod. Ten annealing furnaces were refurbished to ensure that it continues to supply the quality product its customers require.

IRM's major automotive, agricultural and construction markets have reacted favorably to the improvements. The mill's order book was full and it operated at high rates of production throughout 1999. However, North American rod prices remained under pressure from offshore suppliers.

The upgrades at the rolling mill, coupled with development work at steel supplier QIT-Fer et Titane, have had a major impact on product development, which is a top priority at IRM. QIT-Fer et Titane supplies about 50% of the mill's steel requirements by producing a billet entirely from virgin iron ore with consistently superior quality.

This helped IRM make important inroads in the tire cord market in 1999. Tire cord is one of the most difficult wire products to manufacture and a true test of a rod mill's ability to produce consistently high quality rod. It is a product that has the potential to become a significant market for IRM.

Trial quantities of tire cord rod have been shipped to customers with very encouraging results. IRM has been qualified by several customers for low tensile tire cord and has received excellent feedback from others. In February of 2000, IRM was customer qualified for the supply of high tensile tire cord, becoming the only mill in North America qualified in both grades of tire cord rod.

IRM continued its research work with McGill University in 1999. This joint effort into continuous research of the cold heading process is aimed ultimately at being able to produce a rod that can be cold headed with minimal or no heat treatment either before or after the heading process. New material testing equipment has been developed to more closely duplicate the cold heading process. Several industrial trials have been completed with good results and encouraging response from customers. The work, which should be completed by the end of 2000, has put IRM at the forefront of the industry in better understanding the cold heading process.

With the completion of its upgrade program, Ivaco Rolling Mills is poised to take advantage of the best technology in the industry and has gained a significant advantage in the marketplace in producing quality rod at top speeds. It is a world class rod mill with state-of-the-art equipment, producing high quality steel with a highly skilled workforce.

The outlook for 2000 is positive. Demand is expected to remain strong, and the upgraded mill will produce more value-added product in a greater range of sizes.

Four strand continuous caster in operation at steel plant. ❶

One of two Tekisun® reducing/sizing mills rolling fine tolerance rod. ❷

Tire cord quality rod storage facility. ❸

Fabricated Steel Products
—Fasteners, Wire and Wire Products

($ in millions)	1999	1998
Sales	$ 555.9	$ 519.2
EBITDA	$ 71.7	$ 62.1

FASTENERS

Ifastgroupe had a productive year in 1999. Volumes were strong in all divisions and new equipment contributed to increased production capacity and further penetration of higher value markets. The group is the largest producer of fasteners in North America.

Overall market demand remained steady, except in the agricultural and petrochemical sectors, which were down. Demand and prices at the Infasco division in Marieville, Québec were affected negatively by competition from low priced imports, particularly from the Far East. During the year, Infasco began producing large diameter, semi-special 12 point, high strength flange bolts using a cold forging process, thereby achieving higher tolerances than other manufacturers who use a hot forging method. New mechanical descaling equipment increased the plant's descaling capacity by 25%. The Marieville facility earned ISO-9002 accreditation in 1999, with employees in all departments contributing to the success of the project.

In addition to serving many large customers in the United States directly from its Marieville manufacturing plant, Infasco sells an increasing portion of its product through Distributor Sales, the Ifastgroupe division that operates a network of warehouses across the United States. Distributor Sales opened several new warehouses in 1999, bringing its total to 13.

Infasco Nut in Mississauga, Ontario was not affected as much by offshore pricing pressures because most of its product is sold to the automotive industry, where markets remained strong throughout the year. Infasco Nut began successfully producing lock-kep nuts in 1999, after playing a major role in the development of this product. These are nuts with captive washers, which are used in large and growing quantities in the automotive industry due to savings in assembly time.

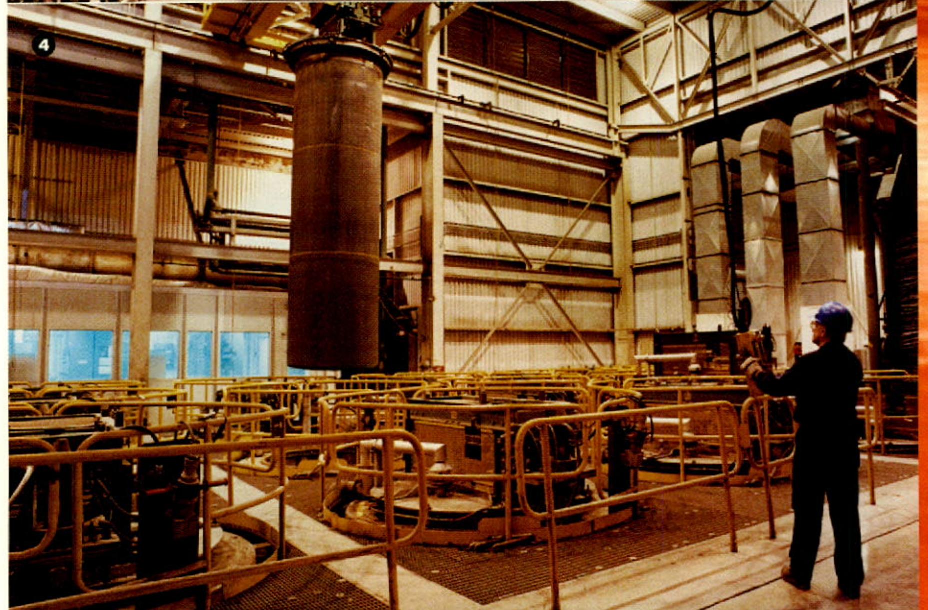
Ingersoll Fasteners, which manufactures value-added specialty fasteners, increased its sales significantly in most market segments. The expansion of existing product lines together with a customer rationalization program, which concentrates on expanding product lines, contributed to greater production efficiencies. Modernization of the plant's production equipment continued with the acquisition of two high-speed, four-die boltmakers and additional automated inspection equipment.

Several boltmakers from Ingersoll Fasteners were overhauled at Revomac, an Ifastgroupe company in Chambly, Québec, and installed at Infasco. This is part of an ongoing program at Ifastgroupe to rationalize equipment between divisions, based on each division's changing product line.

Vermont Fasteners continued to increase its sales into the U.S. market for structural bolts which it manufactures at its Swanton, Vermont facility, using steel melted and produced in the United States.

At the Galvano plating and coating facility in Beloeil, Québec, additional plating barrels and automated hoists for the electroplating line increased productivity by 25%. Galvano does surface finishing for most of Infasco's production.

Ifastgroupe expects to produce higher tonnages in 2000, especially from Infasco's large capacity BV-10 boltmaker which can produce cold headed bolts as large as 1 1/4 inches in diameter and 14 inches in length. Ongoing improvements in all aspects of operations and employee training will lead to greater customer satisfaction.



Hexagonal head capscrews produced in a wide variety of grades, diameters and lengths. ❶

Hexagonal head capscrews fully threaded produced in a wide variety of grades, diameters and lengths. ❷

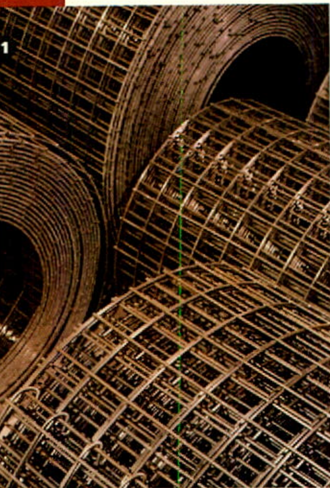
Nedschroef BV-10 Boltmaker capable of cold forging bolts up to 1 1/4" diameter and 14" long. ❸

Pot annealing operation, transfer of pot to cooling station. ❹

Storage of wide variety of fasteners in bins ready for packaging and shipment to customers. ❺

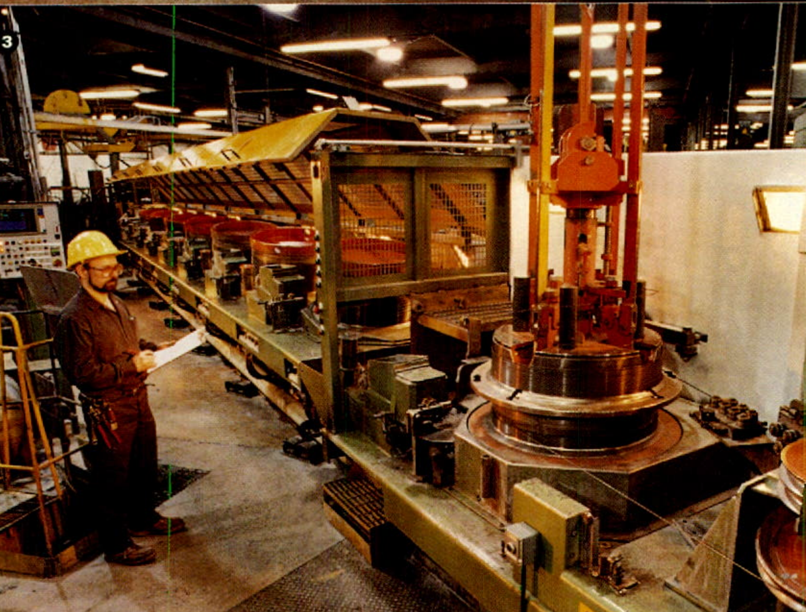
Fabricated Steel Products
—Fasteners, Wire and Wire Products

WIRE AND WIRE PRODUCTS



Sivaco Wire Group, believed to be the largest wire producer in Canada, operated at or near capacity throughout 1999 and earnings increased significantly.

A restructuring program completed at the end of 1998 contributed to the improved performance. Wire drawing operations were consolidated at mills in Marieville, Québec and Newnan, Georgia and these two facilities are now producing as much wire as was previously produced at four plants.



The Marieville plant's focus on premium drawn wire and wire products was sharpened even further in 1999 when its wire mesh production was moved to a new stand-alone operation. In September, Ivaco and Fertek Inc. announced plans to merge their wire mesh operations in a jointly owned company, Numesh Inc., based in Laval, Québec. Numesh began operations in November and is believed to be the largest wire mesh manufacturer in Canada. It will produce more than 40,000 tons of mesh annually and is expected to be the most efficient and highest quality supplier in its Eastern Canada markets.

Major expansion projects are underway at the Newnan mill, which is a large wire supplier in the southeastern United States and also has markets extending into the U.S. midwest and Texas. A second large-capacity Ebner annealing furnace for cold heading wire will be operational in the second half of the year 2000 and will more than double the mill's annealing capacity and sales potential to approximately 45,000 tons per annum.

In addition, the existing large wire mill facility at Newnan is being used to re-enter a market that the Company had considerable success with in the past. The latest state-of-the-art equipment has been ordered to produce prestressed concrete strand wire. PC strand wire, as it is called in the industry, is a high carbon wire used as a concrete reinforcement material for the construction of bridges, overpasses, buildings and other concrete structures. Annual production capacity of PC strand at Newnan will be in the range of 30,000 tons per annum. The equipment is expected to begin operating during the fourth quarter of 2000. The market outlook for PC strand wire in the U.S. is particularly favorable because of substantial funding increases for highway and infrastructure projects provided for in the *Transportation Equity Act for the 21st Century*.

At the Marieville plant which occupies about half a million square feet of manufacturing space, upgrades to the patenting furnace and cleaning house are already underway. Other projects are now being considered for the year 2000 which will increase capacity to produce premium grade wire products with higher margins.

Bel-Air Fence, operating from two locations in suburban Montreal and Québec City, is the leading distributor of fencing and fencing products in Québec. It operated profitably again in 1999.

The outlook for the Sivaco Wire Group in 2000 is for continued earnings growth, strong market demand and a further shift into higher value products.

