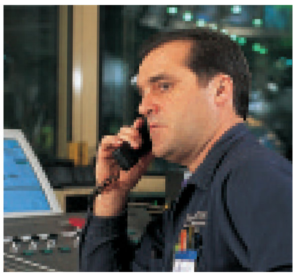
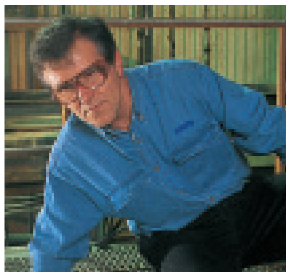
Stelco Inc. Annual Report 2000 • Proud People Creating Value

stelco

proud people
creating value







Stelco Inc.
Annual Report 2000

Our Mission

Stelco is a market-driven, technologically advanced group of businesses that are committed to maintaining leadership roles as steel producers and fabricators. These businesses are dedicated to meeting the requirements of their customers as well as collectively providing an appropriate return for Stelco shareholders. The people in these business units will achieve these objectives in healthy and safe environments through maximum development of their skills; by the creation and application of innovative process and product technology; through the identification and pursuit of new market opportunities; and by providing superior levels of quality and service.

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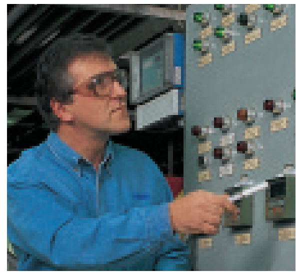


Our Operating Priorities:

- Create and maintain healthy and safe workplaces for our people.
- Preserve and enhance the environment in communities where we have plants through responsible and environmentally oriented operating practices.
- Maintain our asset base by keeping our operating facilities productive and up-to-date.
- Deliver continually improving levels of quality and service to our customers.
- Maintain close control of costs to ensure our competitiveness.
- Achieve superior levels of output and productivity.

Rolled Steel Products

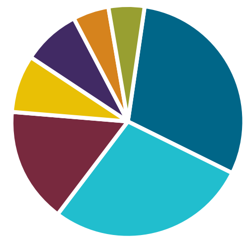
Company	Products	Net sales/ shipments	1998	1999	2000	Employees
Hilton Works Hamilton, Ontario	Hot rolled, cold rolled, and coated sheet; plate; bar and rod	Millions of dollars Thousands of tons	1,890 2,789	1,862 2,836	1,620 2,560	5,847
Lake Erie Steel Company Nanticoke, Ontario	Hot rolled sheet	Millions of dollars Thousands of tons	905 1,868	1,003 2,109	999 2,077	1,388
Stelco-McMaster Ltée Contrecoeur, Quebec	Billets, merchant bars, and special quality bar products	Millions of dollars Thousands of tons	198 487	196 521	196 535	420
AltaSteel Ltd. Edmonton, Alberta	Merchant and special quality bars	Millions of dollars Thousands of tons	116 233	101 217	117 242	354
CHT Steel Company Inc. Richmond Hill, Ontario	Heat treatment of plate	Millions of dollars Thousands of tons	7 27	4 16	5 20	29
Stelco USA, Inc. Troy, Michigan	Processing, warehousing, and sale of steel products	Millions of dollars Thousands of tons	123 121	48 57	127 136	4
Z-Line Company Hamilton, Ontario	Zinc coating of cold rolled steel	Millions of dollars	62	64	50	–
Baycoat Hamilton, Ontario	Application of paint finishes to rolled steel coils	Millions of dollars	86	91	87	262
Chisholm Coal Company Kentucky	Metallurgical coal	Millions of U.S. dollars	21	27	28	78
Wabush Mines Newfoundland and Quebec	Iron ore	Millions of dollars	317	236	287	812
Hibbing Mine Minnesota	Iron ore	Millions of U.S. dollars	298	265	318	802
Eveleth Mines L.L.C. Minnesota	Iron ore	Millions of U.S. dollars	168	149	130	558
Tilden Mining Company L.C. