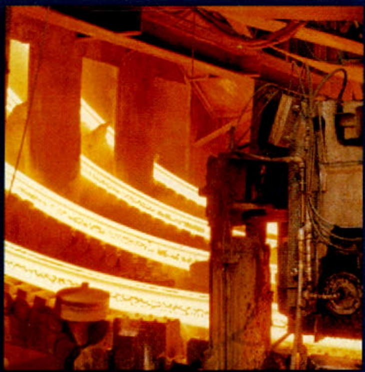
IVACO

Annual Report 2000



Quality steel...

Quality products...

Quality people...

Highly focused...

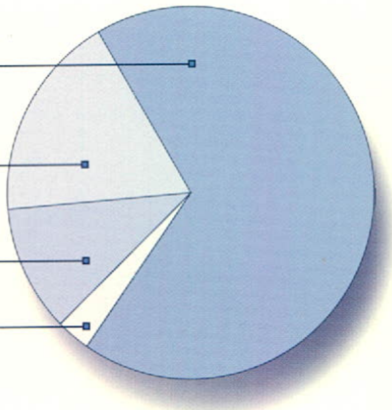
Company Profile

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

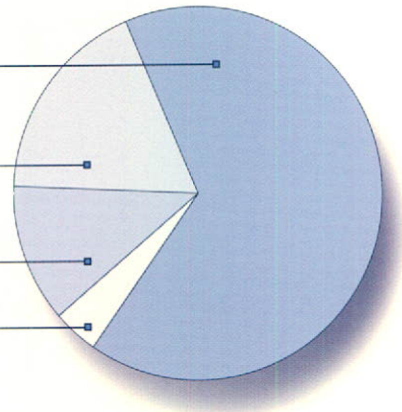
2000

USA	**68%**
Ontario & Western Canada	**18%**
Québec & Atlantic Canada	**11%**
Overseas	**3%**



1999

USA	**66%**
Ontario & Western Canada	**18%**
Québec & Atlantic Canada	**12%**
Overseas	**4%**

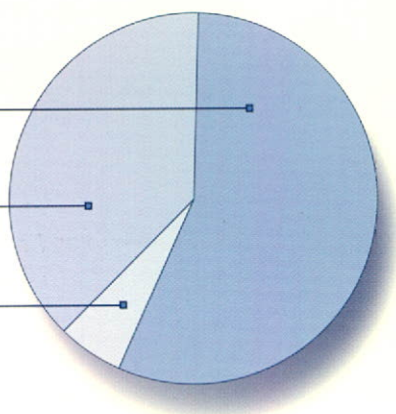


EBITDA[1]

(IN MILLIONS)

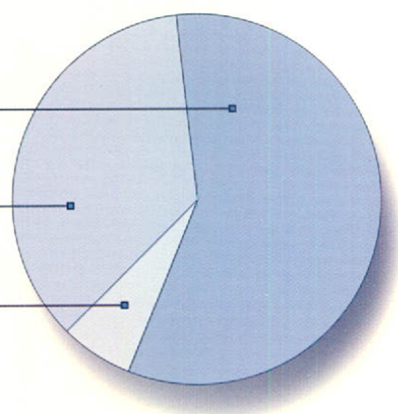
2000[2]

Steel	**$51.9**
Fabricated Steel Products	**$77.1**
Precision Machined Components	**$7.9**



1999[3]

Steel	**$44.3**
Fabricated Steel Products	**$71.7**
Precision Machined Components	**$7.9**



[1] Earnings before interest, taxes, depreciation and amortization.
[2] 2000 excludes Corporate costs of $15.8 million.
[3] 1999 excludes Corporate costs of $21.0 million.

Financial Highlights

(Thousands of dollars except per share amounts)	2000	1999
Sales	$ 963,532	$ 913,847
Operating earnings (EBITDA)[1]	$ 120,983	$ 102,858
Earnings from continuing operations before other items and income taxes	$ 41,343	$ 15,164
Other items	$ -	(12,031)
Net earnings from continuing operations	$ 26,338	$ 26,849
Net gain from disposal of 50% interest in IPEX Inc.	$ -	$ 101,383
Net earnings	$ 26,338	$ 128,232
Net earnings per common share		
Continuing operations[2]	$ 0.34	$ 0.34
Discontinued operations	$ -	$ 3.30
Net earnings per share[2]	$ 0.34	$ 3.64
Working capital	$ 265,589	$ 239,085
Long-term debt	$ 303,331	$ 265,671
Shareholders' equity	$ 440,457	$ 502,831
Additions to property, plant and equipment including $5,915 in new capital lease obligations (1999 — $13,945)	$ 34,788	$ 55,787

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

Contents

IVACO

Head Office:
Le 2001 McGill College, 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, Vancouver and Halifax.

Annual Meeting:
The annual meeting of the Company will be held on May 22, 2001 at 10:00 a.m. at the Marriott Château Champlain Hotel, Montréal, Québec.

To our Shareholders

Paul Ivanier, President and Chief Executive Officer

April 4, 2001

Quality steel, quality products, quality people, highly focused. These words appearing on the cover of our annual report symbolize a powerful combination that paid off for Ivaco in 2000.

Major investments during the last five years to modernize our plants and expand our production capabilities have made us the North American leader in quality and productivity for steel wire rods and steel products in each of our business segments. During the 1995-2000 period we spent some $305 million on plant modernization and expansion to increase our capacity and our ability to produce high quality, value-added products.

At the same time, we recognized that the best technology in the world will not achieve the desired results without the people to back it up. People make things work and our investment in highly qualified people has given us a distinct competitive advantage. As we focus on producing more value-added products, people skills become increasingly important, not only in the manufacturing process but also in providing our customers with higher levels of technical support. Our capabilities in this area have set us apart from most of our competitors.

Our improved operating performance in 2000 reflected the benefits of the strategic restructuring and investment initiatives undertaken during the last five years.

OPERATING EARNINGS UP SHARPLY

Operating earnings (EBITDA) increased by 17.5% in 2000 to $121 million from $103 million in 1999, primarily as a result of gains in our steel and fabricated steel products segments. Sales volumes were strong throughout the year and sales increased to $963.5 million in 2000 from $913.8 million in 1999. Earnings from continuing operations before taxes were $41.3 million up from $3.1 million last year. Net earnings from continuing operations in 2000 were $26.3 million, or 34 cents per share. In 1999 net earnings were $26.8 million, achieved mainly from a tax recovery of $23.7 million. In addition, in 1999 we had a net gain of $101.4 million resulting from the disposal of our 50% interest in IPEX Inc., which resulted in total net earnings for 1999 of $128.2 million. Cash flow from operations in 2000 almost doubled to $74.3 million from $38.6 million in 1999. During 2000 interest costs were reduced to $26.9 million from $35.7 million in 1999.

Operating earnings from the steel segment increased in 2000 by 17% to $51.9 million up from $44.3 million in 1999. Ivaco Rolling Mills produced a record 808,500 tons of wire rod in 2000. Its new Tekisun® reducing/sizing mills, installed at the beginning of the year, have increased the mill's ability to produce a broader range of finished sizes. This has opened up new markets for more value-added wire rod products. Some of these wire rod qualities were not previously produced in North America. Operating earnings from the fabricated steel products segment increased 7.5% to $77.1 million. Ifastgroupe increased capacity and penetrated new value-added markets, which expanded its production capabilities and increased its market share. Sivaco Wire Group has installed new high-speed equipment that will significantly improve productivity and product quality and enhance its ability to produce value-added wire products. Operating earnings from the precision machined components segment were essentially unchanged from the previous year at $7.9 million.

Ivaco is among the very few steel producers in North America that had profitable operations during the fourth quarter of 2000. During the fourth quarter of 2000, sales were maintained at $221.3 million compared to $226.1 million last year. Operating earnings (EBITDA) for the fourth quarter of 2000 were $26.9 million versus $20.8 million in the fourth quarter of 1999.

These results were achieved under less than ideal market conditions. In fact, it was a difficult year in many respects. The North American economy slowed as the year progressed and pricing pressures from offshore imports continued throughout the year, affecting selling prices for wire rod and many of our downstream products. In addition, Ivaco, like other steel producers was hit by escalating energy prices that have negatively affected our operating and delivery costs. These negative factors were partially offset by lower costs of purchasing scrap metal.

PROPERTIES, BUSINESSES SOLD

Sales of properties and interests in non-strategic businesses contributed to our cash and short term investment position during 2000.

We sold a 35-acre property in Montréal, a 20-acre parcel of land in Rexdale, Ontario, and three other properties in Dartmouth, Nova Scotia and St. Thomas and Nanticoke in Ontario for total proceeds of approximately $11.9 million.

We also sold our 50% interest in Bakermet Inc., a regional metals recycler in Ottawa, to the Bakermet operating partnership for $7.6 million. Ivaco Rolling Mills has signed a long-term supply agreement with Bakermet for a portion of its scrap steel requirements. Our investment in Bel-Air Fence, a distributor of fencing and fencing products in Quebec, was sold in the first quarter of 2001 for $7.2 million.

Our efforts to sell our remaining 27-acre parcel of land in Rexdale, a 39-acre property in Etobicoke, Ontario, and a 37-acre property in Virginia are continuing.

We have met the conditions required for payment of the US$57.9 million (CDN$87 million) secured notes received in December 1999 as partial payment from the sale of the 136-acre property in Atlanta. The proceeds are expected to be received around mid year of 2001.

In early January, the Company reminded holders of Second Preferred shares Series 5 of their retraction rights. Accordingly on March 31, 2001, we purchased $6.8 million or 10% of our $2.625 Cumulative Redeemable Retractable Second Preferred Shares, Series 5 at $25 per share. This represented the maximum retraction rights of holders of the Series 5 Shares.

During the first quarter of 2001 Ivaco was able to purchase the entire stipulated quantity of Series 1, 2 and 3 of Second Preferred Shares and Series C Preferred Shares, using its reasonable best efforts for that endeavour. Only a small number of Series D and E Preferred Shares were purchased during the quarter since there was an insufficient number of Series D and Series E Shares offered for sale.

During 2000, we purchased 1,923,200 Class A shares under terms of a normal course issuer bid at an average price of $4.12 per share. This represented a 57% discount from the carrying value of the shares and consequently increased retained earnings by $10.6 million. Ivaco renewed its normal course issuer bid last November. The new issuer bid for the twelve-month period ending November 28, 2001 is for up to 1,806,874 Class A Subordinate Voting Shares, or 10% of the public float. During the first quarter Ivaco purchased 327,900 Class A Shares under terms of its normal course issuer bid at an average of $3.15 per share. This reflects our belief that our shares have been trading in a price range which does not adequately reflect their value in relation to our current business and future business prospects.

OUTLOOK REMAINS FAVOURABLE

Prospects for 2001 depend primarily on how the North American economy performs during the year. Shipments were still strong at the start of the year but softening has occurred in March for some of our downstream products. The principal reason being that customers are correcting their inventory levels and this situation is expected to last during the second quarter. In order to partially offset escalating energy costs and an unprecedented deterioration in wire rod selling prices, we increased wire rod prices by $25 to $35 per net ton depending on grade, effective April 1st.

We expect that once the reduction of inventories at the customer level will have run its course, which we believe will be during the second quarter, the North American economy will start to accelerate again. As a consequence we believe this will result in Ivaco having a strong second half in 2001.

Our assumptions are supported by recent published data. At the end of March the Consumer Spending data in the USA for February was published and it was up 0.3%. January spending was also revised upwards to 1% and the unemployment rate in the USA held at 4.2% in February. Consumer Confidence in the USA staged a comeback in February when spending in durable goods rose 1.6% on top of a 3.2% gain in January. In Canada Gross Domestic Product (GDP) increased by 0.3% in January. A Canadian newspaper article dated March 29 quotes the Governor of the Bank of Canada as stating that the Canadian economy should rebound smartly in the second half of the year. The article further quotes that he expects the Canadian economy to grow by 3% to 4% in the final two quarters of the year.

We will continue to focus on operating efficiencies, and the production of more value-added products. We have positioned ourselves to grow profitably as the economy improves and to generate higher returns for our shareholders. In summary we believe the outlook for Ivaco for the year 2001 remains favourable.

I would like to thank all our employees for their dedication and hard work in helping us achieve our goals throughout the year. I would also like to thank our customers for their confidence in our products and our shareholders for their faith in the course we have set for our Company.

On behalf of the Board of Directors,

Paul Ivanier,

President and Chief Executive Officer

Steel

Wire Rod

($ in millions)	2000	1999
Sales [1]	$ 465.8	$ 420.4
EBITDA	$ 51.9	$ 44.3
Tons shipped – wire rods	796,700	746,100
Tons shipped – billets	81,200	65,300
Total tons shipped	877,900	811,400

[1] *Includes shipment of wire rod to downstream affiliates and sale of billets to third parties.*

IVACO ROLLING MILLS

Increased wire rod production in a broader range of sizes and further penetration of value-added markets contributed to an excellent year for Ivaco Rolling Mills in 2000.

The L'Orignal, Ontario plant produced a record 808,500 tons of wire rod, 12% more than it had ever produced in one year. This was achieved despite one week of downtime in January to install new Tekisun® reducing/sizing mills and the learning curve associated with bringing the equipment into full production.

The new Tekisun® reducing/sizing mills installed at IRM are the only ones in a rod mill in Canada or the United States. They have increased IRM's ability to produce a broader range of sizes more closely matching customer requirements. IRM has already successfully produced sizes up to and including 23.8mm diameter rod whereas previously it had been limited in size to 19.5mm diameter rod. It can now also produce all rods in metric or imperial sizes, a decided advantage in an industry that is geared to imperial measure.

The ability to run larger sizes has allowed IRM to make significant inroads into promising new value-added markets for wire rod. Last year, for example, IRM began producing rod for cold finished bar applications. This is a product that has a variety of unusual applications such as the huge pins used in tracks on large earth moving equipment. Trials are underway with a number of customers.

IRM continued to expand its presence for wire rods destined to the tire cord market last year and set up a new metallurgical test facility equipped with a scanning electron microscope. Both the physical and chemical characteristics of tire cord have to be certified by the manufacturer.

IRM's markets are dependent on the North American economy. These include manufacturing in general as well as the automotive, agricultural and construction industries. Some of these industries are counter cyclical to some extent within their segments and IRM's diversified product range and broad customer base make it less vulnerable to slowdowns in any particular industry. As an example when car sales go down, tire sales, and therefore the demand for tire cord, go up.

Industry conditions were mixed during the year. Prices for scrap steel, which represents one-third of IRM's average rod cost, reached their lowest level in years. On the other hand, low scrap prices signal a general slowing in the steel business and lower margins for producers such as IRM. Steel prices softened in the last half of the year and IRM faced persistent pricing pressures from offshore imports. Nevertheless, the addition of new product lines enabled the rolling mill to operate at full capacity throughout the year.

The steel mill at L'Orignal, which produces billets to feed the rolling mill, was upgraded in 2000 with the installation of a new mold wire feeder, which feeds alloy wire into molten steel during the casting process to control its chemistry and improve the quality of the steel. Work continued with steel supplier QIT-Fer et Titane to develop new types of superior quality steel. QIT supplies about 50% of IRM's steel requirements by producing a billet entirely from virgin iron ore with consistently superior quality.

Two other Ivaco plants provide further processing of wire rod for IRM. At Ivaco Steel Processing in Tonawanda, New York, a series of measures to revamp furnaces, shorten annealing times and upgrade staff capabilities contributed to improved efficiency and increased profitability. Sivaco Ontario's wire rod processing plant in Ingersoll, Ontario, has upgraded and modernized its cleaning house and annealing furnaces during the last two years and become a more focused and efficient rod annealing and cleaning facility.

Last December, IRM completed an extensive cold heading research project with McGill University. During the course of the project, new test methods were developed which will greatly aid IRM in reducing costs and improving quality. These new methods will continue to be refined and implemented to allow IRM to better serve its cold heading market. In addition, IRM is conducting industrial trials with the next generation of cold heading material, which will be able to be cold headed with minimal or no heat treatment. IRM has progressed from testing laboratory quantities to full production runs, and customer interest in the product has been very encouraging.

As IRM increases its focus on value-added products, which now account for more than 80 per cent of its output, people skills become more and more important. Selling premium grade products requires outstanding technical support. IRM's capabilities in this area are second to none and give it a distinct advantage in a competitive marketplace. Backing up IRM's industry leading technology is an experienced and highly skilled work force. Training is an ongoing focus and new in-house programs were implemented in 2000 to train

mill operators on the new equipment. IRM also has an excellent safety record and this has resulted in a significant decrease in its workmen's compensation costs.

Today, IRM has a rated capacity of 900,000 tons per annum and is one of North America's top quality producers of wire rods for cold heading, welding and high carbon steel products. We are one of the very few producers of wire rod in North America making all of these grades in one mill. Looking ahead, IRM will continue to focus on increasing its share of the value-added wire rod market by broadening its product range, strengthening its position as a major supplier to the cold heading industry, and expanding its participation in the tire cord market.

Two strand rod mill final coiling and cooling 1

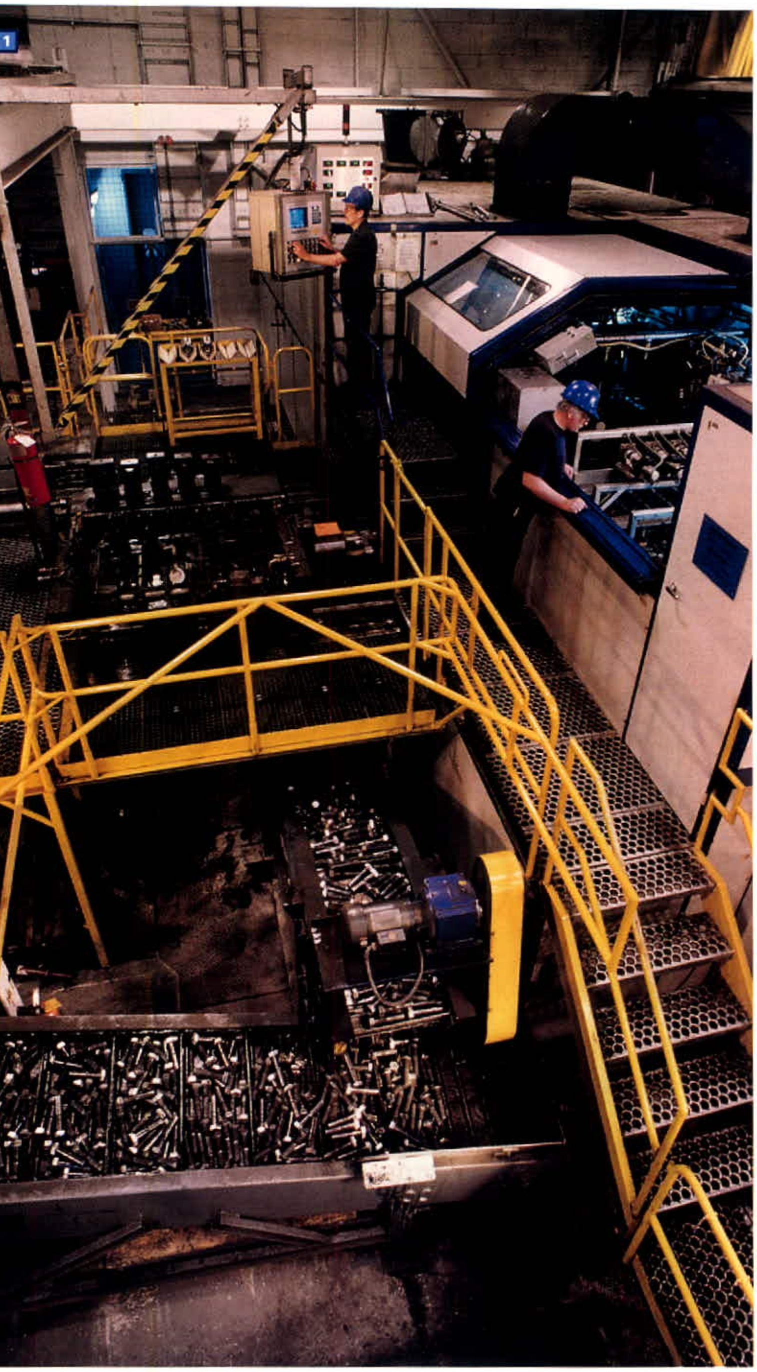
Operations control room 2

Finished coils packaged for shipment 3

Fasteners, Wire and Wire Products

($ in millions)	2000	1999
Sales	$ 567.3	$ 555.9
EBITDA	$ 77.1	$ 71.7

FASTENERS



Ifastgroupe increased its penetration of value-added markets during 2000 and installed significant new boltmaking capacity. Ifastgroupe is the largest producer of fasteners in North America and one of the low cost producers in each of its markets.

Markets were relatively strong during the first half of 2000 but were adversely affected by a general slowdown in the North American economy in the second half of the year. This particularly affected standard fasteners, especially in the automotive, truck and agricultural industries. Overall pricing improved from the lows of 1999 but pricing pressures from imports continued throughout the year, more so in the second half. In spite of these economic constraints, volumes, revenues and earnings for the group were up marginally compared with 1999.

Ifastgroupe successfully introduced new value-added products in 2000 that expanded its production capabilities and increased market share. These included kep locknuts, weld nuts, nylon patching and teflon coating for nuts at Infasco Nut in Mississauga, Ontario, and large diameter truck wheel bolts and automobile wheel bolts and flange bolts at Ingersoll Fasteners in Ingersoll, Ontario.

Additional boltmaking capacity was put in place at Ingersoll Fasteners and Vermont Fastener Manufacturing (VFM) in Swanton, Vermont. New equipment was installed at Ingersoll and VFM and two boltmakers, one from Ingersoll and one from Infasco, were overhauled and then installed at VFM. This was in keeping with Ifastgroupe's policy to rationalize equipment between divisions to meet each division's particular production needs.

The new NB520L boltmaker at Ingersoll Fasteners has features that produce flange bolts more efficiently than previous generation machines. VFM completed installing additional boltmaking capacity in the first quarter of 2001 and a new state-of-the-art heat treatment line will be installed by the end of the second quarter. This will double VFM's output to 24,000 tons per year. The demand for structural bolts in the United States is strong, particularly for large projects to modernize infrastructure.

Infasco installed a new image analyzer during the year, which evaluates the microstructure of heat-treated bolts and nuts, and new inspection and sorting equipment was installed at Ingersoll.

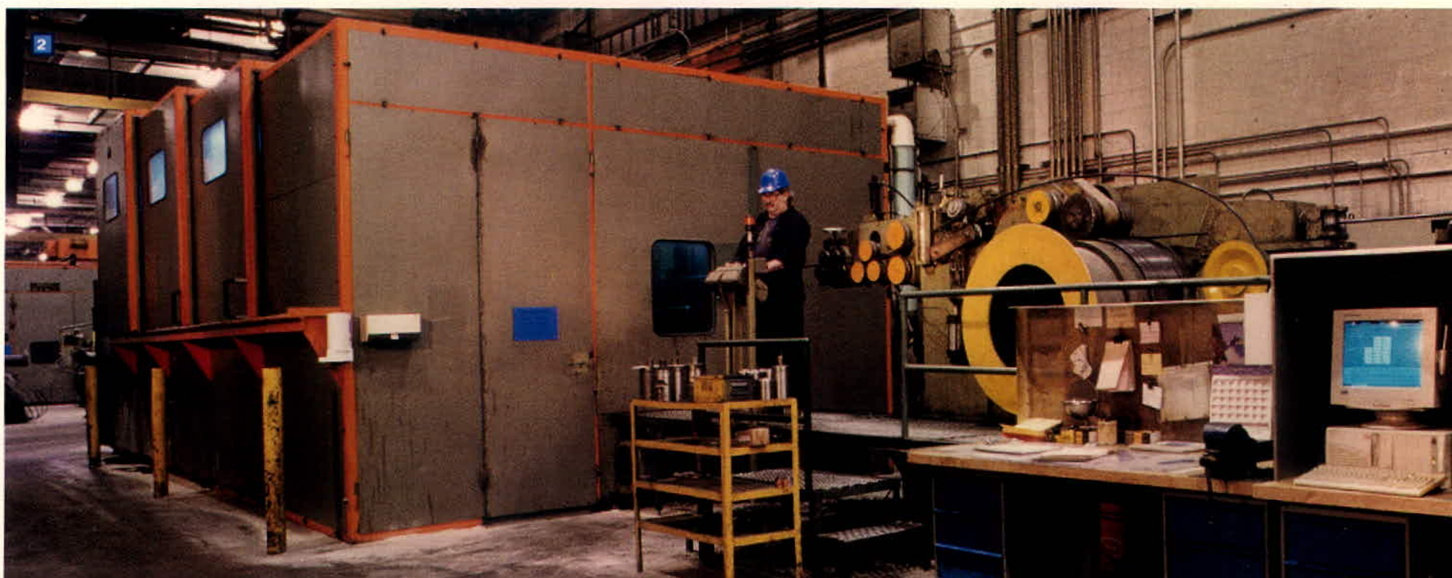
Infasco sells a significant percentage of its products through Distributor Sales, an Ifastgroupe division that operates a network of warehouses throughout the United States. Sales increased in 2000 and Distributor Sales began to implement an integrated software package that provides greater visibility across the entire distribution channel, which was completed in the first quarter of 2001.

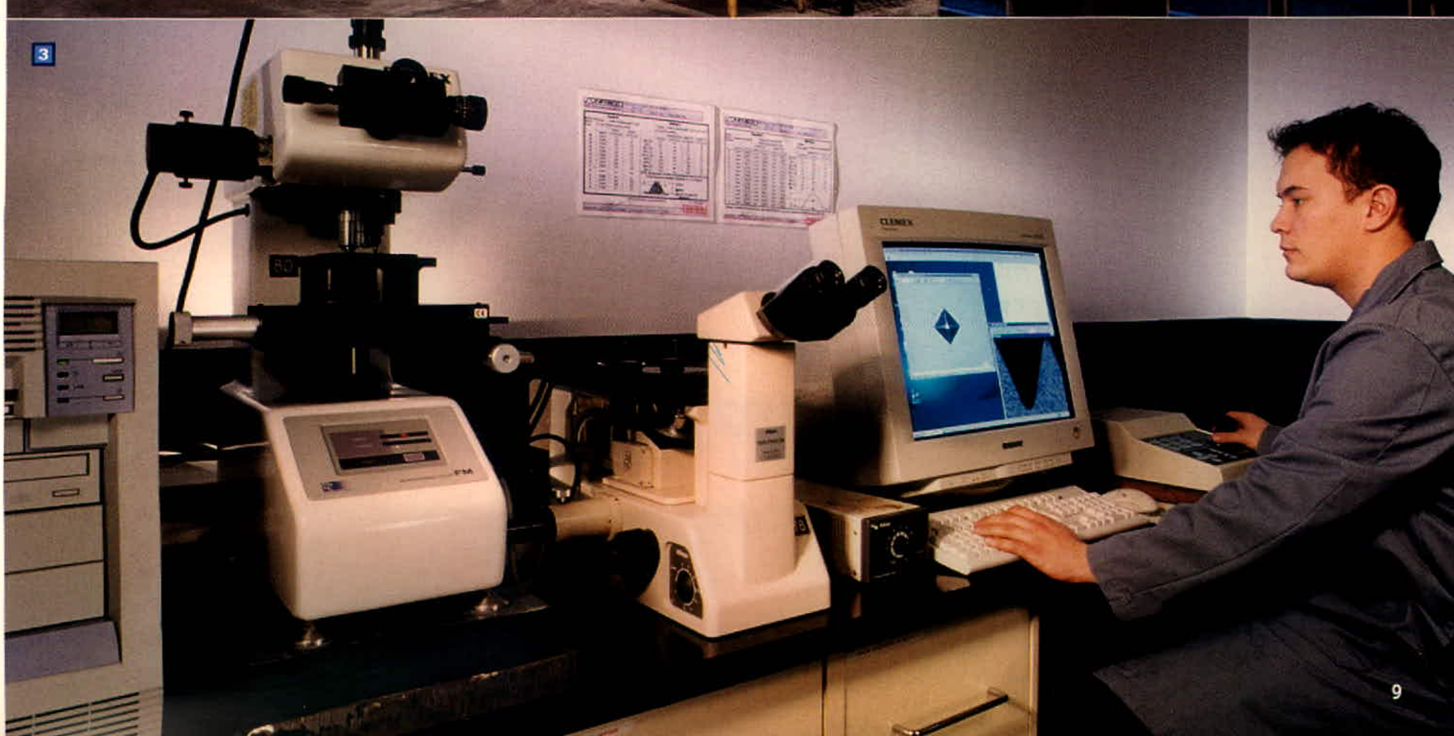
One of Ifastgroupe's strengths is its dedicated, experienced employee base. In an industry where quality and service are of paramount importance, employee training is a top priority. At Infasco, for example, a comprehensive new training program for boltmaking operators was implemented last year and a similar program is planned for operators in its heat treatment plant.

Nedschroef BV-10 Boltmaker which produces 12 point flange bolts up to 1 1/4" diameter and 14" long. 1

BV6 Boltmaker at Infasco 2

Image Analyzer at Infasco 3





Fabricated Steel Products

Fasteners, Wire and Wire Products

WIRE AND WIRE PRODUCTS

Sivaco Wire Group solidified its reputation in 2000 as a leading North American provider of high quality wire and wire products. Sivaco's plants in Marieville, Québec and Newnan, Georgia, operated at capacity with solid bookings throughout the year. In addition, both plants are significantly increasing capacity with new high-speed equipment that will further improve productivity and product quality and enhance Sivaco's ability to manufacture more value-added wire products.

At the Marieville plant, which occupies about 500 thousand square feet of manufacturing space, new equipment will increase capacity in 2001. A major upgrade of the plant's patenting line was completed last summer. A new automated, computer-controlled HCL cleaning line installed in the first quarter of 2001 will improve throughput and product quality. In addition, new high speed, high carbon wire drawing equipment, along with substantial modifications to certain existing equipment, are scheduled to come on stream in the second quarter of 2001. These investments will increase production capacity for sophisticated wire products such as music wire, telecommunications wire, and Sivaco 9000 series wire.

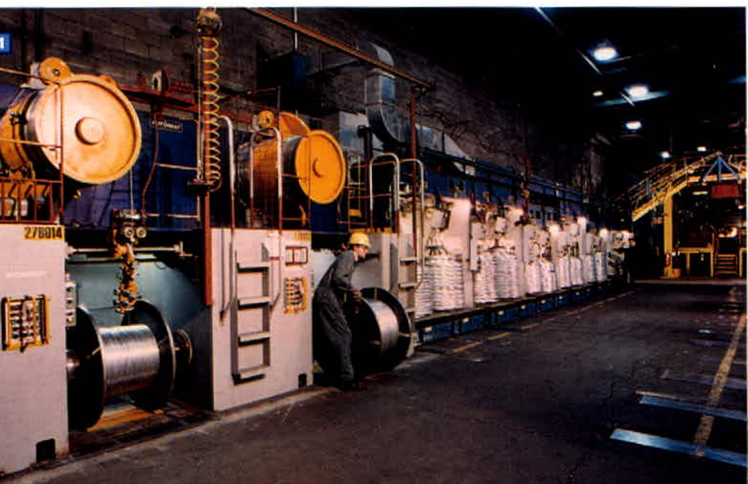
At the Newnan plant, which occupies more than 250 thousand square feet of manufacturing space, 50,000 tons of additional capacity will be in place by the end of 2001. This is designed specifically to increase the plant's ability to produce more cold heading and high carbon products. A PC Strander with in line stress relieving and associated wire drawing equipment with an annual production capacity of 30,000 tons was installed in the first quarter of 2001. PC strand is a high carbon strand used as reinforcement material in various sophisticated concrete structures. 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. Another high speed, high carbon wire drawing machine, also installed in the first quarter, will enable Sivaco to continue to grow and meet its customers' demand for more value-added high carbon wire. An additional Ebner annealing furnace went into production last August, doubling cold heading capacity at Newnan to 45,000 tons.

The major expansion taking place at Newnan, plus steady growth at Marieville, have increased the wire group's total annual rated production capacity to more than 400,000 tons.

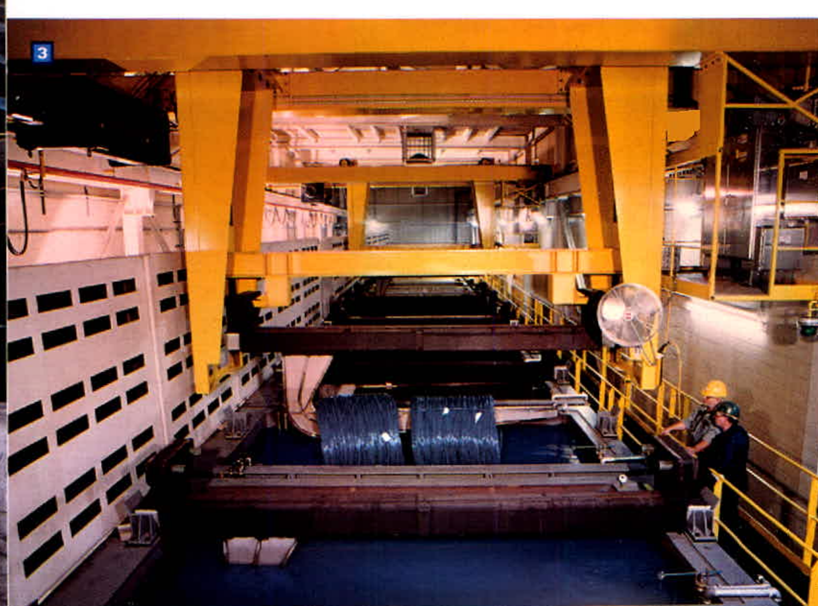
At Numesh, a jointly owned company established by Ivaco and Fertek Inc. in Laval, Québec, in 1999, demand for wire mesh remained strong throughout the year. A new state-of-the-art, high speed mesh welder was installed and became operational during the second half of 2000.

People play a key role in Sivaco's success. Teams of experienced, knowledgeable employees, in the plants and in the field, have earned Sivaco a reputation for top quality product and responsive customer service. This experience is particularly valuable to the Wire Group, which has a broad customer base and produces a diverse range of products used in literally thousands of applications within the North American marketplace.

The Sivaco Wire Group expects to operate at high levels of production again in 2001.

1


2


3


Sivaco Quebec's new in-line automatic spooling for its galvanized wire products. 1

Sivaco Quebec's newly modified Patenting Furnace. 2

Sivaco Quebec's new state of the art automated HCL cleaning line. 3

Sivaco Georgia continues to add Ebner state of the art technology furnaces for it's Cold Heading Quality Programs. 4

Precision Machined Components

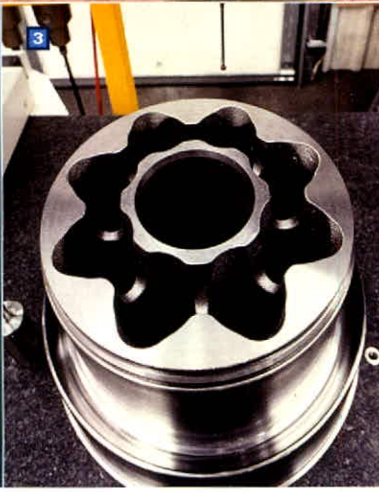
($ in millions)	2000	1999
Sales	$ 71.9	$ 73.3
EBITDA	$ 7.9	$ 7.9

IMT CORPORATION

IMT Corporation, based in Ingersoll, Ontario, continued to cope with difficult market conditions in 2000, particularly in the fourth quarter. As a result, revenues and operating earnings were little changed from 1999. IMT manufactures high quality machined components, forgings and truck-trailer axles for customers around the world.

The defense group was the bright spot in 2000. It is thriving primarily on the strength of major contracts to supply projectiles to the U.S. military. The machining group continued to grow at a steady rate and increased its focus on higher margin business. The forging group in Port Colborne, Ontario, which supplies a wide range of customers, benefited from strength in the oil and gas sector. However, the axle group suffered as demand for truck-trailer axles dropped significantly in the second half of the year.

Continuing strength in the defense group in 2001 will be offset by soft demand in the axles and forgings businesses and profit margins are expected to remain under pressure.



Axles ready for shipment to customers 1

Self steering axle 2

Precision machined locomotive component 3

DOCAP (1985) CORPORATION

Docap is an importer and distributor supplying automotive, industrial and hardware products to diverse markets across Canada. During 2000, Docap went through a transition to better equip itself to cope with changes in the Canadian marketplace. It replaced six regional warehouses with expanded and better-staffed distribution centres in Edmonton, Montréal and Mississauga. With centralized inventories and increased staff, Docap will be able to service its customers more efficiently. A continuing focus on new products has increased profit margins, and the outlook for 2001 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 consolidated results of operations, financial condition and cash flows, and should be read in conjunction with the audited consolidated financial statements of the Company that are presented on page 18 to page 37 of this Annual Report. This discussion focuses on the three segments of Ivaco's business: Steel, Fabricated Steel Products and Precision Machined Components.

OVERVIEW

Net sales for the year of $963.5 million were up $49.7 million or 5% compared to 1999 sales of $913.8 million. Sales for the Steel and Fabricated Steel Products segments increased in 2000 while there was a slight reduction of sales in the Precision Machined Components segment. Shipments of wire rod in the steel segment were 796,700 tons, an increase of 7% over the same period in 1999. The growth in shipments was primarily a result of rising demand for the higher quality wire rods now being produced at Ivaco Rolling Mills. However, pressure on wire rod selling prices caused by continuing offshore imports into North America was evident during the fourth quarter, and is continuing to be felt in 2001. Sales in the Fabricated Steel Products segment were up $11.4 million or 2% over the comparable period in 1999. This improvement was achieved through average selling prices being up when compared to 1999 due to an increase in shipments of value-added products. The Precision Machined Components segment continued to cope with difficult market conditions in 2000, and as a result sales declined marginally from 1999.

In 2000, operating earnings before interest, income taxes, depreciation and amortization (EBITDA) increased 18% to $121 million, or 12.6% of sales. This compares to $102.9 million or 11.3% of sales in 1999. This improvement in EBITDA was due primarily to higher operating earnings in the steel and fabricated steel products segments. Factors contributing to this improved performance were increased volumes of shipments and increased average selling prices due to higher margin value-added products.

The Company's amortization expense for 2000 was $46.2 million, $2.2 million higher than in 1999. This increase can be attributed to higher amortization of deferred preproduction and deferred product development costs related to the upgrade program at Ivaco Rolling Mills, as well as higher amortization of property, plant and equipment resulting from the Company having spent $305 million, during the period 1995 to 2000, on plant modernizations and expansion for new quality products.

Net interest expense declined by $8.8 million to $26.9 million in 2000 compared to 1999. This decline in interest resulted primarily from the defeasance in 1999 of all of the outstanding 11 1/2% Senior Notes, offset by interest costs on additional long-term debt for capital projects and working capital purposes.

Earnings from continuing operations before income taxes increased by $38.2 million to $41.3 million in 2000. During 1999, other items totaling $12.0 million had a negative impact on earnings, the most significant of which were the costs associated with the defeasance of the 11 1/2% Senior Notes totaling $33.2 million; the non-cash charge of $28.7 million to reduce the carrying value of the investment in Laclede Steel; and the sale of the 136-acre property in Atlanta, Georgia, resulting in a gain of $56.8 million.

Income taxes for 2000 were $15.0 million compared to a recovery of $23.7 million in 1999. The realization of previously recognized deferred income tax credits and the benefit of losses carried forward gave rise to the recovery in 1999.

The Company completed its 2000 fiscal year with net earnings from continuing operations of $26.3 million or $0.34 per share, compared with net earnings from continuing operations of $26.8 million in 1999 or $0.34 per share. In 1999, a net gain of $101.4 million or $3.30 per share from the disposal of Ivaco's 50% interest in IPEX Inc. resulted in final net earnings of $128.2 million.

The weighted average number of common shares outstanding for 2000 was 29,729,698 compared to 30,741,146 for 1999. This reduction relates to common shares purchased by the Company during 2000 under normal course issuer bids. At December 31, 2000, 28,660,922 common shares were outstanding.

RESULTS OF OPERATIONS

The following is a summary of sales and operating earnings before interest, income taxes, depreciation and amortization (EBITDA).

	SALES		EBITDA	
(thousands of dollars)	2000	1999	2000	1999
Steel	$324,268	$282,992	$51,907	$44,322
Fabricated Steel Products	567,318	555,925	77,062	71,655
Precision Machined Components	71,946	73,318	7,863	7,911
Corporate	-	1,612	(15,849)	(21,030)
	$963,532	$913,847	$120,983	$102,858

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. IRM's production is sold to a diverse group of customers in Canada and the United States as well as to the Company's downstream facilities, which manufacture products for the automotive, agricultural and construction industries and other manufacturers of wire and wire products. These products include welding wire, spring wire, tire cord and products requiring cold heading quality wire rod. The wire rod processing plants provide various heat treatment, cleaning and coating applications to further enhance IRM's ability to deliver customized product and service to value-added markets.

Sales for the steel segment of $324.3 million were up 15% or $41.3 million, compared to 1999. Shipments of wire rod to non-affiliated customers were up by 11%. Sales of value-added products were up 84,000 tons or 16%, compared with 1999.

Management's
Discussion and Analysis

Within the value-added grades, cold heading qualities have shown the best improvement with trade sales increasing 48%. Although rod prices increased during the first half of the year, the continuing pressure from offshore imports into North America combined with a slowdown in the auto sector has caused an erosion of rod prices during the fourth quarter and is continuing into the first half of 2001. Sales of billets as a proportion of total steel output remained higher than normal at 9% versus 8% in 1999. These sales were made to maintain lower billet inventory levels following the commissioning stage of the final phase of IRM's upgrade program.

Scrap prices represent a significant component of IRM's manufacturing costs. For the year 2000, scrap costs were slightly higher than the previous year, due to the increase in shipments of value-added products requiring higher and more expensive grades of scrap. There was a softening in scrap prices in the fourth quarter, due to lower market demand, which helped to buffer the effect of the eroding wire rod selling prices. Energy costs, especially natural gas, and the fuel component of freight costs have risen significantly year over year. Natural gas prices increased 48%. Freight costs also increased but to a lesser extent as aggressive utilization of rail facilities helped keep commercial carrier rates under control.

EBITDA for 2000 of $51.9 million was up $7.6 million or 17%, compared to 1999.

Interest expense for 2000 increased by 17.8% due to the greater use of credit line facilities and increased long-term financing. Amortization expense increased by 24.8% due to the amortization of deferred preproduction and deferred product development costs related to the upgrade program as well as higher amortization of property, plant and equipment resulting from capital spending in prior years.

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 speciality fasteners. Ifastgroupe's products are sold 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 a wide variety of wire products, including bright and galvanized high carbon and low carbon wire, cold heading wire and nails. Markets for SWG's products include construction, heavy machinery, transportation, communication, and industrial manufacturing.

Overall sales in the Fabricated Steel Products segment of $567.3 million were up $11.4 million over the $555.9 million reported in 1999, while EBITDA increased from $71.7 million in 1999 to $77.1 million in 2000, an improvement of $5.4 million.

Ifastgroupe reported higher sales for the year. The increase over last year was due to a small volume increase combined with an improvement in average selling prices, on a year over year basis. Volume increases were achieved through greater bolt making capacity and an expanded distribution network. Higher sales prices reflect the penetration of value-added markets.

In the Sivaco Wire Group, sales were down slightly from last year. At Sivaco Québec in Marieville, improved product mix in value-added high carbon bright and galvanized products resulted in slightly improved sales and tons shipped. At Sivaco Georgia, tonnage shipped was down slightly from the previous year because of difficult market conditions. A second Ebner furnace came on-line during the third quarter, which will allow the division to further increase the amount of value-added products shipped.

Labour costs were up for Ifastgroupe, in part to meet more stringent quality standards and to prepare the transition to a younger workforce. Additional heat treating and plating costs resulted from the rising demand for more sophisticated and plated products.

Total conversion costs for the Sivaco Wire Group were in excess of last year as a consequence of higher spending on training for additional value-added products and significant increases in energy costs, especially natural gas. In addition, increased energy processing costs for heavy coating zinc products were incurred resulting from changes in higher value product mix.

Interest and amortization expenses for the segment were comparable to 1999.

Precision Machined Components

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

Sales in 2000 at $71.9 million were slightly less than those achieved in 1999. Axle sales decreased as the transportation industry continued to be negatively impacted by a general softening in freight tonnage, increased interest rates and continued high fuel costs. This was offset by an increase in sales of forged products.

EBITDA, despite the above noted change in product mix, remained at $7.9 million in 2000. Similarly, amortization and interest expense remained constant over this period.

Corporate

Ivaco's corporate segment includes corporate expenses and expenses of previously discontinued operations.

In 2000, EBITDA was $15.8 million, down $5.2 million from the previous year. In addition, amortization was down $1.5 million while interest income was up $1.5 million. Earnings of equity accounted investments increased in 2000, offset by higher dividends on Second Preferred Shares, Series 5.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

For the year ended December 31, 2000, working capital provided from operations increased to $74.3 million from $38.6 million the previous year, due primarily to improved operating activities of the various segments. Cash provided by operating activities for 2000 declined by $4.6 million from $35.2 million in 1999 to $30.6 million, and reflects a $42.5 million increase in working capital items, principally inventory.

Working capital as at December 31, 2000, of $265.6 million was up $26.5 million. Several factors contributed to this, including: increased inventories of $16.5 million in the Steel Segment and $25.6 million in the Fabricated Steel Products Segment for a total increase of $42.1 million; a reduction in trade accounts payable of $16.1 million resulting from the settlement of liabilities pertaining to the disposal of the Atlanta property in 1999 and a decrease in accounts receivable of $13.6 million.

Dividends

Regular dividends on Preferred Shares and Second Preferred Shares included in both the statement of earnings and the statement of retained earnings were $7.1 million and $16.4 million respectively or a total of $23.5 million in 2000, compared to $22.9 million in 1999. All dividends declared in 2000 were paid in cash.

In addition, on July 6, 2000, the Company paid $2.9 million of dividends on its Class A Subordinate Voting and Class B Voting Shares versus nil in 1999.

Investing Activities

During the year, the Company invested $34.8 million (including $5.9 million in new capital lease obligations) in property, plant and equipment primarily to expand its production capacity, improve productivity, and reduce costs. This was below the $55.8 million (including $13.9 million in new capital lease obligations) invested in 1999. The three most significant components of spending in 2000 were the installation of the reducing sizing mill at IRM, and capacity improvements at both Ifastgroupe and the Sivaco Wire Group.

During 2000, the Company deferred $14.5 million of preproduction costs, related to the completion and run-in of the final phase of the upgrade program at IRM.

In 2000, Ivaco recorded $19.5 million of net proceeds on disposals of investments and assets. During the third and fourth quarter, the Company received proceeds of $11.9 million on the completion of the sale of a 20-acre parcel of land in Rexdale, Ontario, a 35-acre property in Ville d'Anjou, Québec, along with properties located in Dartmouth, Nova Scotia, and Nanticoke and St. Thomas, Ontario. In addition, during the fourth quarter, Ivaco sold its 50% investment in Bakermet located in Ottawa, Ontario, to the operating partnership for cash proceeds of $7.6 million, which approximated net book value.

Capital Structure

At December 31, 2000, shareholders' equity was $440.5 million, compared to $502.8 million in 1999. This decline can be attributed primarily to the adoption of the new recommendations of the Canadian Institute of Chartered Accountants (CICA) with respect to employee future benefits and income taxes which resulted in charges, which were applied retroactively through an adjustment of $59.8 million to opening retained earnings. During 2000, the Company reported net earnings of $26.3 million and declared preferred and common dividends of $16.4 million and $2.9 million, respectively.

In 2000, Ivaco renewed its normal course issuer bid and purchased for cancellation 1,923,200 shares at an average price of $4.12, which resulted in a gain of $10.6 million being included in retained earnings. The Company is entitled to purchase an additional 1.6 million shares under the normal course issuer bid during the remaining period ending on November 28, 2001.

During the year, the Company purchased on the open market for cancellation 26,600 Second Preferred Shares, Series 1; 34,300 Second Preferred Shares, Series 2; 23,100 Second Preferred Shares, Series 3; 3,400 Preferred Shares, Series C; 100 Preferred Shares, Series D; and 500 Preferred Shares, Series E. These purchases resulted in a gain of $0.2 million, which was included in retained earnings.

Long-term debt was $303.3 million at December 31, 2000, up $37.6 million from $265.7 million at December 31, 1999. This increase is attributable to additional long-term debt incurred for capital projects and working capital purposes. As a result, at December 31, 2000, the ratio of long-term debt to shareholders' equity was 41:59, compared to 35:65 at December 31, 1999.

Cash Resources

Cash and cash equivalents were $48.3 million at December 31, 2000, compared to the $50.0 million at December 31, 1999. Operating activities provided $30.6 million of cash while financing activities used $4.1 million, including the repayment of long-term debt, and investing activities used $28.2 million of cash including proceeds and disposals of investments and assets. The ratio of current assets to current liabilities was 1.9:1; similar to the 1.8:1 achieved in 1999.

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.

Interest rate

A significant portion of the Company's long-term debt is at fixed interest rates and, therefore, its exposure to interest rate risks is limited.

Foreign Currency

The Canadian operations of the Company generate substantial revenues in U.S. dollars, primarily through exports of products manufactured in Canada. For 2000, the Company's exports sales were $659.9 million ($602.3 million in 1999), 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 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. Ivaco believes it is in full compliance with all laws and regulations relating to the environment.

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.

FUTURE ACCOUNTING CHANGES

The CICA issued revised Handbook Section 3500, Earnings per Share (EPS), which changes the measurement and reporting of EPS effective for fiscal years beginning on or after January 1, 2001. The revised Handbook section requires the presentation of both basic and diluted EPS on the face of the income statement regardless of the materiality of the difference between them. In addition, the Company will be required to use the treasury stock method to compute the dilutive effect of options, warrants and similar instruments as opposed to the currently used imputed earnings approach.

OUTLOOK

The North American economies have entered 2001 amidst considerable economic uncertainty and declining consumer confidence. Since the fourth quarter, the North American steel industry has once again been faced with continuing offshore imports as well as excess inventories at customer's levels that are increasing the pressure on selling prices and demand for wire rod and fabricated steel products. Correction of inventory levels at the customer level continue to take place and are expected to last during the second quarter.

However, the Company continues to benefit from the improvements made during the last several years. During 2001, Ivaco Rolling Mills will continue to increase its penetration into the higher margin value-added markets. At Sivaco Georgia, the previously announced expansion into prestressed concrete strand (PC strand) is expected to be ready for start-up in the second quarter. This expansion will add about 30,000 tons per year of PC strand products which are used as a concrete reinforcement product in the construction of bridges, overpasses, buildings and other concrete structures. Additionally, Sivaco Georgia has also installed a new multiblock high speed wire drawing machine having an annual production capacity of 7,500 tons per year for producing bright value-added high carbon products such as music wire and Sivaco 9000 wire. At Sivaco Québec, the installation of a fully automated HCL batch cleaning line has been completed. This latest technology in batch cleaning will help to reduce costs as well as increase cleaning capacity to in excess of 200,000 tons per year. The Vermont Fastener plant of the Ifastgroupe completed the installation of additional boltmaking capacity in the first quarter and a new state-of-the-art heat treatment line will be completed by the end of the second quarter. This will double Vermont Fasteners output to 24,000 tons per year.

In order to partially address the escalating energy and transportation costs coupled with the deterioration of wire rod selling prices, the Company announced increased selling prices for wire rods effective April 1, 2001, of $25 to $35 per net ton depending on grade.

Subsequent to year-end, the Company reported that it has met the required conditions for receipt of payment of the US$57.9 million secured notes (CDN $87 million) that were received as the balance of payment from the 1999 sale of the Atlanta property. The proceeds from these notes are expected to be received around mid-year. In addition, the Company reported that it had divested its investment in Bel-Air Fence in February, 2001, for proceeds of $7.2 million. On March 31, 2001, the Company purchased for redemption, at $25 per share, 10% of the Second Preferred Shares, Series 5, for a total consideration of $6.8 million.

This MD&A contains statements that are forward-looking in nature. Such statements involve known and unknown risks and uncertainties that may cause the actual results of the Company to be materially different from those expressed or implied by such forward-looking statements.

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 Canadian generally accepted accounting principles 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 Canadian generally accepted auditing standards. 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 23, 2001

Auditors' Report

To the Shareholders of
Ivaco Inc.

We have audited the consolidated statements of financial position of Ivaco Inc. as at December 31, 2000 and 1999, 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 Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Montréal, Québec
February 23, 2001

Deloitte & Touche, LLP
Chartered Accountants

Consolidated Statements of Financial Position

AS AT DECEMBER 31		(Thousands of dollars) 2000	1999
Current assets			
	Cash and cash equivalents	$ 48,261	$ 50,039
	Accounts receivable trade and other	118,857	132,494
	Note receivable (Note 13b)	53,903	51,883
	Inventories (Note 3)	326,958	284,831
	Prepaid expenses	4,543	4,393
	Total current assets	552,522	523,640
Current liabilities			
	Bank indebtedness, partly secured	19,113	22,481
	Accounts payable and accrued liabilities		
	Trade and other	179,010	195,141
	Dividends payable	5,890	5,834
	Officers (Note 15b)	6,616	7,963
	Income taxes payable	9,562	2,253
	Future income tax liabilities (Note 11)	6,491	-
	Current maturities, Second Preferred Shares, Series 5 (Note 7)	6,417	-
	Current maturities of long-term debt (Note 8)	53,834	50,883
	Total current liabilities	286,933	284,555
Working capital		265,589	239,085
	Investments, at cost (Note 4)	89,060	89,060
	Property, plant and equipment (Note 5)	427,221	428,076
	Other assets (Note 6)	125,152	129,386
Total investment		907,022	885,607
	Deduct:		
	Long-term debt (Note 8)	303,331	265,671
	Second Preferred Shares, Series 5 (Note 7)	57,760	62,632
	Employee future benefits (Note 9)	66,948	-
	Future income tax liabilities (Note 11)	38,526	54,473
		466,565	382,776
Shareholders' equity		$ 440,457	$ 502,831
Represented by:			
	Capital stock (Note 10)	$ 437,560	$ 458,355
	Retained earnings (deficit)	(3,646)	38,306
	Cumulative translation adjustment	6,543	6,170
		$ 440,457	$ 502,831

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 (Thousands of dollars)

	2000	1999
Net sales	$ 963,532	$ 913,847
Cost of sales and operating expenses	842,549	810,989
Operating earnings (EBITDA) before:	120,983	102,858
Amortization	(46,229)	(44,011)
Share of earnings (loss) of equity accounted investments	619	(1,461)
Earnings from operations before interest and other items	75,373	57,386
Net interest expense	(26,895)	(35,671)
Dividends on Second Preferred Shares, Series 5 (Note 7)	(7,135)	(6,551)
Earnings from continuing operations before other items and income taxes	41,343	15,164
Costs associated with defeasance of 11 $^{1}/_{2}$% Senior Notes	-	(33,182)
Other items	-	21,151
Total other items (Note 13)	-	(12,031)
Earnings from continuing operations before income taxes	41,343	3,133
Income taxes (recovery) (Note 11)	15,005	(23,716)
Net earnings from continuing operations	26,338	26,849
Net gain from disposal of 50% interest in IPEX Inc. (Note 14)	-	101,383
Net earnings	$ 26,338	$ 128,232
Net earnings per common share (Note 2)		

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

YEARS ENDED DECEMBER 31 (Thousands of dollars)

		2000	1999
Operating activities	Operations		
	Net earnings from continuing operations	$ 26,338	$ 26,849
	Amortization	46,229	44,011
	Future income taxes (recovery)	8,584	(27,935)
	Loss on disposal of Amercord	-	4,709
	Gain on sale of properties and businesses	-	(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 (earnings) loss of equity accounted investments	(619)	1,461
	Foreign exchange (gain) loss on notes receivable	(3,251)	2,458
	Other non-cash items	(2,985)	(1,583)
	Working capital provided from operations	74,296	38,636
	(Increase) decrease in working capital items	(42,481)	295
	Other items	(1,249)	(3,728)
	Cash provided by operating activities	30,566	35,203
Financing activities	Dividends	(17,694)	(5,550)
	Repayment of long-term debt	(76,331)	(236,375)
	Additional long-term debt	105,492	39,759
	Decrease in bank indebtedness	(3,368)	(3,617)
	Common shares repurchased	(7,958)	(647)
	Preferred and Second Preferred Shares repurchased	(2,063)	(648)
	Other items	(2,173)	(1,031)
	Cash used in financing activities	(4,095)	(208,109)
Investing activities	Net additions to property, plant and equipment	(28,873)	(41,842)
	Deferred preproduction costs	(14,481)	(20,061)
	Net proceeds on disposal of discontinued operations	-	246,879
	Proceeds on disposals of investments and assets	19,478	27,092
	Discontinued operations	-	(2,637)
	Other items	(4,373)	(225)
	Cash (used in) provided by investing activities	(28,249)	209,206
Cash and cash equivalents	Increase (decrease) in cash and cash equivalents	(1,778)	36,300
	Cash and cash equivalents, January 1	50,039	13,739
	Cash and cash equivalents, December 31	$ 48,261	$ 50,039

Supplemental Cash Flow Information (Note 16)

See accompanying notes to consolidated financial statements.

Consolidated Statements
of Retained Earnings (Deficit)

YEARS ENDED DECEMBER 31		(Thousands of dollars)
	2000	**1999**
Balance at beginning of year, previously reported	$ 38,306	$ (74,722)
Accounting changes (Note 1)	(59,812)	-
Balance at beginning of year, restated	(21,506)	(74,722)
Add:		
Net earnings	26,338	128,232
Gain on purchase of common shares	10,553	911
Gain on purchase of preferred shares	221	269
	37,112	129,412
Deduct:		
Preferred dividends - paid in cash	16,372	7,099
Preferred dividends - paid in stock	-	9,285
Common dividends	2,880	-
	19,252	16,384
Balance at end of year	$ (3,646)	$ 38,306

See accompanying notes to consolidated financial statements.

Significant Accounting Policies

The Company follows Canadian generally accepted accounting principles, 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 expenses 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 self-sustaining 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.

Monetary assets and liabilities of integrated foreign operations are translated into Canadian dollars at year-end exchange rates. All other assets and liabilities are translated at historical rates. Revenues and expenses (other than amortization, which is translated at the same rates as the related assets) are translated at the rates in effect on the transaction dates or at the average rate of exchange. Translation gains or losses are included in the statement of earnings, except for unrealized translation gains and losses on long-term debt, which are deferred and amortized over the life of the related long-term debt.

Canadian Operations

Foreign monetary assets and liabilities of Canadian operations are translated into Canadian dollars at year-end exchange rates. Translation gains and losses are included in the statement of earnings except for unrealized translation gains and losses on long-term debt, which are deferred and are amortized over the remaining lives of the related long-term debt. Revenues 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.

Significant Accounting Policies (continued)

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.

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 achieving 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 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.

Employee Future Benefits

The Company sponsors non-contributory defined benefit plans that provide for pensions, other retirement and post employment benefits for substantially all employees. The cost of benefits earned is actuarially determined using the projected benefit method. Pension assets are measured at market value. Pension expense includes amortization of the excess of the net actuarial gain or loss over 10% of the greater of the benefit obligation and the market value of plan assets over the remaining service period of active employees.

Notes to Consolidated
Financial Statements

1. Accounting changes

As of January 1, 2001, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) with respect to employee future benefits and income taxes whereby: (i) the cost of retirement benefits and post employment benefits are recognized over the period in which the employees render services rather than on a pay as you go basis; (ii) future income tax liabilities are recorded as if all assets and liabilities were settled at their carrying amounts based on current income tax rates rather than historical rates. These changes were applied retroactively through an adjustment to opening retained earnings and the comparative figures have not been restated. As a result, as of January 1, 2000, future income tax liabilities were reduced by $23,495, a liability for employee future benefits of $83,307 was recorded, which was offset by a previously recorded deferred pension asset of $9,014, and opening retained earnings were reduced by $59,812.

2. Earnings per Share

Earnings 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 29,729,698 (1999 — 30,741,146).

Net earnings per common share	**2000**	**1999**
Continuing operations	$ 0.34	$ 0.34
Discontinued operations	-	3.30
Net earnings per share	$ 0.34	$ 3.64
Diluted net earnings per share	$ 0.33	$ 3.37

3. Inventories

	2000	**1999**
Finished and semi-finished	$ 150,436	$119,488
Raw materials and supplies	176,522	165,343
Total inventories	$ 326,958	$284,831

4. Investments, at Cost

	2000	**1999**
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 (Note 13c)	2	2
Amercord Inc. - common shares - 9.9% interest (Note 13d)	2,886	2,886
Total investments, at cost	$ 89,060	$89,060

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 $20.10 per share at December 31, 2000 (1999 — $28.50).

5. Property, Plant and Equipment

	2000			1999		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Land	$ 10,156	$ -	$ 10,156	$ 12,590	$ -	$ 12,590
Buildings	121,634	43,775	77,859	119,490	44,803	74,687
Machinery and equipment	652,056	396,474	255,582	631,050	372,621	258,429
Machinery and equipment under capital leases	95,983	12,359	83,624	90,231	7,861	82,370
Total property, plant and equipment	$ 879,829	$ 452,608	$ 427,221	$ 853,361	$ 425,285	$ 428,076

Amortization of property, plant and equipment for 2000 amounted to $32,551 (1999 — $38,326 of which $6,939 is included in discontinued operations). Capitalized interest for 2000 amounted to $113 (1999 — $760).

6. Other Assets

	2000	1999
Note receivable (US$21.9 million) (Note 13b)	$ 32,839	$ 31,608
Net assets held for disposal, primarily real estate	30,758	30,299
Deferred preproduction costs and other deferred charges, less amortization	39,917	34,491
Deferred product development costs, less amortization	5,101	4,517
Deferred financing costs, less amortization	3,902	2,997
Deferred translation adjustment, less amortization	4,353	1,433
Deferred pension asset (Note 1)	-	9,014
Investments, at equity*	-	6,545
Loans to officers (Note 15a)	5,330	6,235
Other items	2,952	2,247
Total other assets	$ 125,152	$ 129,386

Amortization of deferred charges for 2000 amounted to $13,678 (1999 — $13,061 of which $437 is included in discontinued operations).

*During the year, the Company disposed of its 50% investment in Bakermet Inc. for cash proceeds of $7.6 million which approximated net book value.

7. $2.625 Second Preferred Shares, Series 5

An unlimited number of Second Preferred Shares, Series 5 are authorized of which 2,718,031 (1999 — 2,652,669) shares were issued and outstanding with a stated capital of $64,177 (1999 — $62,632).

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 2000, 65,362 (1999 — 498,289) shares with a stated capital of $1,545 (1999 — $10,843) 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.

8. Long-Term Debt

	2000	1999
Secured		
Obligations under capital leases averaging 7.6% maturing to 2014 of which $31.2 million (1999 — $35.1 million) are in U.S. funds	$ 65,297	$ 66,917
Term bank loans at variable rates averaging 7.9% at December 31, 2000 maturing to 2007 of which $4.5 million (1999 — $5.2 million) are in U.S. funds	40,566	10,593
Mortgages averaging 8.1% maturing to 2015 of which $6.4 million (1999 — $1.3 million) are in U.S. funds	12,725	4,532
Revolving bank loan at a variable rate of 8.8% at December 31, 2000 (US$2.6 million; 1999 — US$2.2 million)	3,899	3,175
Others averaging 8.2% maturing to 2004 of which $8.5 million (1999 — $12.1 million) are in U.S. funds	16,083	22,388
Unsecured		
Revolving bank loans at variable rates averaging 7.4% at December 31, 2000	57,875	65,632
Senior Notes at 7.29% maturing to 2004 (US$31.8 million; 1999 — US$40.8 million)	47,609	58,814
Senior Notes at 8.44% maturing to 2004 (US$26.3 million; 1999 — US$29.5 million)	39,407	42,606
Senior Notes at 7.0% maturing to 2008 (US$20.0 million)	29,990	28,866
Senior Notes at 10.13% maturing to 2010 (US$20.0 million)	29,990	-
Others averaging 5.9% maturing to 2005 of which $3.9 million (1999 — $4.4 million) are in U.S. funds	13,724	13,031
	357,165	316,554
Less: Current maturities	53,834	50,883
Total long-term debt	$ 303,331	$ 265,671

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

$40.1 million in 2001; $39.7 million in 2002; $35.9 million in 2003; $30.3 million in 2004; and $9.2 million in 2005.

Minimum capital lease payments are as follows:

	Payment	Interest	Principal
2001	$18,148	$ 4,450	$13,698
2002	17,056	3,473	13,583
2003	14,312	2,550	11,762
2004	13,131	1,758	11,373
2005	9,812	968	8,844
2006 and thereafter	7,373	1,336	6,037
Total minimum capital lease payments	$79,832	$14,535	$65,297

Interest expense on long-term debt was $22,382 in 2000 (1999 — $47,625 of which $8,423 is included in costs associated with defeasance of Senior Notes and $3,089 is included in discontinued operations).

Financial Statements

9. Employee Benefits

The following disclosures for 2000 reflect the new recommendations of the CICA for employee benefit plans (Note 1). As permitted under the new recommendations, prior year financial statements have not been restated. Accordingly, the 1999 amounts and disclosures reflect the former recommendations of the CICA.

YEAR ENDED DECEMBER 31, 2000	Pension Benefits	Other Benefits
Change in accrued benefit obligations		
Accrued benefit obligation at beginning of year	$ 401,839	$ 27,801
Service cost	7,236	482
Interest cost	29,857	2,213
Contributions by plan participants	778	21
Actuarial loss	29,019	1,746
Foreign currency exchange rate changes	5,260	301
Benefits paid	(23,915)	(1,799)
Plan amendments	14,768	1,104
Settlements	(31,624)	-
Special termination benefits	3,679	-
Accrued benefit obligation at end of year	$ 436,897	$ 31,869
Change in plan assets		
Fair value of plan assets at beginning of year	$ 363,760	$ -
Actual return on plan assets	18,826	-
Foreign currency exchange rate changes	5,093	-
Employer contributions	19,118	1,799
Contributions by plan participants	778	-
Benefits paid	(23,915)	(1,799)
Plan expenses	(1,093)	-
Settlements	(33,928)	-
Fair value of plan assets at end of year	$ 348,639	$ -
Funded Status		
Funded status – deficit	$ 88,258	$ 31,869
Unamortized past service cost	(14,354)	(1,015)
Unamortized net actuarial loss	(39,932)	(1,757)
Accrued benefit liability	$ 33,972	$ 29,097
Valuation allowance	3,879	-
Net accrued benefit liability	$ 37,851	$ 29,097

YEAR ENDED DECEMBER 31, 1999	
Actuarial present value of accrued pension obligations	$ 374,335
Market value of pension fund assets	$ 363,716

YEAR ENDED DECEMBER 31, 2000	Pension Benefits	Other Benefits
The net benefit expense includes the following components:		
Current cost	$ 8,398	$ 482
Interest cost	29,857	2,213
Expected return on plan assets	(29,972)	-
Amortization of past service cost	414	89
Amortization of net actuarial loss	58	-
Settlement loss	2,293	-
Decrease in valuation allowance	(4,621)	-
Special termination benefits	3,679	-
Net periodic benefit cost	$ 10,106	$ 2,784

9. Employee Benefits *(continued)*

Pension expense for 1999 was $12,384.

The significant weighted-average assumptions used in measuring the Company's pension and other obligations as at December 31, 2000, were as follows:

	Pension Benefits	Other Benefits
Discount rate	7.25%	7.25%
Expected rate of return on plan assets	8.25%	-
Rate of compensation increase	4.50%	-

For measurement purposes an 8.35% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2001. The rate was assumed to decrease gradually to 4.65% for 2008 and remain at that level thereafter.

As at December 31, 2000, the plan assets include 1,199,564 Class A shares of the Company with a fair market value of $3.20 per share at that date.

10. 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			
	2000	1999	2000	1999
Preferred Shares				
$4.425 Series C	158,250	161,650	$ 7,913	$ 8,083
$2.50 Series D	34,343	34,443	859	861
$2.40 Series E	74,581	75,081	1,865	1,877
			10,637	10,821
Second Preferred Shares				
$2.00 Series 1	1,299,873	1,326,473	32,497	33,162
$2.00 Series 2	1,809,639	1,843,939	45,241	46,098
$2.25 Series 3	956,652	979,752	23,916	24,494
			101,654	103,754
Exchangeable Second Preferred Shares, Series 4 (Note 4)	2,986,500	2,986,500	95,568	95,568
Class A Shares	22,086,245	24,006,845	212,574	231,076
Class B Shares	6,574,677	6,577,277	17,127	17,136
			229,701	248,212
Total capital stock			$ 437,560	$ 458,355

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.

10. Capital Stock *(continued)*

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 the year, 3,400 (1999 — NIL) shares were purchased and cancelled.

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 the year, 100 (1999 — NIL) shares were purchased and cancelled.

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 the year, 500 (1999 — NIL) shares were purchased and cancelled.

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, 26,600 (1999 — 14,000) 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, 34,300 (1999 — 12,700) 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, 23,100 (1999 — 10,000) 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 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%.

10. Capital Stock *(continued)*

The Company may redeem Exchangeable Second Preferred Shares, Series 4, at any time at $32 per share. During 2000 and 1999, 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 dividend 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 1999 and 2000 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, 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
Conversion from Class B to Class A	2,600	(2,600)	9	(9)
Shares purchased during 2000	(1,923,200)	-	(18,511)	-
Balance at December 31, 2000	22,086,245	6,574,677	$ 212,574	$ 17,127

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.

10. Capital Stock
(continued)

Details of the status of the Company's stock option plans as at December 31, 2000 and 1999, and changes during the years then ended are as follows:

	2000		1999	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding at beginning of year	2,644,240	$5.50	2,693,740	$5.51
Exercised	-	-	(8,000)	3.40
Returned	(1,500)	$7.50	(41,500)	6.31
Outstanding at end of year	2,642,740	$5.50	2,644,240	5.50
Options exercisable at end of year	2,642,740		2,622,573	

The following table summarizes information about stock options outstanding at December 31, 2000:

Options Outstanding and Exercisable

Exercise Price	Number of Options	Expiration
$3.40	1,157,040	2002
$7.19	10,000	2004
$7.50	1,325,700	2004
$3.11	85,000	2007
$4.96	65,000	2008
	2,642,740	

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, 2000, 1,310,500 (1999 — 1,310,500) SARs were outstanding 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, 2000, no amounts were due under this plan.

11. Income Taxes

The provision for (recovery of) income taxes is comprised of:	Asset and Liability Method 2000	Deferral Method 1999
Current	$ 6,421	$ 4,219
Future (recovery)	8,584	(27,935)
	$ 15,005	$(23,716)

The provision for (recovery of) income taxes is determined as follows:	Asset and Liability Method 2000	Deferral Method 1999
Combined basic federal and provincial income taxes	$ 15,297	$ 1,159
Increase (decrease) in income taxes resulting from the following:		
Large corporation tax	1,800	1,836
Alternative minimum tax	-	2,972
Capital (gains) losses	(300)	5,591
Realization of previously recognized deferred income taxes	-	(11,116)
Benefit of losses carried forward/back	(2,109)	(28,127)
Losses not tax effected	-	1,267
Income subject to higher rates of tax	-	3,779
Share of (income) loss of equity accounted investments	(229)	541
Dividends on Second Preferred Shares, Series 5	2,640	2,424
Dividend income	(1,171)	(1,106)
Other items	(923)	(2,936)
Total provision for (recovery of) income taxes	$ 15,005	$ (23,716)

As at December 31, 2000, future income taxes are as follows:

Future tax assets	
Employee future benefits	$ 26,106
Tax benefits arising from unused tax losses	3,698
	$ 29,804
Future tax liabilities	
Current assets	$ 6,491
Capital assets	47,955
Other assets	20,375
	$ 74,821

12. 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	2000	1999
Consolidated Statements of Financial Position		
Current assets	$ 4,944	$ 7,600
Non-current assets	$ 2,903	$ 937
Current liabilities	$ 2,128	$ 5,259
Non-current liabilities	$ 3,541	$ 2,176
Consolidated Statements of Earnings		
Net sales	$ 13,179	$ 3,147
Expenses	$ 13,116	$ 2,865
Net earnings	$ 63	$ 282
Consolidated Statements of Cash Flows		
Cash provided by (used in):		
Operating activities	$ (738)	$ (2,057)
Financing activities	$ 1,128	$ 2,843
Investing activities	$ (1,770)	$ (449)

13. Other Items

Other 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 (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 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.

(c) In December 1999, management determined that the carrying value of its investment in Laclede Steel Company 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;

(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 charges totalling $2.2 million.

14. Discontinued Operations

During the third quarter of 1999, the Company disposed of its 50% interest 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 is included in discontinued operations. Sales of discontinued operations for 1999 to the date of disposal were $126.6 million.

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

	2000	1999
Current assets	$ 103	$ 102
Current liabilities	(1,213)	(870)
Property, plant and equipment	4,396	4,396
Other assets (Note 6)	30,758	30,299
Long-term debt	(272)	(200)
Employee future benefits	(15,804)	(1,362)
Net assets	$ 17,968	$ 32,365

15. Transactions with Related Parties

(a) Loans to Officers

Loans to officers outstanding at December 31, 2000 amounted to $6,628 (1999 — $8,676) of which $1,298 are due December 31, 2001, and $5,330 are due March 1, 2005. These loans bear interest generally 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, 2000, borrowings from officers amounting to $6,616 were outstanding (1999 — $7,963). These transactions are measured at the exchange amount.

(c) Affiliated Companies

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

	2000	1999
Purchases of raw materials from entities accounted for using the equity method	$ 14,409	$ 17,300
At December 31, amounts due to affiliated companies are as follows:		
Entities accounted for using the equity method	$ -	$ 7,345

16. Supplemental Cash Flow Information

	2000	1999
Interest paid	$ 25,687	$ 56,788
Income taxes (refunded) paid	$ (7,032)	$ 2,104
New capital lease obligations	$ 5,915	$ 13,895

17. 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, 2000, the Company had currency options and forward exchange contracts maturing in 2001 to exchange $14.5 million U.S. dollars for Canadian dollars (1999 — $20.0 million forward contracts and currency options). The market value of such currency options and contracts at December 31, 2000 was such that if these options and contracts had been exercised at such time, which was not the intention since they were established in order to fix the rate on sales of U.S. dollars during 2001, the Company would have incurred a loss of $0.9 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, 2000, 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:

	2000	
	Carrying Amount	Fair Value
Investments, at cost	$ 89,060	$ 90,466
Long-term liabilities		
Senior Notes	$ 146,996	$ 141,337
Redeemable Second Preferred Shares, Series 5	$ 64,177	$ 62,787

	1999	
	Carrying Amount	Fair Value
Investments, at cost – Laclede (Note 13c)	$ 2	$ 2
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

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.

18. 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, 2000 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.

19. Comparative Figures

Certain of the 1999 figures have been reclassified to conform with the presentation adopted in 2000.

20. 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 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.

20. Segmented Reporting (continued)

BUSINESS SEGMENTS 2000	Steel	Fabricated Steel Products	Precision Machined Components	Corporate	Total
Net sales – external	$ 324,268	$ 567,318	$ 71,946	-	$ 963,532
Net sales – intersegment	$ 141,542	$ 206	-	-	$ 141,748
Operating earnings (loss) (EBITDA) before:	$ 51,907	$ 77,062	$ 7,863	$ (15,849)	$ 120,983
Amortization	(23,442)	(18,846)	(2,905)	(1,036)	(46,229)
Share of earnings of equity accounted investments	-	-	-	619	619
Earnings (loss) from operations before interest and other items	28,465	58,216	4,958	(16,266)	75,373
Net interest expense	(15,242)	(15,388)	(832)	4,567	(26,895)
Dividends on Second Preferred Shares, Series 5	-	-	-	(7,135)	(7,135)
Earnings (loss) from continuing operations before other items and income taxes	$ 13,223	$ 42,828	$ 4,126	$ (18,834)	$ 41,343
Identifiable assets by segment	$ 525,375	$ 464,381	$ 43,910	$ 160,289	$ 1,193,955
Net additions to property, plant and equipment	$ 7,801	$ 20,439	$ 596	$ 37	$ 28,873

BUSINESS SEGMENTS 1999	Steel	Fabricated Steel Products	Precision Machined Components	Corporate	Total
Net sales – external	$ 282,992	$ 555,925	$ 73,318	$ 1,612	$ 913,847
Net sales – intersegment	$ 137,423	$ 206	-	-	$ 137,629
Operating earnings (loss) (EBITDA) before:	$ 44,322	$ 71,655	$ 7,911	$ (21,030)	$ 102,858
Amortization	(18,777)	(20,015)	(2,693)	(2,526)	(44,011)
Share of loss of equity accounted investments	-	-	-	(1,461)	(1,461)
Earnings (loss) from operations before interest and other items	25,545	51,640	5,218	(25,017)	57,386
Net interest expense	(12,939)	(24,705)	(1,084)	3,057	(35,671)
Dividends on Second Preferred Shares, Series 5	-	-	-	(6,551)	(6,551)
Earnings (loss) from continuing operations before other items and income taxes	12,606	26,935	4,134	(28,511)	15,164
Total other items	-	-	-	(12,031)	(12,031)
Earnings (loss) from continuing operations before income taxes	$ 12,606	$ 26,935	$ 4,134	$ (40,542)	$ 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

GEOGRAPHIC INFORMATION	2000		1999	
	Revenues	Identifiable assets	Revenues	Identifiable assets
Canada – domestic	$ 271,174	$ 982,950	$ 274,598	$ 917,398
Canada – export – primarily US	659,897	-	602,310	-
	931,071	982,950	876,908	917,398
United States	32,461	211,005	36,939	252,764
	$ 963,532	$ 1,193,955	$ 913,847	$ 1,170,162