Concrete reinforcing products now produced at Numesh Inc.. ❶

Wire zinc coating technology being put to use for telecommunications markets. ❷

Computer assisted high speed drawing technology used for H/C 9000 series and precision spring wire. ❸

State-of-the-art Ebner annealing technology (protective hydrogen gas atmosphere during cycle). ❹

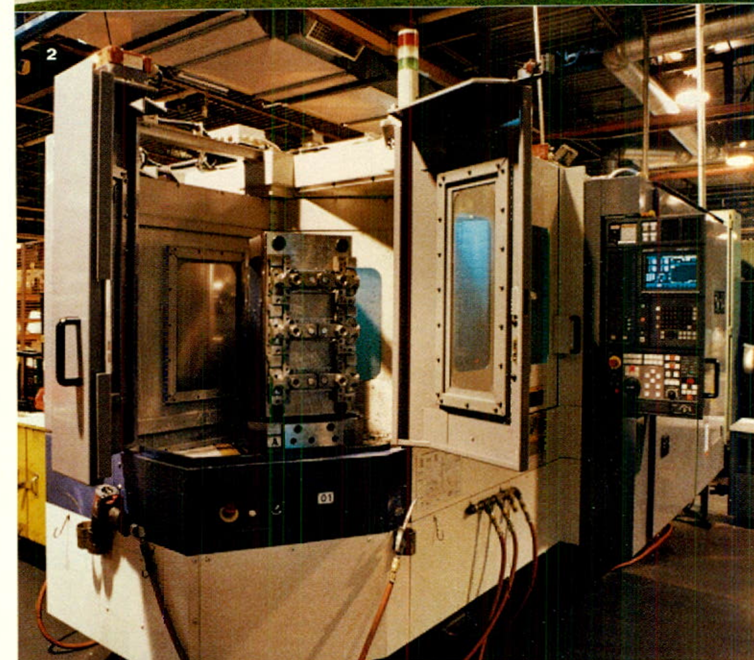
Precision
Machined Components

($ in millions)	1999	1998
Sales	$ 73.3	$ 80.4
EBITDA	$ 7.9	$ 10.5

IMT CORPORATION

Difficult market conditions affected profitability at IMT Corporation after seven years of continuous growth. IMT manufactures high-quality machined components, forgings and truck-trailer axles for customers around the world.

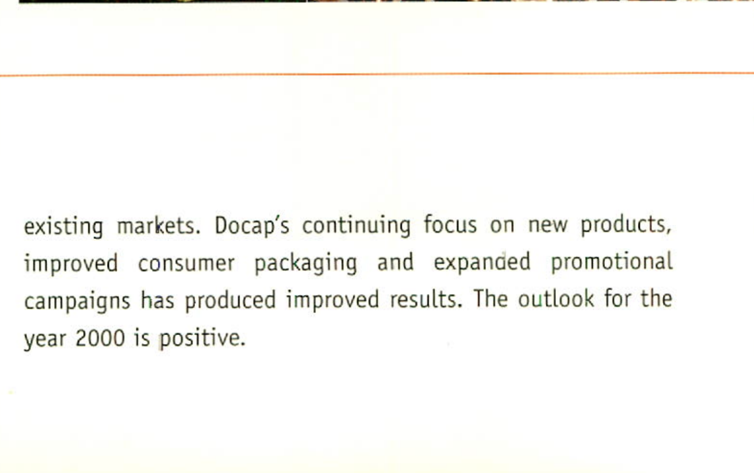
Two major contracts to supply projectiles to the defence industry were delayed because of customer design problems which have since been solved. This shifted some projected 1999 volumes into the year 2000. In addition, pricing pressures in the axle market reduced margins despite strong demand.



New programmable forging hammers were installed at the commercial forging plant in Port Colborne, Ontario, increasing the already high level of technology in the plant and expanding its production capacity. The forging unit was IMT's most profitable operation in 1999. The OEM machined components business continued to grow, primarily on the strength of a major contract to supply end connectors for armored track vehicles.

Demand is expected to remain strong in 2000 but profit margins are not expected to return to 1998 levels.

IMT Corporation manufacturing facility. ❶
Horizontal machining centre. ❷
Programmable forging hammer. ❸
Axle spindle machining cell. ❹



DOCAP (1985) CORPORATION

Docap (1985) Corporation is an importer and distributor of automotive, industrial, hardware and general merchandise products. It has a wide range of customers from coast to coast and distribution centres in major cities across Canada. During 1999, it introduced more than 250 new products for new and existing markets. Docap's continuing focus on new products, improved consumer packaging and expanded promotional campaigns has produced improved results. The outlook for the year 2000 is positive.

Management's Discussion and Analysis

The purpose of this Management Discussion and Analysis (MD&A) is to provide Ivaco Inc.'s (Ivaco or the Company) management commentary on the Company's 1999 consolidated results of operations, financial condition, and cash flows. This discussion focuses on the three segments of Ivaco's business; Steel, Fabricated Steel Products and Precision Machined Components. This MD&A should be read in conjunction with the audited consolidated financial statements of the Company contained on page 20 to page 37 of this Annual Report.

OVERVIEW

The fiscal year ended December 31, 1999 was marked by two significant events which had a positive impact on the Company's financial position. The sale of the Company's 50% share of IPEX Inc., and the sale of its 136-acre property in midtown Atlanta, Georgia, enabled the Company to record net earnings of $128.2 million, or $3.64 per share, versus a loss of $18.0 million, or $1.12 per share, in 1998 and decrease long-term debt to $265.7 million from $490.1 million at December 31, 1998.

Net sales for the year of $913.8 million were down 9% from the $1,008.4 million recorded in 1998. The 1998 sales include $119.1 million of sales for Atlantic Steel, which was shut down in December 1998. Consequently, sales actually increased by $24.5 million in 1999 over 1998, excluding the effect of Atlantic Steel 1998 sales. Shipments were higher in most of the Company's segments. Steel shipments were up 11% (adjusted for the impact of Atlantic Steel) while shipments of the Fabricated Steel Products segment increased by 10%. Pressure on wire rod selling prices from offshore imports into North America continued throughout 1999 and into the first quarter of 2000. These pricing pressures are also having an impact on the selling prices of some of the Company's downstream fabricated steel products. However, the price pressure was mitigated partly by the penetration of higher value-added markets in 1999. The Precision Machined Components segment, however, recorded a decline of 9% in sales, resulting primarily from delays due to design problems at the customer level in contracts to supply projectiles to the defence industry. These design problems were rectified during the second half of the year and the supply agreement has been extended to allow for completion of the contract.

Operating earnings before interest, income taxes, depreciation and amortization (EBITDA) for 1999 were $102.9 million, compared with the prior year's $71.3 million. This increase in EBITDA for 1999 was due to improved operating margins in the Steel and Fabricated Steel Products segments, offset by lower operating margins in the Precision Machined Components segment. During 1998, the Company incurred $24.4 million of non-recurring items related to shutdown costs at Atlantic Steel and restructuring and severance costs for the Sivaco Wire Group.

Operating margins have been positively impacted by increased volumes of shipments, higher margin value-added products, and reduction of raw material costs. However, lower selling prices for the Company's products have partly offset the reduction in costs.

The Company's amortization expense for the year was $44.0 million, $1.5 million lower than in 1998. Amortization of the deferred translation adjustment and deferred financing costs pertaining to the Company's U.S. dollar denominated long-term debt declined in 1999 as a result of the defeasance in September 1999 of all of the outstanding 11¹/2% Senior Notes. This was offset by increased amortization of deferred preproduction costs related to the upgrade program at L'Orignal, Ontario.

Net interest expense in 1999 was $35.7 million, $3.9 million lower than the 1998 amount of $39.6 million. This decrease was attributable to the reduction of the Company's long-term debt.

During the year, non-recurring pre-tax items of $12.0 million had a negative impact on earnings. The most significant item was the inclusion of costs of $33.2 million related to the defeasance of the 11½% Senior Notes. These costs comprised interest for the 12 months ended September 15, 2000, premium on redemption, and other costs associated with the defeasance of the Senior Notes. In addition, other important non-recurring elements included were:

- the sale of its 136-acre property in Atlanta and recognition of a gain of $56.8 million;
- a non-cash charge of $28.7 million to write down the investment in Laclede Steel Company; and
- a loss of $4.7 million on the sale of part of its interest in Amercord Inc.

The Company reported a recovery of income taxes of $23.7 million in 1999 compared to a provision of $6.0 million in 1998. The realization of previously recognized deferred income tax credits, and the benefit of losses carried forward, were the principal reasons for this recovery during 1999.

Net earnings from discontinued operations in 1999 were $101.4 million, or $3.30 per share, versus net earnings from discontinued operations of $9.8 million, or $0.32 per share the previous year. In August 1999, the Company sold its 50% investment in IPEX Inc. resulting in a net gain of $92.7 million, or $3.02 per share. In addition, the net operating results of the Plastic Pipe and Fittings segment to the date of disposal of $8.7 million, or $0.28 per share have been accounted for as discontinued operations. In 1998, the net results of the Plastic

Management's Discussion and Analysis

Pipe and Fittings segment were $12.6 million, or $0.41 per share, offset by charges of $2.8 million, or $0.09 per share relating to other operations discontinued in previous years.

Net earnings for the year ended December 31, 1999 were $128. 2 million, or $3.64 per share, versus a loss of $18.0 million, or $1.12 per share, in 1998.

REVIEW OF OPERATIONS

The following is a summary of sales and earnings before interest, income taxes, depreciation and amortization (EBITDA). In this section, the Plastic Pipe and Fittings segment is accounted for as a discontinued operation, and accordingly, is excluded from the following analysis and is discussed separately in this report.

	SALES		EBITDA	
(Thousands of dollars)	**1999**	1998	**1999**	1998
Steel	$ 284,604	$ 408,792 [1]	$ 41,060	$ 21,253
Fabricated Steel Products	555,925	519,211	71,655	62,086
Precision Machined Components	73,318	80,409	7,911	10,503
Corporate	-	-	(17,768)	(22,564)
	$ 913,847	$ 1,008,412	$ 102,858	$ 71,278

[1] *Includes sales of $119.1 million for Atlantic Steel, which was shut down December 31, 1998.*

Steel

The Company's steel operations are comprised of its steel and wire rod manufacturing facilities at Ivaco Rolling Mills (IRM) in L'Orignal, Ontario and wire rod processing plants in Ingersoll, Ontario and Tonawanda, New York. Through IRM, the Company produces hot rolled wire rods for sale to customers in Canada and the United States and for further processing by the Company's downstream affiliates. The wire rod processing plants provide various heat treatments, cleanings and coating applications to further enhance IRM's ability to deliver customized product and service to value-added markets.

Sales for the segment of $284.6 million were down slightly from those recorded in 1998, after eliminating sales of $119.1 million for Atlantic Steel, which was shut down December 31, 1998. The volume of wire rod shipped to non-affiliated customers rose by 18%. However, downward pressure on wire rod selling prices from imports into North America continued throughout 1999 and resulted in IRM's average selling prices falling approximately 8% from the previous year. Sales of billets as a proportion of total steel output increased to 12% from 3% in 1998 in order to maintain lower billet inventory levels during the commissioning stage of the second phase of IRM's upgrade program.

EBITDA for 1999 of $41.1 million was up $19.8 million, or 93%, compared to 1998. In 1998, EBITDA included $15.0 million of non-recurring losses and shutdown costs at Atlantic Steel. Operating margins at IRM were up over 1998 for several reasons. During 1999, IRM completed the second phase of its upgrade program and as a result was able to develop new products and new applications for value-added special chemistry wire rods. These included demanding applications such as cold heading fasteners and high carbon rod for automotive and general industrial parts, which buffered the effect of the severe price drop in wire rod, especially in the lower quality grades. The percentage of value-added special chemistry wire rods sold continued to increase reaching 73% in 1999 due to the introduction into the marketplace of other special grades during the latter part of the year.

Scrap prices represent a significant component of IRM's manufacturing costs. In 1998, the collapse of global scrap markets due to the Asian economic crisis suppressed export demand. This in turn caused a dramatic oversupply situation in world markets that led to a very significant drop in prices. As the Asian markets strengthened, scrap prices moved upwards. After scrap prices began to increase, IRM was able to maintain a lower level of average scrap costs by drawing from its scrap inventory, thereby reducing purchases of scrap. In addition, successful product development trials enabled IRM to substitute one grade of scrap for another. Thus, on occasion, when certain grades became more expensive, IRM substituted less expensive grades of scrap for the more expensive grades. As a result of this practice, IRM's scrap prices in 1999 remained relatively low until the fourth quarter. In the fourth quarter, scrap prices increased due to the potential shortages being caused by seasonal factors.

In 1999, lower overall scrap and other costs contributed to the $16.7 million improvement in IRM's manufacturing costs over 1998.

Fabricated Steel Products

The Company's Fabricated Steel Products segment is comprised of its fastener operations at Ifastgroupe and its wire operations at the Sivaco Wire Group (SWG).

Ifastgroupe manufactures cold forged bolts, as well as hot and cold forged standard nuts, and is a major producer of specialty fasteners. Ifastgroupe's products are sold primarily through a broad-based network of distributors to numerous markets, including the automotive, construction, heavy machinery, transportation and oil and gas industries in most regions of Canada and the United States. SWG manufactures and distributes a wide variety of wire products, including bright and galvanized high carbon and low carbon wire, cold heading wire and nails.

Overall sales in the Fabricated Steel Products segment of $555.9 million were up 7%, $36.7 million more than 1998. Tons shipped for the segment were up 10% over 1998.

Management's Discussion and Analysis

Operating margins in the Fabricated Steel Products segment were improved through increased volumes of shipments, including a higher proportion of value-added fasteners and wire products, together with reduced costs for raw materials. This was offset by lower average selling prices for the end products. Production output for the Fabricated Steel Products segment was up 4.2% over the previous year, which further helped to reduce manufacturing costs.

Ifastgroupe reported higher sales revenues for the year despite continuing pricing pressures for its products from overseas imports. The stronger presence of overseas imports in the North American marketplace resulted not only in downward pressure on prices, but also in lost sales opportunities. However, Ifastgroupe was able to achieve further penetration of higher value markets. Production levels were lower than in 1998 which resulted in increased overhead costs per ton produced.

In the Sivaco Wire Group, strong demand for wire and wire products continued throughout 1999 with an increase of 11% in volumes shipped over 1998. This favourable volume impact, combined with savings on raw materials, was partially offset by lower selling prices. At Sivaco Québec in Marieville, Québec, demand for wire and wire products remained high throughout the year. Overall tons shipped in 1999 increased by 14% over 1998. This was partially offset by a reduction of average selling prices for its products. In October 1999, Numesh Inc., a 50% owned joint venture with Fertek Inc., was created and will be Canada's largest producer of wire mesh.

At Sivaco Georgia, tons shipped in 1999 increased by 22%, including a significant increase in the amount of cold heading products shipped. This improved product mix, combined with other efficiencies, contributed to an improvement in EBITDA for 1999.

Precision Machined Components

IMT Corporation in Ingersoll, Ontario fabricates steel forgings and precision machined components.

Sales in 1999 of the Precision Machined Components segment were $73.3 million, down 9% from the previous year. This shortfall in sales resulted from delays due to design problems at the customer level in contracts to supply projectiles to the defence industry. These design problems were rectified during the second half of the year and the supply agreement has been extended to allow for completion of the contract. In addition, reduced sales volumes of axles combined with competitive pricing pressures for these products resulted in a decrease in sales. Sales of O.E.M. forgings and precision machined components were similar to those achieved in 1998.

Operating margins were lower than in 1998. The primary causes of this decline were the previously mentioned reduction of defence sales and the competitive pricing pressures in the axle business. Operating margins for the forgings and precision machined components businesses remained the same in 1999 as in 1998.

Corporate

Ivaco's Corporate segment includes corporate expenses for both Ivaco and Ivacan, including heritage costs.

The operating costs for 1999 were $17.8 million, down from the 1998 operating costs of $22.6 million. In addition, there was lower amortization on the deferred translation adjustment pertaining to the Company's U.S. dollar denominated long-term debt and lower interest costs, both of which were a direct result of the defeasance of the 11 1/2% Senior Notes in September 1999. Another positive factor was reduced losses of equity accounted investments, offset by higher dividends on the Second Preferred Shares, Series 5.

Discontinued Operations

On August 6, 1999, the Company announced that it had disposed of its 50% interest in IPEX Inc., a manufacturer of plastic pipe and fittings, to Glynwed International plc of Birmingham, England for $260 million cash, resulting in a net gain on the sale of $92.7 million, after deducting income taxes of $14.3 million.

Net earnings from discontinued operations which amounted to $101.4 million, includes a gain on the IPEX sale of $92.7 million, after deducting income taxes of $14.3 million, and $8.7 million in net income from the Plastic Pipe and Fittings segment to the date of disposal.

FINANCIAL CONDITION AND LIQUIDITY

Operations

For the year ended December 31, 1999, working capital provided from continuing operations increased to $36.2 million, up from $22.4 million in 1998. The increase is a result of the overall improved operating activities of the Company's operating segments in 1999.

Working capital as at December 31, 1999 of $239.1 million was up $6.9 million. This increase can be attributable to the receipt of cash of $25.2 million and a $51.9 million secured note representing a portion of the proceeds resulting from the sale of the Atlanta property, offset by a reduction of $50.9 million as a result of the sale of the Company's 50% owned investment in IPEX Inc. in 1999.

In 1999, operations provided cash of $36.8 million versus $25.1 million in 1998.

Preferred Share Dividends

Dividends on Preferred Shares and Second Preferred Shares included in both the statement of earnings and the statement of retained earnings totalled $22.9 million in 1999, compared to

Management's Discussion and Analysis

$21.9 million in 1998. Of the $22.9 million dividends declared in 1999, $13.7 million were paid in cash and $9.2 million were paid in Second Preferred Shares, Series 5.

Investments

In 1999, the Company invested $55.7 million (including $13.9 million in new capital lease obligations) in property, plant and equipment in order to expand its product range and production capacity, improve productivity and reduce costs. This was below the 1998 level of $67.4 million (including $30.9 million in new capital lease obligations). The three most significant components of spending in 1999 were the completion of the phase two upgrade program at IRM, capacity improvements at Ifastgroupe and the expansion of the forge division of IMT Corporation.

During 1999, $20.1 million of costs were deferred which related to the completion and run-in of the phase two upgrade program at IRM.

In the fourth quarter, the Company completed the sale of its 136-acre property in Atlanta, Georgia resulting in a pre-tax gain of $56.8 million. The sale price of $110.9 million (US$74.9 million) was paid as to $25.2 million (US$17 million) in cash and as to $53.3 million (US$36.0 million) and $32.4 million (US$21.9 million) in notes receivable, each secured by a first priority mortgage on the property. The notes are payable on December 15, 2000 but may be extended until 60 days after the date the developer receives appropriate zoning approvals. In no event are the notes payable later than December 14, 2001. The notes are non-interest bearing until December 15, 2000 and bear interest at 7 1/2% per annum thereafter. The Company has pledged the US$21.9 million note it received on closing to the Pension Benefit Guaranty Corporation ("PBGC") to secure an unfunded pension liability under Atlantic Steel's pension plans. The note or the proceeds thereof, as the case may be, will be returned to the Company as the unfunded liability of the Atlantic Steel pension plans is reduced.

The Company's total investment in Laclede Steel Company was carried at a cost of $28.7 million. In December 1999, management determined that this carrying value had been impaired because, among other things, Laclede continued to incur operating losses. Accordingly, the Company recognized a non-cash charge of $28.7 million to reduce the carrying amount of its investment to a nominal amount.

In November 1999, the Company sold its 50% investment in Amercord Inc. for cash of $2.2 million (US$1.5 million), a non-interest bearing note receivable for $2.2 million (US$1.5 million) and the issuance of shares representing 9.9% of Amercord's then outstanding shares (after giving effect to such issuance) valued at $2.9 million (US$2.0 million). As a result of this transaction, the Company recorded a pre-tax loss of $4.7 million.

Capital Structure

At December 31, 1999, shareholders' equity was $502.8 million, compared to $406.3 million in 1998. This significant improvement was due to net earnings in 1999 of $128.2 million, offset by preferred share dividends of $16.4 million. The cumulative translation adjustment is down from $20.2 million to $6.2 million as a result of the disposal of significant assets in the United States and the reorganization of the Company's U.S. subsidiaries.

During the fourth quarter of 1999, the Company initiated a buy-back program for up to 1,208,437 of its Class A Subordinate Voting shares (representing 5% of the outstanding Class A Subordinate Voting shares) under the normal course issuer bid rules of The Toronto Stock Exchange. Management believes the Subordinate Voting Class A shares represent an attractive investment. At December 31, 1999, the Company had purchased for cancellation 161,900 shares, which resulted in a gain of $0.9 million being included in retained earnings. The book value of the common shares at year end was $9.37 per share.

During the year, the Company purchased for cancellation on the open market, 14,000 Second Preferred Shares, Series 1; 12,700 Second Preferred Shares, Series 2; and 10,000 Second Preferred Shares, Series 3 resulting in a gain of $0.3 million, which was included in retained earnings.

Long-term debt was $265.7 million at December 31, 1999, a decrease of $224.4 million from $490.1 million in 1998. The decrease is principally due to the $187.0 million defeasance of the Company's 11 1/2% Senior Notes, which was made possible from the proceeds of the sale of Ivaco's 50% share of IPEX Inc.; a $15.7 million reduction in U.S. dollar denominated debt due to the strengthening of the Canadian dollar and the elimination of $15.0 million of IPEX related debt. As a result, at December 31, 1999, the ratio of long-term debt to shareholders' equity improved to 35:65, compared to 55:45 at December 31, 1998.

Liquidity and Capital Resources

Cash and short-term investments were $50.0 million at December 31, 1999, an increase of $36.3 million over the 1998 level. Operating activities provided $36.8 million of cash and $209.2 million was provided by the proceeds of sale of the Company's 50% interest in IPEX Inc., the proceeds from the sale of the Atlanta property, and from other investing activities. Financing activities, including the repayment of long-term debt in the amount of $236.4 million, used $209.7 million of cash. The ratio of current assets to current liabilities was 1.8:1, similar to the 1998 ratio.

Management's Discussion and Analysis

It is anticipated that internally generated cash flows from operations, credit facilities and other sources will prove adequate to meet ongoing cash requirements for operations, capital expenditures and capital repayments.

RISKS

Financial

Ivaco is subject to some risk associated with currency and interest rate fluctuations. The Company's long-term debt is principally at fixed interest rates and, therefore, its exposure to interest rate risks is minimal.

The Canadian operations of the Company generate substantial revenues in U.S. dollars, primarily through exports to the United States of products manufactured in Canada. For 1999, the Company's export sales were $607 million ($577 million in 1998), substantially all of which were to United States customers.

The Company's Canadian operations also incur substantial costs in U.S. dollars related to materials used in the manufacturing process, and for principal and interest payments on its U.S. dollar denominated debt. Subject to the Company's hedging strategy, any increase in the Canadian dollar relative to the U.S. dollar adversely affects the Company's consolidated earnings, whereas any decrease in the Canadian dollar relative to the U.S. dollar has a positive effect on earnings.

From time to time, the Company enters into currency options and forward exchange contracts for some of its Canadian operations. This is done to partially hedge accounts receivable and future revenues denominated in U.S. dollars, net of expected U.S. dollar expenditures including principal and interest payments on U.S. dollar denominated debt. The extent of such hedging varies from time to time and there can be no assurance that such strategy will be successful in the future in materially reducing the Company's exposure to currency fluctuations.