Financial Summary

MILLIONS OF DOLLARS EXCEPT PER SHARE AMOUNTS

Operating results		2000	1999	1998	1997	1996	1995	1994	1993
Net sales	$	963.5	913.8	1,008.4	1,193.2	1,222.1	1,416.6	1,418.2	1,220.9
Operating earnings (EBITDA) before:	$	121.0	102.9	71.3	140.0	122.8	154.6	122.7	92.4
Amortization	$	46.2	44.0	45.5	46.9	42.4	39.5	45.4	43.8
Share of earnings (loss) of equity accounted investments	$	0.6	(1.5)	(2.6)	(0.6)	(4.6)	(3.7)	5.6	5.8
Earnings (loss) from operations before interest and other items	$	75.4	57.4	23.2	92.5	75.9	111.4	82.9	54.4
Earnings (loss) from continuing operations before income taxes	$	41.3	3.1	(21.8)	64.6	25.3	68.5	45.0	16.7
Provisions for (recovery of) income taxes	$	15.0	(23.7)	6.0	32.9	22.8	30.9	26.6	14.0
Earnings (loss) from continuing operations	$	26.3	26.8	(27.8)	31.7	2.6	37.6	18.4	2.7
Net earnings (loss)	$	26.3	128.2	(18.0)	31.1	(15.5)	28.9	8.1	0.3
Earnings (loss) per share [2]									
Continuing operations	$	0.34	0.34	(1.44)	0.53	(0.46)	0.77	0.13	(0.52)
Net earnings (loss) per share	$	0.34	3.64	(1.12)	0.51	(1.09)	0.47	(0.25)	(0.63)
Return on sales	%	2.7	14.0	(1.5)	2.6	(1.3)	2.0	0.6	0.0

Financial Position		2000	1999	1998	1997	1996	1995	1994	1993
Current assets	$	552.5	523.6	523.6	559.8	566.7	628.3	571.4	484.8
Current liabilities	$	286.9	284.6	291.4	306.5	305.9	291.3	308.4	264.2
Working capital	$	265.6	239.1	232.2	253.3	260.8	337.0	263.0	220.6
Net additions to property, plant and equipment	$	28.9	41.8	36.5	111.0	43.3	43.9	33.6	18.1
Total assets	$	1,194.0	1,170.2	1,312.5	1,294.8	1,278.4	1,381.4	1,309.2	1,203.4
Long-term debt, convertible and exchangeable debentures	$	303.3	265.7	490.1	436.7	454.1	519.0	448.1	450.7
Shareholders' equity	$	440.5	502.8	406.3	438.0	415.6	452.7	482.7	442.8
Dividends [1]	$	19.3	16.4	18.7	21.7	23.1	48.5	1.7	1.7
Book value per share [2]	$	7.89	9.37	5.69	6.89	6.69	7.78	7.36	7.51

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

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

Financial Summary

1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981
1,094.3	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
43.1	21.9	133.9	165.9	215.7	197.5	186.6	138.5	128.8	63.5	54.4	96.4
43.8	45.6	55.0	51.8	56.9	56.7	56.3	39.5	34.5	27.0	23.9	19.6
(3.0)	(5.1)	1.5	1.8	1.2	1.2	1.3	0.4	0.5	3.0	(3.3)	2.7
(3.7)	(28.8)	80.4	115.9	160.0	142.0	131.6	99.4	94.8	39.5	27.2	79.5
(48.1)	(81.6)	12.2	57.1	108.3	89.0	81.7	57.6	54.4	(0.3)	(25.7)	33.9
(11.7)	(25.2)	0.1	20.9	41.5	42.1	32.7	18.3	15.8	(5.9)	(15.3)	8.6
(36.4)	(56.4)	7.2	28.2	55.6	39.9	43.1	35.1	32.3	2.9	(9.9)	25.2
(19.6)	(59.4)	17.0	12.9	41.9	31.8	44.1	35.1	33.8	0.8	(9.9)	28.4
(2.51)	(3.71)	(0.76)	0.29	1.67	0.64	1.11	1.04	1.64	(0.17)	(1.20)	2.08
(1.71)	(3.86)	(0.25)	(0.55)	1.03	0.46	1.11	1.04	1.64	(0.34)	(1.20)	2.37
(1.8)	(5.3)	0.9	0.6	2.1	1.5	2.3	2.6	2.8	0.1	(1.5)	3.9

1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981
453.3	533.1	620.7	951.8	970.2	913.4	860.1	623.1	536.0	461.8	347.6	335.5
325.8	354.9	369.3	466.1	464.3	441.8	373.0	228.1	263.2	191.0	204.7	223.3
127.5	178.2	251.4	485.7	505.9	471.6	487.1	395.0	272.8	270.8	142.9	112.2
7.0	24.7	39.6	68.0	89.8	88.5	84.4	46.3	39.5	16.6	42.6	60.8
1,182.6	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
404.6	451.9	450.9	645.8	603.4	545.0	531.2	395.8	350.8	263.4	277.6	207.3
422.3	446.9	535.5	548.2	577.3	581.7	604.1	520.6	366.9	303.3	194.9	206.3
3.2	19.1	33.0	34.0	34.1	34.2	33.7	28.4	19.4	10.3	7.0	9.3
8.32	10.35	14.65	15.76	16.91	16.48	16.64	15.01	14.29	13.22	14.25	16.23

Directory of Operations

Atlantic Steel Company

288 Fourteenth St. NW, Suite B
Atlanta, Georgia 30318-5360
(404) 897-4630
Fax: (404) 897-4719
Corporate office

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

2620, rue Bernard-Pilon
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

700, rue Ouellette
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
Mississauga, Ontario L4V 1P8
(905) 677-8920
Fax: (905) 677-6295
www.infasconut.com
Nuts

Ingersoll Fasteners Division

390 Thomas Street
P.O. Box 40
Ingersoll, Ontario N5C 3K3
(519) 485-4610
Fax: (519) 485-2435
Bolts, nuts and fastener products

IMT Corporation

347 King Street West
P.O. Box 250
Ingersoll, Ontario N5C 3K6
(519) 485-2210
Fax: (519) 485-2163
www.imtpcdf.com
Precision machined components and axles

Ivaco Rolling Mills Limited Partnership

1040 Country Road 17
P.O. Box 322
L'Orignal, Ontario K0B 1K0
(613) 675-6600
Fax: (613) 675-6800
www.ivacorm.com
Hot rolled wire rods and steel billets

Ivaco Rolling Mills (USA), Inc.

3001 West Big Beaver Road
Suite 504
Troy, Michigan 48084
(248) 649-8888
Fax: (248) 649-6116
www.ivacorm.com
U.S. sales office

Ivaco Steel Processing (New York) LLC

3937 River Road
Tonawanda, New York 14150
(716) 874-5681
Fax: (716) 874-4440
www.ivacorm.com
Wire rod processing

Directory of Operations

Numesh Inc.

3000, Francis Hughes
Laval, Québec H7L 3J5
(450) 663-8700
Fax: (450) 663-9049
Wire mesh

P.C. Drop Forgings Division

837 Reuter Road
P.O. Box 100
Port Colborne, Ontario L3K 5V7
(905) 834-7211
Fax: (905) 834-5094
www.imtpcdf.com
Steel forgings - upset and drop

Sivaco Wire Group

24 Herring Road
Newnan, Georgia 30265-1006
(770) 253-6333
Fax: (770) 502-2639
www.sivaco.com
Corporate office

Sivaco Georgia LLC

24 Herring Road
Newnan, Georgia 30265-1006
(770) 253-6333
Fax: (770) 253-3550
www.sivaco.com
Wire products

Sivaco Ontario Processing Division

330 Thomas Street
P.O. Box 220
Ingersoll, Ontario N5C 3K5
(519) 485-4150
Fax: (519) 485-3039
www.sivaco.com
Wire rod processing

Sivaco Québec Division

800, rue Ouellette
Marieville, Québec J3M 1P5
(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

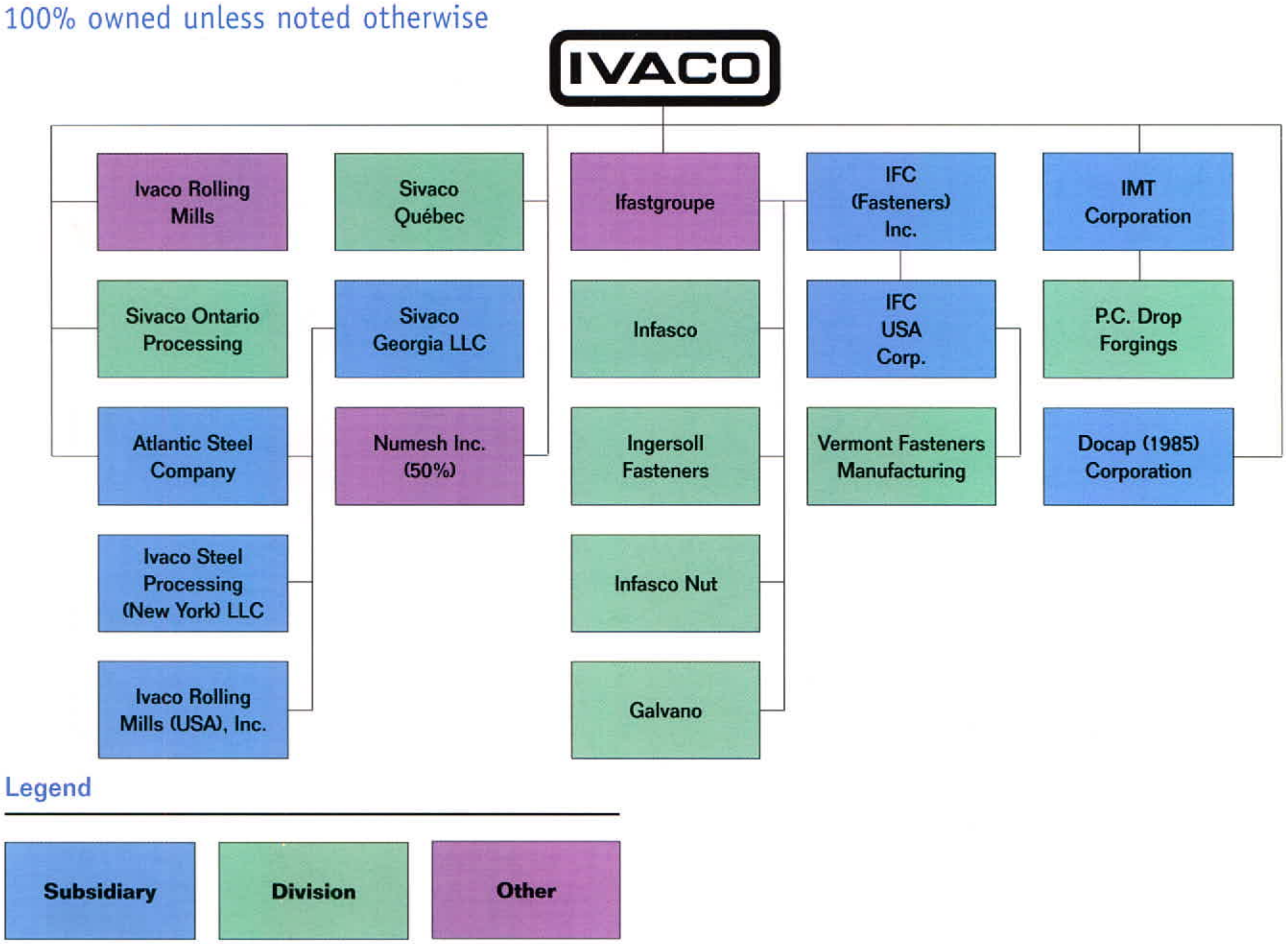
Vermont Fastener Sales Corp.

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



Officers

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

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

Donald W. McNaughton
Consultant, D.W. McNaughton Associates

Gaston Pelletier
Corporate Director

Le 2001 McGill College
770, rue Sherbrooke Ouest
Montréal (Québec) Canada H3A 1G1

Printed in Canada