Environmental

Ferrous scrap is the principal raw material used by the Company's steelmaking operations. The recycling of scrap has positive contributions to the environment. In addition, the Company's other facilities and operations are engaged in businesses which are subject to an evolving body of environmental laws and regulations concerned with air emissions, wastewater discharges, the handling and disposal of solid and hazardous wastes and the remediation of contamination associated with the use and disposal of hazardous substances.

The Company's Environmental, Health and Safety department regularly reviews and audits each segment's operating practices to monitor compliance with the Company's environmental policies and legal requirements.

Based on known existing conditions, and the Company's experience in complying with emerging environmental issues, it is the Company's view that future costs relating to environmental compliance will not have a material effect on its financial position. However, this is a dynamic and constantly changing area of legislation and there is no assurance that unforeseen changes in the law or enforcement policies of the various regulatory agencies would not result in significant costs in the future.

Year 2000

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. During 1999, the Company undertook a number of initiatives designed to address the Year 2000 issue. Although the change in date has occurred, management is not aware of any Year 2000 problem within Ivaco and Ivaco has not had any problems with its customers, suppliers, business partners, or other third parties. The Company cannot be responsible for any particular occurrence at its customers, suppliers, business partners or other third parties.

CHANGE IN ACCOUNTING POLICIES

The Canadian Institute of Chartered Accountants ("CICA") has issued Section 3465, Income Taxes, which modifies the method of accounting for income taxes. Effective for fiscal years beginning on or after January 1, 2000, the existing deferral method, which focuses on the statements of earnings, will be replaced with the liability method of tax allocation, which focuses on the balance sheet. When the new standard is adopted, future income taxes will represent temporary differences between the tax basis of assets and liabilities and their carrying values for accounting purposes. The liability method require all future income tax assets and liabilities to be remeasured at the tax rate that is expected to apply when the temporary differences reverse. The impact of adopting the new standard is not expected to have a material effect on the consolidated financial statements of the Company.

The CICA has also issued Section 3461, Employee Future Benefits, which changes the accounting for pension and other types of employee future benefits, effective for fiscal years beginning on or after January 1, 2000. This standard requires companies to accrue the costs of post-retirement benefits other than pensions over the expected working lives of employees in a manner similar to pension costs. Under current practice, such costs are charged to income as incurred. The standard also requires a change in the discount rate used to value liabilities and service costs from an estimated long-term interest rate to a market based interest rate. The recommendation may be implemented either prospectively, with amortization of the transitional amount over the expected average remaining service life, or retroactively, with prior year restatement. If applied retroactively, a cumulative adjustment to retained earnings would be made. The Company is in the process of evaluating the impact of adopting Section 3461.

Management's Discussion and Analysis

OUTLOOK

The outlook for this year is favourable and the Company will continue to benefit from the improvements made during the last several years. These years represent a critical period in Ivaco's development. Manufacturing facilities in the Company's Steel and Fabricated Steel Products segments have been expanded, upgraded and refocused on value-added products. Non-core businesses have been disposed of, and long-term debt and annual interest costs have been reduced substantially. These initiatives produced significantly improved earnings last year and their positive impact will continue to be felt as the Company moves forward.

The three-year transformation of Ivaco Rolling Mills into North America's premier producer of hot rolled steel wire rod has been completed. Ifastgroupe will increase production and focus on improving all aspects of its operations as it continues to penetrate higher value markets. At Sivaco Georgia, expansion projects will more than double cold heading wire capacity and will commence the production of prestressed strand wire. At Sivaco Québec, the installation of a new automated HCL batch pickling plant together with a modification of the patenting line will allow further penetration of value-added products.

On February 11, 2000 the President of the United States responded to the recommendations of the U.S. International Trade Commission by announcing import relief in the form of a tariff rate quota that will remain in effect for three years. Consequently, the Company recently announced a wire rod price increase effective April 1, 2000 of $20 to $30 per ton, depending on grades. This increase, however, falls short of closing the gap to prevailing prices in the marketplace prior to the onslaught of imports The Company also recently announced selling price increases for some of its downstream fabricated steel products.

As a further step to improve its financial position and at the same time enhance shareholder value, Ivaco plans to address and deal with the outstanding Second Preferred Shares, Series 1, 2, 3 and 5. In order to provide the funds needed to accomplish this objective, the Company has listed some of its real estate properties for sale. They are located in Ontario, Québec, Nova Scotia and Virginia. The Company has also decided to sell certain businesses to third parties. These businesses are all profitable but do not fit into Ivaco's core businesses concept. The Company has already begun negotiating the sale of some of these assets, and expects to realize aggregate proceeds of approximately $70 million. The Company also expects that the notes received on the sale of its Atlantic property will be monetized during the next 12 months. It intends to use approximately $55 million of the proceeds from these notes to deal with the Second Preferred Shares. When combined with the expected proceeds from asset sales, the total cash available for the purchase of the Second Preferred Shares could be in the range of $125 million. Second Preferred Shares could also be purchased on a piecemeal basis as proceeds from asset sales are realized. Once all the Second Preferred Shares, Series 1, 2, 3 and 5 have been repurchased, $15 million of annual dividend requirements will be eliminated and net earnings per share should be positively impacted by approximately $0.50 annually.

Management's Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements of Ivaco Inc. and its subsidiaries are the responsibility of management and have been reviewed and approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada and include, where appropriate, estimates based on the judgment of management. Financial and operating data elsewhere in the annual report are consistent with those contained in the accompanying consolidated financial statements.

In fulfilling its responsibilities, management of Ivaco and its subsidiaries has developed and continues to maintain systems of internal accounting controls, including policies and procedures, and segregation of duties and responsibilities. While no system of internal control can detect and prevent all errors and irregularities, management believes that the systems in place provide an acceptable balance between benefits to be gained and the related cost.

The Board of Directors carries out its responsibility for review and approval of the consolidated financial statements principally through its Audit Committee. The Audit Committee of the Board of Directors has three members, all of whom are independent directors. They meet periodically with management and with external auditors to discuss the results of audit examinations with respect to the adequacy of internal accounting controls, and to review and discuss the consolidated financial statements and financial reporting matters.

The consolidated financial statements have been audited on behalf of the shareholders by Deloitte & Touche, LLP in accordance with generally accepted auditing standards in Canada. Their report contains the nature of their audit and expresses their opinion on the consolidated financial statements of the Company. Deloitte & Touche, LLP have full access to the Audit Committee.

Paul Ivanier
President and Chief
Executive Officer

Albert A. Kassab
Senior Vice-President and
Chief Financial Officer

Hugh W. Blakely
Vice-President and Controller

February 24, 2000

Auditors' Report

To the Shareholders of
Ivaco Inc.

We have audited the consolidated statements of financial position of Ivaco Inc. as at December 31, 1999 and 1998, and the consolidated statements of earnings, retained earnings (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles in Canada.

Montréal, Québec
February 24, 2000

Deloitte & Touche, LLP
Chartered Accountants

Consolidated Statements of Financial Position

AS AT DECEMBER 31		(Thousands of dollars)	
		1999	**1998**
Current assets			
	Cash and short-term investments	$ 50,039	$ 13,739
	Accounts receivable - trade and other	132,494	151,554
	Note receivable (Note 12b)	51,883	-
	Inventories (Note 2)	284,831	350,545
	Prepaid expenses	4,393	7,804
	Total current assets	523,640	523,642
Current liabilities			
	Bank indebtedness, partly secured	22,481	46,427
	Accounts payable and accrued liabilities		
	Trade and other	195,141	188,215
	Dividends payable	5,834	5,517
	Officers (Note 14b)	7,963	4,230
	Income taxes payable	2,253	706
	Current maturities of long-term debt (Note 7)	50,883	46,328
	Total current liabilities	284,555	291,423
Working capital		239,085	232,219
	Investments, at cost (Note 3)	89,060	114,860
	Property, plant and equipment (Note 4)	428,076	523,571
	Other assets (Note 5)	129,386	150,457
Total investment		885,607	1,021,107
	Deduct:		
	Long-term debt (Note 7)	265,671	490,077
	Second Preferred Shares, Series 5 (Note 6)	62,632	51,789
	Deferred income taxes	54,473	72,955
		382,776	614,821
Shareholders' equity		$ 502,831	$ 406,286
Represented by:			
	Capital Stock (Note 9)	$ 458,355	$ 460,805
	Retained earnings (deficit)	38,306	(74,722)
	Cumulative translation adjustment	6,170	20,203
		$ 502,831	$ 406,286

See accompanying notes to consolidated financial statements.

On behalf of the Board of Directors

(signed) Paul Ivanier, Director

(signed) Albert A. Kassab, Director

Consolidated Statements of Earnings

YEARS ENDED DECEMBER 31	1999	1998
(Thousands of dollars)		
Net sales	$ 913,847	$ 1,008,412
Cost of sales and operating expenses	810,989	937,134
Operating earnings (EBITDA) before:	102,858	71,278
Amortization	(44,011)	(45,482)
Share of loss of equity accounted investments	(1,461)	(2,614)
Earnings from operations before interest and other items	57,386	23,182
Net interest expense	(35,671)	(39,596)
Dividends on Second Preferred Shares, Series 5 (Note 6)	(6,551)	(5,411)
Earnings (loss) from continuing operations before non-recurring items and income taxes	15,164	(21,825)
Interest, premium and costs associated with defeasance of 11 1/2% Senior Notes	(33,182)	-
Other non-recurring items	21,151	-
Total non-recurring items (Note 12)	(12,031)	-
Earnings (loss) from continuing operations before income taxes	3,133	(21,825)
Income taxes (recovery) (Note 10)	(23,716)	5,993
Net earnings (loss) from continuing operations	26,849	(27,818)
Net earnings from discontinued operations (Note 13)	101,383	9,830
Net earnings (loss)	$ 128,232	$ (17,988)
Net earnings (loss) per common share (Note 1)		

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

YEARS ENDED DECEMBER 31		(Thousands of dollars) 1999	1998
Operating activities	Operations		
	Net earnings (loss) from continuing operations	$ 26,849	$ (27,818)
	Amortization	44,011	45,482
	Deferred income taxes	(27,935)	3,269
	Loss on disposal of Amercord	4,709	-
	Gain on sale of Atlanta property	(56,806)	-
	Non-cash costs associated with defeasance of 11 1/2% Senior Notes	14,526	-
	Other non-recurring non-cash charges	30,946	-
	Share of loss of equity accounted investments	1,461	2,614
	Other non-cash items	(1,583)	(1,131)
	Working capital provided from operations	36,178	22,416
	Decrease in working capital items	1,844	4,794
	Other items	(1,270)	(2,067)
	Cash provided by operating activities	36,752	25,143
Financing activities	Dividends	(7,099)	(10,906)
	Repayment of long-term debt	(236,375)	(41,931)
	Additional long-term debt	39,759	41,614
	Decrease in bank indebtedness	(3,617)	(8,210)
	Other items	(2,326)	(1,332)
	Cash used in financing activities	(209,658)	(20,765)
Investing activities	Net additions to property, plant and equipment	(41,842)	(36,466)
	Deferred preproduction costs	(20,061)	(5,757)
	Net proceeds on disposal of discontinued operations	246,879	-
	Proceeds on disposals of investments and assets	27,092	17,441
	Discontinued operations	(2,637)	4,727
	Other items	(225)	2,433
	Cash provided by (used in) investing activities	209,206	(17,622)
Cash and cash equivalents	Increase (decrease) in cash and cash equivalents	36,300	(13,244)
	Cash and cash equivalents, January 1	13,739	26,983
	Cash and cash equivalents, December 31	$ 50,039	$ 13,739

Supplemental Cash Flow Information (Note 15)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Retained Earnings (Deficit)

YEARS ENDED DECEMBER 31 (Thousands of dollars)	1999	1998
Balance at beginning of year	$ (74,722)	$ (38,168)
Add:		
Net earnings (loss)	128,232	(17,988)
Gain on purchase of preferred shares	269	96
Gain on purchase of common shares	911	-
	54,690	(56,060)
Deduct:		
Preferred dividends – paid in cash	7,099	8,684
Preferred dividends – paid in stock	9,285	7,756
Common dividends	-	2,222
	16,384	18,662
Balance at end of year	$ 38,306	$ (74,722)

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

DECEMBER 31, 1999 AND 1998 (all dollar amounts in tables are presented in thousands, except per share amounts)

Significant Accounting Policies

The Company follows accounting principles generally accepted in Canada, in the preparation of its consolidated financial statements. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Basis of Consolidation

The consolidated financial statements include the accounts of Ivaco Inc. and its subsidiaries. The excess of the purchase price over the underlying book value of net assets at the dates of acquisition is allocated to property, plant and equipment and is being amortized over the estimated useful lives of the respective assets.

The proportionate consolidation method of accounting is used to account for the Company's interest in joint venture operations. This method of accounting brings into the consolidated financial statements, the Company's share of the specific assets, liabilities, sales and expenses of joint venture operations.

The equity method of accounting is used to account for investments in businesses over which the Company has significant influence. The differences between the underlying book value of net assets at the dates of acquisitions and the purchase price are being amortized over the estimated useful lives of the investees' property, plant and equipment.

Other investments are carried at cost.

Foreign Exchange Translation

Foreign Operations

Assets and liabilities of foreign operations are translated into Canadian dollars at year-end exchange rates. Cumulative gains and losses on translation are deferred and included as a separate component of shareholders' equity. Income and expenses are translated at average exchange rates prevailing during the year.

Canadian Operations

Foreign monetary assets and liabilities of Canadian operations are translated into Canadian dollars at year-end exchange rates. Gains and losses are included in the determination of net earnings except for unrealized translation gains and losses on long-term liabilities, which are deferred and are amortized over the remaining lives of the related long-term liabilities. Income and expenses are translated at average exchange rates prevailing during the year. Gains and losses arising from financial instruments used to hedge future transactions are carried forward and accounted for when the related gains and losses on the hedged items are realized.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and short-term investments having a maturity of three months or less.

Inventories

Inventories are stated at the lower of cost (determined substantially on the first-in, first-out method) and net realizable value.

Significant Accounting Policies (continued)

Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated amortization. Interest costs related to major capital expenditures are capitalized during the period of construction. Amortization is provided principally on the straight-line method over the estimated useful lives of the respective assets as follows:

Buildings	40 years
Steelmaking and rolling mill equipment	25 years
Manufacturing equipment	15 years

Deferred Preproduction and Development Costs

Certain costs relating to the start-up of new facilities and major plant additions, incurred prior to the commencement of expected levels of commercial production, are deferred and amortized over periods of up to five years.

Research and development expenditures are expensed as incurred with the exception of costs related to the development of new products, processes and systems to the extent that their recovery can be reasonably assured. Such costs are amortized on commencement of operations or commercial production over periods of up to five years.

Deferred Financing Costs

Costs relating to financings are deferred and amortized over the term of the related financing agreements.

1. Earnings (loss) per Share

Earnings (loss) per Class A and Class B share are calculated after providing for dividends on preferred shares and second preferred shares and dividing the total by the weighted average number of shares outstanding during the year. The weighted average number of shares outstanding during the year was 30,741,146 (1998 - 30,727,619).

Net earnings (loss) per common share	**1999**	**1998**
Continuing operations	$ 0.34	$ (1.44)
Discontinued Plastic Pipe and Fittings Segment	0.28	0.32
Gain on disposal of 50% investment in IPEX Inc.	3.02	-
Discontinued operations	3.30	0.32
Net earnings (loss) per share	$ 3.64	$ (1.12)
Fully diluted net earnings per share		
Net earnings per share	$ 3.37	$ -

2. Inventories

	1999	**1998**
Finished and semi-finished	$ 119,488	$ 168,232
Raw materials and supplies	165,343	182,313
Total inventories	$ 284,831	$ 350,545

3. Investments, at Cost

	1999	1998
Dofasco Inc. – 2,986,500 common shares	$ 58,623	$ 58,623
Birmingham Southeast, LLC – 15% interest (US$20.1 million)	27,549	27,549
Laclede Steel Company – common shares 24.9% interest (Note 12c)	1	24,908
Laclede Steel Company – preferred shares (Note 12c)	1	3,780
Amercord Inc. – common shares - 9.9% interest (Note 12d)	2,886	-
Total investments, at cost	$ 89,060	$ 114,860

Pursuant to the terms of a Trust Agreement, 2,986,500 common shares of Dofasco Inc. have been pledged to secure the exchange privilege attached to the Exchangeable Second Preferred Shares, Series 4. The Dofasco Inc. investment is carried at a cost of $19.63 per share and has a market value of $28.50 per share at December 31, 1999 (1998- $19.60).

4. Property, Plant and Equipment

	1999			1998		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Land	$ 12,590	$ -	$ 12,590	$ 21,794	$ -	$ 21,794
Buildings	119,490	44,803	74,687	163,681	58,806	104,875
Machinery and equipment	631,050	372,621	258,429	689,158	366,026	323,132
Machinery and equipment under capital leases	90,231	7,861	82,370	78,673	4,903	73,770
Total property, plant and equipment	$ 853,361	$ 425,285	$ 428,076	$953,306	$ 429,735	$ 523,571

Amortization of property, plant and equipment for 1999 amounted to $38,326 of which $6,939 is included in discontinued operations (1998 - $41,114 of which $10,459 is included in discontinued operations). Capitalized interest for 1999 amounted to $760 (1998 - $1,679).

5. Other Assets

	1999	1998
Note receivable (US$21.9 million) (Note 12b)	$ 31,608	$ -
Net assets of discontinued operations, primarily real estate	30,299	32,493
Deferred preproduction costs and other deferred charges, less amortization	34,491	25,951
Deferred product development costs, less amortization	4,517	-
Deferred financing costs, less amortization	2,997	8,729
Deferred translation adjustment, less amortization	1,433	38,065
Deferred pension asset	9,014	14,203
Investments, at equity	6,545	21,793
Loans to officers (Note 14a)	6,235	8,222
Other items	2,247	1,001
Total other assets	$ 129,386	$ 150,457

Amortization of deferred charges for 1999 amounted to $13,061 of which $437 is included in discontinued operations (1998 - $15,520 of which $693 is included in discontinued operations).

6. $2.625 Second Preferred Shares, Series 5

An unlimited number of Second Preferred Shares, Series 5 are authorized of which 2,652,669 (1998 -2,154,380) shares were issued and outstanding with a stated capital of $62,632 (1998 - $51,789).

The $2.625 Cumulative Redeemable Retractable Second Preferred Shares, Series 5 may be purchased by the Company on the open market at prices not exceeding the applicable redemption price of $25 per share. The Company may redeem the whole or any part of the Cumulative Redeemable Retractable Second Preferred Shares, Series 5 at any time at a redemption price of $25 per share. On March 31 in each of the years indicated hereafter, the Company will purchase shares for redemption, at $25 per share, provided however that the number of shares that may be so redeemed may not exceed the following percentages outstanding in each such year: 10% in 2001; 15% in 2002; 15% in 2003; 20% in 2004; and 100% in 2005. During 1999, 498,289 (1998 – 310,465) shares with a stated capital of $10,843 (1998 - $7,762) were issued to satisfy, in part, regular dividends on Second Preferred Shares, other than on Second Preferred Shares, Series 5 which were paid in cash.

7. Long-Term Debt

	1999	1998
Secured		
Obligations under capital leases averaging 7.4% maturing to 2014 of which $35.1 million (1998 - $32.6 million) are in U.S. funds	$ 66,917	$ 67,183
Term bank loans at variable rates averaging 6.8% at December 31, 1999 maturing to 2006 of which $5.2 million (1998 - $7.1 million) are in U.S. funds	10,593	5,980
Mortgages averaging 7.2% maturing to 2009 of which $1.3 million (1998 - $1.4 million) are in U.S. funds	4,532	6,057
Revolving bank loan at a variable rate of 6.0% at December 31, 1999 (US$2.2 million; 1998 – US$2.5 million)	3,175	3,833
Others averaging 8.5% maturing to 2004 of which $12.1 million (1998 - $17.2 million) are in U.S. funds	22,388	33,302
Unsecured		
Senior Notes at 11.5% (1998 – US$122.5 million)	-	187,829
Revolving bank loans at variable rates averaging 6.4% at December 31, 1999	65,632	38,779
Senior Notes at 7.29% maturing to 2004 (US$40.8 million; 1998 – US$49.8 million)	58,814	75,689
Senior Notes at 8.44% maturing to 2004 (US$29.5 million; 1998 – US$36.0 million)	42,606	55,199
Senior Notes at 7.0% maturing to 2008 (US$20.0 million)	28,866	30,666
Others averaging 5.2% maturing to 2003 of which $4.4 million (1998 - $9.9 million) are in U.S. funds	13,031	16,888
Bank loans at variable rates	-	15,000
	316,554	536,405
Less: Current maturities	50,883	46,328
Total long-term debt	$ 265,671	$ 490,077

7. Long-Term Debt *(continued)*

Required payments of long-term debt over the next five years are:

$50.9 million in 2000; $48.9 million in 2001; $46.4 million in 2002; $40.9 million in 2003; and $29.6 million in 2004.

Interest expense on long-term debt was $47,625 in 1999 of which $8,423 is included in non-recurring items and $3,089 is included in discontinued operations (1998 - $41,733 of which $4,084 is included in discontinued operations).

8. Pension Plans

The Company has pension plans covering substantially all employees. The majority of the plans are defined benefit plans. The following is based on information at December 31:

	1999	1998
Actuarial present value of accrued pension obligations	$ 374,335	$ 363,568
Market value of pension fund assets	$ 363,716	$ 342,051

Pension expense for 1999 was $12,384 (1998 - $15,270).

9. Capital Stock

Authorized

An unlimited number of Preferred Shares issuable in series, Second Preferred Shares issuable in series, Subordinated Non-Voting Preferred Shares, Class A Subordinate Voting Shares (Class A Shares) and Class B Voting Shares (Class B Shares) - all without par value.

Issued and Outstanding

	Number of shares			
	1999	1998	1999	1998
Preferred Shares				
$4.425 Series C	161,650	161,650	$ 8,083	$ 8,083
$2.50 Series D	34,443	34,443	861	861
$2.40 Series E	75,081	75,081	1,877	1,877
			10,821	10,821
Second Preferred Shares				
$2.00 Series 1	1,326,473	1,340,473	33,162	33,512
$2.00 Series 2	1,843,939	1,856,639	46,098	46,416
$2.25 Series 3	979,752	989,752	24,494	24,744
			103,754	104,672
Exchangeable Second Preferred Shares, Series 4 (Note 3)	2,986,500	2,986,500	95,568	95,568
Class A Shares	24,006,845	24,155,445	231,076	232,590
Class B Shares	6,577,277	6,582,577	17,136	17,154
			248,212	249,744
Total capital stock			$ 458,355	$ 460,805

9. Capital Stock *(continued)*

Preferred Shares

The Preferred Shares are non-voting and each series of Preferred Shares ranks equally with all other series of Preferred Shares and ahead of the Second Preferred Shares, Subordinated Non-Voting Preferred Shares and Class A and Class B Shares.

Series C

The $4.425 Cumulative Redeemable Preferred Shares, Series C, may be purchased by the Company on the open market at prices not exceeding the applicable redemption price of $50 per share. The Company will make all reasonable efforts to purchase 3,000 shares for cancellation on the open market in each calendar quarter. During 1999 and 1998, no such shares were purchased.

Series D

The $2.50 Cumulative Redeemable Preferred Shares, Series D, may be purchased by the Company on the open market at prices not exceeding the applicable redemption price of $25 per share. The Company will make all reasonable efforts to purchase 7,200 shares for cancellation on the open market in each calendar quarter. During 1999 and 1998, no such shares were purchased.

Series E

The $2.40 Cumulative Redeemable Preferred Shares, Series E, may be purchased by the Company on the open market at prices not exceeding the applicable redemption price of $25 per share. The Company will make all reasonable efforts to purchase 8,500 shares for cancellation on the open market in each calendar quarter. During 1999 and 1998, no such shares were purchased.

Second Preferred Shares

The Second Preferred Shares rank equally with all other series of Second Preferred Shares and after the Preferred Shares and ahead of the Subordinated Non-Voting Preferred Shares and the Class A and Class B Shares.

Series 1

The $2.00 Cumulative Redeemable Second Preferred Shares, Series 1, may be purchased by the Company on the open market at prices not exceeding the applicable redemption price of $25 per share. The Company will make all reasonable efforts to purchase 13,538 shares for cancellation on the open market in each calendar quarter. During the year, 14,000 (1998 – 9,500) such shares were purchased and cancelled.

Series 2

The $2.00 Cumulative Redeemable Second Preferred Shares, Series 2, may be purchased by the Company on the open market at prices not exceeding the applicable redemption price of $25 per share. The Company will make all reasonable efforts to purchase 18,719 shares for cancellation on the open market in each calendar quarter. During the year, 12,700 (1998 – 10,200) such shares were purchased and cancelled.

Series 3

The $2.25 Cumulative Redeemable Second Preferred Shares, Series 3, may be purchased by the Company on the open market at prices not exceeding the applicable redemption price of $25 per share. The Company will make all reasonable efforts to purchase 9,977 shares for cancellation on the open market in each calendar quarter. During the year, 10,000 (1998 – 7,400) such shares were purchased and cancelled.

Exchangeable Second Preferred Shares, Series 4

The Cumulative Redeemable Exchangeable Second Preferred Shares, Series 4, are exchangeable, at the option of the holder, into one common share of Dofasco Inc. for each Second Preferred Share, Series 4. Dividends are determined by applying to $32 a quarterly rate equal to: (i) the cash dividends paid by Dofasco Inc. per

9. Capital Stock

(continued)

common share of Dofasco Inc. during the three calendar months immediately preceding the dividend payment date divided by $32 expressed as a percentage, plus (ii) 1%.

The Company may redeem Exchangeable Second Preferred Shares, Series 4, at any time at $32 per share. During 1999 and 1998, no such shares were purchased and cancelled or exchanged for common shares of Dofasco Inc.

Class A Subordinate Voting and Class B Voting Shares

The Class A Subordinate Voting Shares (Class A Shares) carry one vote per share and the Class B Voting Shares (Class B Shares) carry ten votes per share. The Class A Shares have a divided rate equal to 120% of any dividend declared on the Class B Shares.

The Class A Shares and the Class B Shares are treated equally in the event of liquidation or in any subdivision or consolidation of either class. In the event an acquisition offer is made to holders of Class B Shares and at least 50% of the Class B Shares are tendered in acceptance of the offer and a similar offer is not made to holders of Class A Shares then each Class A Share will, for purposes of the offer only, be deemed to have been converted into a Class B Share in order that the Class A Shares will be treated equally with the Class B Shares.

The Class B Shares may be converted into an equal number of Class A Shares at any time.

The following transactions occurred during 1998 and 1999 in the Class A Shares and the Class B Shares:

	Number of Shares			
	Class A	Class B	Class A	Class B
Balance at December 31, 1997	24,132,444	6,582,578	$ 232,511	$ 17, 154
Conversion from Class B to Class A	1	(1)	-	-
Shares issued during 1998:				
Employees' Stock Option Plan	23,000	-	79	-
Balance at December 31, 1998	24,155,445	6,582,577	232,590	17,154
Conversion from Class B to Class A	5,300	(5,300)	18	(18)
Shares issued during 1999:				
Employees' Stock Option Plan	8,000	-	27	-
Shares purchased during 1999	(161,900)	-	(1,559)	-
Balance at December 31, 1999	24,006,845	6,577,277	$ 231,076	$ 17,136

Stock Options

Under the Company's Stock Option Plan (1982) and the U.S. Employees Stock Option Plan (1986), the Board of Directors may grant to directors, officers and key employees of the Company and its subsidiaries options to purchase up to an aggregate of 3,064,582 Class A Subordinate Voting Shares. The minimum purchase price for which options are granted will not be less than the market value of such shares at the time the option is granted. Options have a term of ten years and can be exercised as to a maximum of one-third of the shares in the first year, two-thirds cumulatively in the second year, and 100% thereafter.

9. Capital Stock *(continued)*

Details of the status of the Company's stock option plans as at December 31, 1999 and 1998, and changes during the years then ended are as follows:

	1999		1998	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Outstanding at beginning of year	2,693,740	$ 5.51	2,690,840	$ 5.52
Granted	-	-	65,000	4.96
Exercised	(8,000)	3.40	(23,000)	3.40
Returned	(41,500)	6.31	(39,100)	6.81
Outstanding at end of year	2,644,240	5.50	2,693,740	5.51
Options exercisable at end of year	2,622,573		2,619,574	

The following table summarizes information about stock options outstanding at December 31, 1999:

Options outstanding			Options exercisable	
Exercise Price	Number outstanding at end of 1999	Expiration	Exercise Price	Number outstanding at end of 1999
$3.40	1,157,040	2002	$3.40	1,157,040
$7.19	10,000	2004	$7.19	10,000
$7.50	1,327,200	2004	$7.50	1,327,200
$3.11	85,000	2007	$3.11	85,000
$4.96	65,000	2008	$4.96	43,333
	2,644,240		$5.50	2,622,573

Share Appreciation Rights Plan

During 1999, the Company established a Share Appreciation Rights Plan. Under the terms of the plan, Share Appreciation Rights (SARs) are awarded to directors, officers and eligible employees entitling the holders to receive an amount in cash equal to the appreciation (between the time of grant and the time of exercise of the rights) in the fair market value of the underlying Class A Subordinate Voting Shares. The aggregate number of shares in respect of which stock appreciation rights may be granted shall not exceed 2,000,000. The plan will expire on December 31, 2002.

As at December 31, 1999, 1,310,500 SARs have been granted entitling the holders to a payment equal to the difference in the market value at the time of grant ($4.00) and the time of exercise ($8.00) of the underlying Class A Subordinate Voting Shares. As at December 31, 1999 no amounts were due under this plan.

10. Income Taxes

The provision for (recovery of) income taxes is comprised of:

	1999	1998
Current	$ 4,219	$ 2,724
Deferred (recovery)	(27,935)	3,269
	$ (23,716)	$ 5,993

The provision for (recovery of) income taxes is determined as follows:

	1999	1998
Combined basic federal and provincial income taxes	$ 1,159	$ (8,069)
Increase (decrease) in income taxes resulting from the following:		
Large corporation tax	1,836	1,795
Alternative minimum tax	2,972	-
Capital losses	5,591	-
Realization of previously recognized deferred income tax credits	(11,116)	-
Benefit of losses carried forward/back	(28,127)	-
Losses not tax effected	1,267	12,486
Income subject to higher rates of tax	3,779	-
Share of loss of equity accounted investments	541	966
Dividends on Second Preferred Shares, Series 5	2,424	2,000
Dividend income	(1,106)	(1,108)
Other items	(2,936)	(2,077)
Total provision for (recovery of) income taxes	$ (23,716)	$ 5,993

11. Joint Venture Operations

The Company's 50% proportionate share of joint venture operations included in the Consolidated Financial Statements is summarized below:

	Years ended December 31	
	1999	1998
Consolidated Statements of Financial Position		
Current assets	$ 7,600	$ 71,436
Non-current assets	$ 937	$ 74,821
Current liabilities	$ 5,259	$ 40,658
Non-current liabilities	$ 2,176	$ 22,615
Consolidated Statements of Earnings*		
Net sales	$ 3,147	$ -
Expenses	$ 2,865	$ -
Net earnings	$ 282	$ 12,629
Consolidated Statements of Cash Flows		
Cash provided by (used in):		
Operating activities	$ (2,057)	$ -
Financing activities	$ 2,843	$ -
Investing activities	$ (449)	$ 4,727

** Joint venture activities in 1999 include the operations of Numesh Inc. since its inception on October 26, 1999.*

12. Non-Recurring Items

Non-recurring items in 1999 include the following:

a) Costs associated with the defeasance of Ivaco's 11 1/2% Senior Notes totalled $33.2 million. This amount consisted primarily of the premium on redemption of the Senior Notes on September 15, 2000, write-off of the deferred foreign exchange and deferred financing costs, and the prepaid interest expense to September 15, 2000, net of the interest to be earned to date of redemption, on the U.S. Treasury Bills deposited with the Trustee;

b) On December 22, 1999, the Company completed the sale of its 136-acre property in Atlanta, Georgia resulting in a gain of $56.8 million. The sale price of $110.9 million (US$74.9 million), was paid as to $25.2 million (US$17 million) in cash and notes receivable of $53.3 million (US$36.0 million) and $32.4 million (US$21.9 million), each secured by a first priority mortgage on the property. The notes are payable on December 15, 2000 but may be extended 60 days after the date the developer receives appropriate zoning approvals, but in no event are the notes payable later than December 14, 2001. The notes bear interest at 7 1/2% per annum after December 15, 2000. The Company entered into an agreement with the Pension Benefit Guaranty Corporation ("PBGC") whereby the Company has pledged the note of US$21.9 million for the benefit of Atlantic Steel's pension plans. The note or the proceeds thereof, as the case may be, will be returned to the Company, as the unfunded liability of the Atlantic Steel pension plan is reduced. Subsequent to the sale of the land in Atlanta, Georgia, the Company reorganized its U.S. subsidiaries resulting in the realization of previously unrealized accumulated foreign exchange gains included as a separate component of shareholders' equity;

c) In December 1999, management determined that the carrying value of its investment in Laclede Steel Company has been impaired because, among other things, Laclede continues to incur operating losses. Accordingly, the Company recognized a non-cash charge of $28.7 million to reduce the carrying amount of its investment to a nominal amount;

d) In November 1999, the Company disposed of its 50% investment in Amercord Inc. in exchange for cash of $2.2 million (US$1.5 million), a non-interest bearing note receivable for $2.2 million (US$1.5 million) and 9.9% of Amercord's newly issued shares valued at $2.9 million (US$2.0 million). As a result of this transaction a loss of $4.7 million was recorded; and

e) Other non-recurring charges totalling $2.2 million.

13. Net Earnings from Discountinued Operations

During the third quarter of 1999, the Company disposed of its 50% investment in IPEX Inc. for $260 million cash, resulting in a net gain of $92.7 million after deducting income taxes of $14.3 million. Accordingly, Ivaco's share of the operating results of the Company's Plastic Pipe and Fittings segment to the date of disposal of $8.7 million (1998 full year - $12.6 million) is included in discontinued operations. Sales of discontinued operations for 1999 to the date of disposal were $126.6 million (1998 full year - $186.2 million).

During 1998, $2,799 was expensed with respect to claims for operations previously classified as discontinued.

13. Net Earnings from Discountinued Operations *(continued)*

Assets and liabilities relating to operations which have been discontinued, included in the Consolidated Statements of Financial Position at December 31 are as follows:

	1999	1998
Current assets	$ 102	$ 107
Current liabilities	(870)	(1,178)
Property, plant and equipment	4,396	4,670
Other assets, primarily real estate (Note 5)	30,299	32,493
Long-term debt	(200)	(275)
Net assets	$ 33,727	$ 35,817

14. Transactions with Related Parties

(a) Loans to Officers

Loans to officers outstanding at December 31, 1999 amounted to $8,676 (1998 - $8,222) of which $2,441 are due March 1, 2000, $1,222 are due December 31, 2001, and $5,013 are due March 1, 2005. These loans bear interest at prime rate and are unsecured, and were made predominantly in connection with the purchase of shares of the Company.

(b) Loans from Officers

From time to time, the Company borrows short-term funds from senior officers of the Company and makes drawings available to them at the Company's borrowing rate. At December 31, 1999, borrowings from officers amounting to $7,963 were outstanding (1998 - $4,230). These transactions are measured at exchange amount.

(c) Affiliated Companies

The Company has transactions in the normal course of business with its affiliated companies. These transaction are measured at exchange amounts and are summarized below:

	1999	1998
Purchases of raw materials from entities accounted for using the equity method	$ 17,300	$ 13,157
At December 31, amounts due to affiliated companies are as follows:		
Entities accounted for using the equity method	$ 7,345	$ 3,147

15. Supplemental Cash flow Information

	1999	1998
Interest paid	$ 56,788	$ 44,555
Income taxes paid	$ 2,104	$ 31,800
New capital lease obligations	$ 13,895	$ 30,944

16. Financial Instruments and Risk Management

Foreign exchange risks

From time to time, the Company enters into currency options and forward exchange contracts for some of its Canadian operations to partially hedge accounts receivable and future revenues denominated in U.S. dollars, net of expected U.S. dollar outlays including principal and interest payments on U.S. dollar denominated debt.

At December 31, 1999, the Company had currency options maturing in 2000 to exchange $20.0 million U.S. dollars for Canadian dollars (1998 - $165.9 million forward contracts and currency options). The market value of such currency options at December 31, 1999 was such that if these options had been exercised at such time, which was not the intention since these options were established in order to fix the rate on sales of U.S. dollars during 2000, the Company would have incurred a gain of $0.1 million. Gains and losses on outstanding options and forward exchange contracts are accounted for when the related gains and losses on the hedged items are realized. Counterparties to these contracts are major Canadian financial institutions. The Company does not anticipate non-performance by the counterparties.

Interest rate risks

A significant portion of the Company's long-term debt is at fixed interest rates and therefore the Company's exposure to increases in interest rates is minimal.

Credit risks

The Company's exposure to concentration of credit risk is limited due to the large number of customers comprising the Company's customer base and their dispersion across many different industries and geographic locations. As at December 31, 1999, there was no concentration of credit risk. The Company also maintains credit insurance with a third party insurer to further alleviate risk.

Fair value of financial instruments

Fair value estimates are made as of a specific point in time, using available information about financial instruments. These estimates are subjective in nature and often cannot be determined with precision.

The fair value of current monetary assets and liabilities approximates their carrying value as reported in the Consolidated Statements of Financial Position due to the relatively short period to maturity of the instruments.

The Company's estimated fair values which differ from their carrying values are as follows:

	1999	
	Carrying Amount	Fair Value
Investments, at cost – Laclede common shares (Note 12c)	$ 1	$ 1
Investments, at cost – Laclede preferred shares (Note 12c)	$ 1	$ 1
Investments, at cost	$ 89,060	$ 115,550
Long-term liabilities		
Senior Notes	$ 130,286	$ 137,417
Redeemable Second Preferred Shares, Series 5	$ 62,632	$ 63,664

16. Financial Instruments and Risk Management *(continued)*

	1998	
	Carrying Amount	Fair Value
Investments, at cost – Laclede	$ 28,688	(1)
Investments, at cost – Other	$ 86,172	$ 86,084
Long-term liabilities		
Senior Notes	$ 349,383	$ 361,100
Redeemable Second Preferred Shares, Series 5	$ 51,789	$ 47,935

The fair value of the above items was estimated based on quoted market prices (when available), or discounted cash flows, using discount rates based on market interest rates.

(1) Because of the fact that Laclede Steel is seeking reorganization under Chapter 11 of the United States Bankruptcy Code, the market value of the shares cannot be used as an estimate of fair value, and accordingly it was impracticable to assess the fair value of the investment with certainty at December 31, 1998.

17. Contingent Liabilities

Environmental Matters

The Company's operations are subject to numerous environmental laws, regulations and guidelines adopted by various governmental authorities in the jurisdictions in which the Company operates. It is the opinion of management that under existing legislation and regulatory practices, expenditures required for environmental compliance will not have a material adverse effect on the Company's financial position. Liabilities and probable recoveries, are recorded when environmental remediation obligations are either known or considered probable and can be reasonably estimated.

Litigation

In the normal course of operations, the Company becomes involved in various claims and legal proceedings. In management's opinion, the consolidated financial statements include adequate provisions for litigation. While the final outcome with respect to claims and legal proceedings pending at December 31, 1999 cannot be predicted with certainty, it is the opinion of management that their resolution will not have a materially adverse effect on the Company's consolidated financial position or results of operations.

18. Comparative Figures

Certain of the 1998 figures have been reclassified to conform with the presentation adopted in 1999.

19. Segmented Reporting

Ivaco's three operating segments are strategic business units that offer different products and services and include: steel, fabricated steel products, and precision machined components. The steel segment produces hot rolled wire rods for sale to customers in Canada and the United States and for further processing by the Company's fabricated steel products segment. The fabricated steel products segment produces standard bolts and nuts, specialty fasteners and a wide variety of wire and wire products. The precision machined components segment produces truck trailer axles, precision machined components and steel forgings. Corporate includes corporate and discontinued business.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

19. Segmented Reporting *(continued)*

BUSINESS SEGMENTS — 1999

	Steel	Fabricated Steel Products	Precision Machined Components	Corporate	Total
Net sales – external	$ 284,604	$ 555,925	$ 73,318	-	$ 913,847
Net sales – intersegment	$ 137,423	$ 206	-	-	$ 137,629
Operating earnings (loss) (EBITDA) before:	$ 41,060	$ 71,655	$ 7,911	$ (17,768)	$ 102,858
Amortization	(18,922)	(20,015)	(2,693)	(2,381)	(44,011)
Share of loss of equity accounted investments	-	-	-	(1,461)	(1,461)
Earnings (loss) from operations before interest and other items	22,138	51,640	5,218	(21,610)	57,386
Net interest expense	(8,905)	(24,705)	(1,084)	(977)	(35,671)
Dividends on Second Preferred Shares, Series 5	-	-	-	(6,551)	(6,551)
Earnings (loss) from continuing operations before other items and income taxes	13,233	26,935	4,134	(29,138)	15,164
Total non-recurring items	-	-	-	(12,031)	(12,031)
Earnings (loss) from continuing operations before income taxes	$ 13,233	$ 26,935	$ 4,134	$ (41,169)	$ 3,133
Identifiable assets by segment	$ 493,850	$ 486,071	$ 50,354	$ 139,887	$ 1,170,162
Net additions to property, plant and equipment	$ 23,360	$ 17,471	$ 956	$ 55	$ 41,842

BUSINESS SEGMENTS — 1998

	Steel	Fabricated Steel Products	Precision Machined Components	Corporate	Total
Net sales – external	$ 408,792	$ 519,211	$ 80,409	-	$ 1,008,412
Net sales – intersegment	$ 141,667	$ 281	-	-	$ 141,948
Operating earnings (loss) (EBITDA) before:	$ 21,253	$ 62,086	$ 10,503	$ (22,564)	$ 71,278
Amortization	(17,994)	(19,650)	(2,768)	(5,070)	(45,482)
Share of loss of equity accounted investments	-	-	-	(2,614)	(2,614)
Earnings (loss) from operations before interest and other items	3,259	42,436	7,735	(30,248)	23,182
Net interest expense	(6,779)	(25,017)	(177)	(7,623)	(39,596)
Dividends on Second Preferred Shares, Series 5	-	-	-	(5,411)	(5,411)
Earnings (loss) from continuing operations before income taxes	$ (3,520)	$ 17,419	$ 7,558	$ (43,282)	$ (21,825)
Identifiable assets by segment*	$ 371,126	$ 502,884	$ 44,599	$ 238,071	$ 1,156,680
Net additions to property, plant and equipment	$ 10,765	$ 21,129	$ 4,680	$ (108)	$ 36,466

GEOGRAPHIC INFORMATION

	1999		1998	
	Revenues	Identifiable assets	Revenues	Identifiable assets*
Canada – domestic	$ 274,598	$ 948,459	$ 264,277	$ 971,274
Canada- export – primarily US	606,527	-	577,265	-
	881,125	948,459	841,542	971,274
United States	32,722	221,703	166,870	185,406
	$ 913,847	$ 1,170,162	$ 1,008,412	$ 1,156,680

**Identifiable assets by segment for 1998 do not include $155,850 of assets of the Plastic Pipe and Fittings segment which was disposed of during 1999.*

Financial Summary

MILLIONS OF DOLLARS EXCEPT PER SHARE AMOUNTS

Operating results		1999	1998	1997	1996	1995	1994	1993	1992
Net sales	$	913.8	1,008.4	1,193.2	1,222.1	1,416.6	1,418.2	1,220.9	1,094.3
Operating earnings (EBITDA) before:	$	102.9	71.3	140.0	122.8	154.6	122.7	92.4	43.1
Amortization	$	44.0	45.5	46.9	42.4	39.5	45.4	43.8	43.8
Share of earnings (loss) of equity accounted investments	$	(1.5)	(2.6)	(0.6)	(4.6)	(3.7)	5.6	5.8	(3.0)
Earnings (loss) from operations before interest and other items	$	57.4	23.2	92.5	75.9	111.4	82.9	54.4	(3.7)
Earnings (loss) from continuing operations before income taxes	$	3.1	(21.8)	64.6	25.3	68.5	45.0	16.7	(48.1)
Provisions for (recovery of) income taxes	$	(23.7)	6.0	32.9	22.8	30.9	26.6	14.0	(11.7)
Earning (loss) from continuing operations	$	26.8	(27.8)	31.7	2.6	37.6	18.4	2.7	(36.4)
Net earnings (loss)	$	128.2	(18.0)	31.1	(15.5)	28.9	8.1	0.3	(19.6)
Earning (loss) per share [1]									
Continuing operations	$	0.34	(1.44)	0.53	(0.46)	0.77	0.13	(0.52)	(2.51)
Net earning (loss) per share	$	3.64	(1.12)	0.51	(1.09)	0.47	(0.25)	(0.63)	(1.71)
Return on sales	%	14.0	(1.5)	2.6	(1.3)	2.0	0.6	0.0	(1.8)

Financial Position		1999	1998	1997	1996	1995	1994	1993	1992
Current assets	$	523.6	523.6	559.8	566.7	628.3	571.4	484.8	453.3
Current liabilities	$	284.6	291.4	306.5	305.9	291.3	308.4	264.2	325.8
Working capital	$	239.1	232.2	253.3	260.8	337.0	263.0	220.6	127.5
Net additions to property, plant and equipment	$	41.8	36.5	111.0	43.3	43.9	33.6	18.1	7.0
Total assets	$	1,170.2	1,312.5	1,294.8	1,278.4	1,381.4	1,309.2	1,203.4	1,182.6
Long-term debt, convertible and exchangeable debentures	$	265.7	490.1	436.7	454.1	519.0	448.1	450.7	404.6
Shareholders' equity	$	502.8	406.3	438.0	415.6	452.7	482.7	442.8	422.3
Dividends [2]	$	16.4	18.7	21.7	23.1	48.5	1.7	1.7	3.2
Book value per share [1]	$	9.37	5.69	6.89	6.69	7.78	7.36	7.51	8.32

[1] *Declared and undeclared preferred share dividends have been deducted in calculating per share amounts.*

[2] *Excludes dividends on Second Preferred shares, Series 5 which are deducted from consolidated net earnings.*

Financial Summary

1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980
1,115.8	1,868.5	2,001.1	2,013.3	2,127.8	1,944.8	1,342.7	1,193.9	754.7	681.7	718.3	621.9
21.9	133.9	165.9	215.7	197.5	186.6	138.5	128.8	63.5	54.4	96.4	81.2
45.6	55.0	51.8	56.9	56.7	56.3	39.5	34.5	27.0	23.9	19.6	14.9
(5.1)	1.5	1.8	1.2	1.2	1.3	0.4	0.5	3.0	(3.3)	2.7	0.8
(28.8)	80.4	115.9	160.0	142.0	131.6	99.4	94.8	39.5	27.2	79.5	67.1
(81.6)	12.2	57.1	108.3	89.0	81.7	57.6	54.4	(0.3)	(25.7)	33.9	41.1
(25.2)	0.1	20.9	41.5	42.1	32.7	18.3	15.8	(5.9)	(15.3)	8.6	12.4
(56.4)	7.2	28.2	55.6	39.9	43.1	35.1	32.3	2.9	(9.9)	25.2	28.3
(59.4)	17.0	12.9	41.9	31.8	44.1	35.1	33.8	0.8	(9.9)	28.4	28.3
(3.71)	(0.76)	0.29	1.67	0.64	1.11	1.04	1.64	(0.17)	(1.20)	2.08	2.47
(3.86)	(0.25)	(0.55)	1.03	0.46	1.11	1.04	1.64	(0.34)	(1.20)	2.37	2.47
(5.3)	0.9	0.6	2.1	1.5	2.3	2.6	2.8	0.1	(1.5)	3.9	4.6

1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980
533.1	620.7	951.8	970.2	913.4	860.1	623.1	536.0	461.8	347.6	335.5	272.3
354.9	369.3	466.1	464.3	441.8	373.0	228.1	263.2	191.0	204.7	223.3	143.8
178.2	251.4	485.7	505.9	471.6	487.1	395.0	272.8	270.8	142.9	112.2	129.9
24.7	39.6	68.0	89.8	88.5	84.4	46.3	39.5	16.6	42.6	60.8	64.2
1,296.6	1,411.8	1,838.2	1,853.9	1,764.7	1,697.5	1,281.4	1,117.3	890.0	740.4	706.3	572.7
451.9	450.9	645.8	603.4	545.0	531.2	395.8	350.8	263.4	277.6	207.3	187.5
446.9	535.5	548.2	577.3	581.7	604.1	520.6	366.9	303.3	194.9	206.3	187.8
19.1	33.0	34.0	34.1	34.2	33.7	28.4	19.4	10.3	7.0	9.3	8.4
10.35	14.65	15.76	16.91	16.48	16.64	15.01	14.29	13.22	14.25	16.23	14.46

Directory of Operations

Bakermet Inc.

2555, Sheffield Road
Ottawa, Ontario K1B 3V6
(613) 745-6000
Fax: (613) 745-0692
Processing of scrap metal

Bel-Air Fence Division

400, rue Deslauriers
Saint-Laurent, Québec H4N 1V8
(514) 335-4455
Fax: (514) 335-4495
Distribution of fencing products
and accessories

Bel-Air Fence Division

2400, rue Chappe
Ancienne-Lorette
Québec, Québec G2E 4W6
(418) 871-1155
Fax: (418) 871-2945
Distribution of fencing products
and accessories

Docap (1985) Corporation

6601 Goreway Drive, Unit B
Mississauga, Ontario L4V 1V6
(905) 673-0000
Fax: (905) 673-1333
Distributors of automotive
and industrial products

Galvano Division

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Beloeil, Québec J3G 4S5
(450) 464-0547
Fax: (450) 464-8553
Electro-galvanizing and hot dip
galvanizing of fasteners and nails

IFC (Fasteners) Inc.

700, rue Ouellette
Marieville, Québec J3M 1P6
(450) 658-8741
Fax: (450) 447-0114
Bolts and nuts

IFC USA Corp.

P.O. Box 216
Swanton, Vermont 05488
(450) 658-8741
Fax: (450) 447-0114
Fastener products

Ifastgroupe and Company, Limited Partnership

700, rue Ouellette
Marieville, Québec J3M 1P6
(450) 658-8741
Fax: (450) 447-0114
www.infasco.com
Corporate office

Infasco Division

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Marieville, Québec J3M 1P6
(450) 658-8741
Fax: (450) 447-0114
www.infasco.com
Bolts, nuts and fastener products

Infasco Nut Division

3990 Nashua Drive
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Fax: (905) 677-6295
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Nuts

Ingersoll Fasteners Division

390 Thomas Street
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Ingersoll, Ontario N5C 3K3
(519) 485-4610
Fax: (519) 485-2435
Bolts, nuts and fastener products

IMT Corporation

347 King Street West
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(519) 485-2210
Fax: (519) 485-2163
www.imtpcdf.com
Precision machined
components and axles

Directory of Operations

Ivaco Rolling Mills Limited Partnership

P.O. Box 322
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(613) 675-6600
Fax: (613) 675-6800
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Hot rolled wire rods and steel billets

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920 Providence Road
Suite 305
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(410) 823-7696
Fax: (410) 823-3081
www.ivacorm.com
U.S. sales office

Ivaco Steel Processing (New York) LLC

3937 River Road
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Fax: (716) 874-4440
www.ivacorm.com
Wire rod processing

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(450) 663-8700
Fax: (450) 663-9049
Wire Mesh

P.C. Drop Forgings Division

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Port Colborne, Ontario L3K 5V7
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Fax: (905) 834-5094
www.imtpcdf.com
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Sivaco Wire Group

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(770) 253-6333
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www.sivaco.com
Corporate office

Sivaco Georgia LLC

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Fax: (770) 253-3550
www.sivaco.com
Wire products

Sivaco Ontario Processing Division

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Wire rod processing

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(450) 658-8741
Fax: (450) 460-2744
www.sivaco.com
Wire, galvanized wire and nails

Vermont Fasteners Manufacturing Division

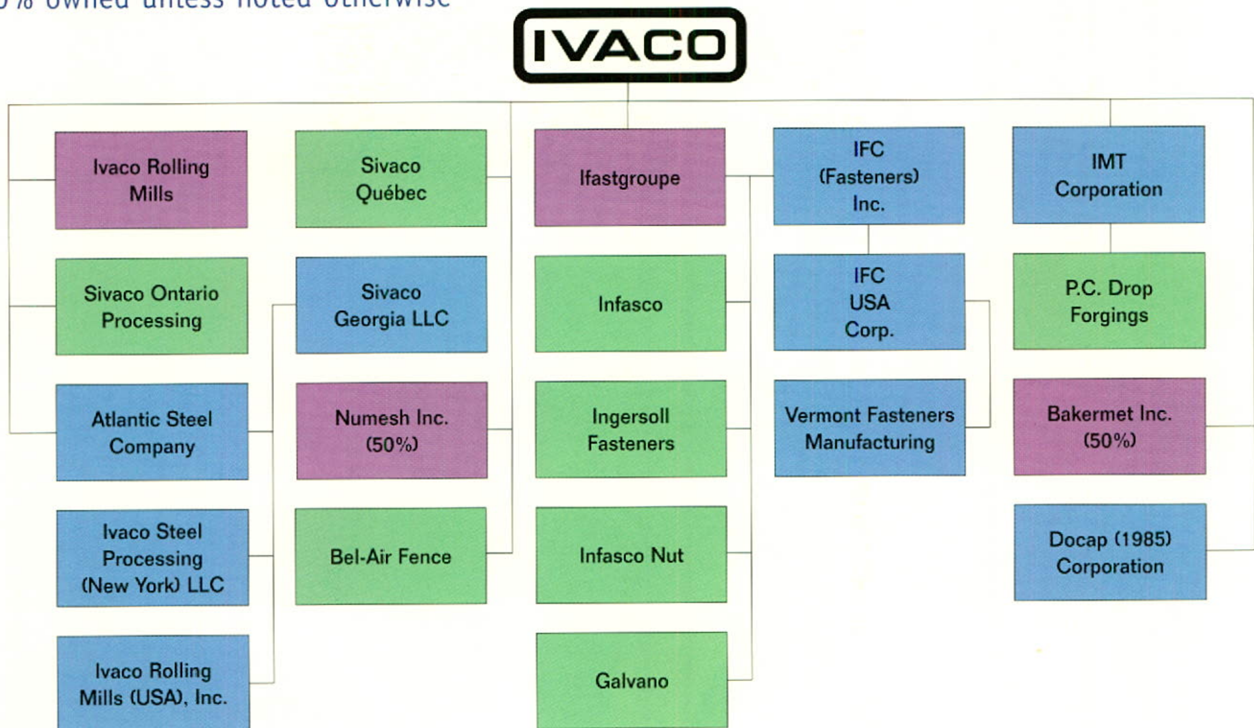
50 Jonergin Drive
Swanton, Vermont 05488
(802) 868-3663
Fax: (802) 868-2089
Fastener products

Vermont Fastener Sales Corp

P.O. Box 702
Swanton, Vermont 05488
(802) 527-9773
Fax: (802) 527-9967
Assembly, packaging and warehousing of fastener products

Organization Chart

100% owned unless noted otherwise



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President and Chief Executive Officer

Sydney Ivanier
Senior Vice-President

Michael Herling
Senior Vice-President

Albert A. Kassab
Senior Vice-President and Chief Financial Officer

Ivan Porter
Senior Vice-President

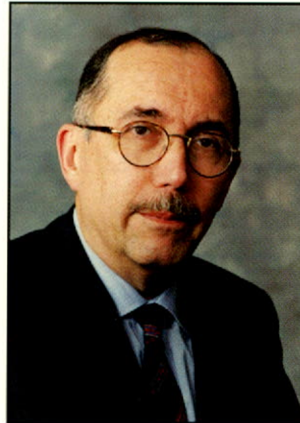
Hugh W. Blakely
Vice-President and Controller

Guy-Paul Massicotte
Vice-President, General Counsel and Secretary

Peter Sorenti
Vice-President-Taxation

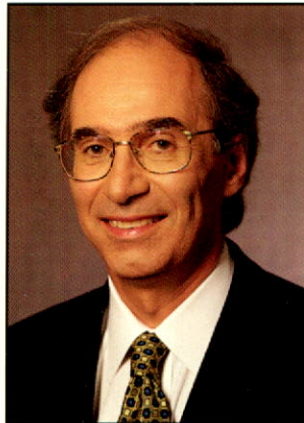
The Board of Directors

Paul Ivanier
President and Chief Executive Officer



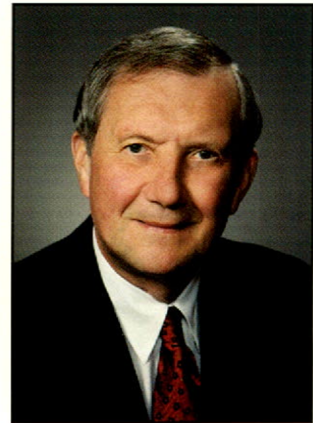
Sydney Ivanier
Senior Vice-President

Michael Herling
Senior Vice-President

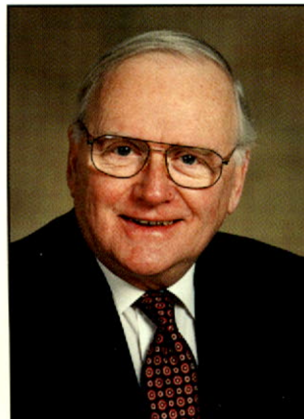


Albert A. Kassab
Senior Vice-President and Chief Financial Officer

Pierre Côté
Corporate Director



William S. Cullens
Corporate Director



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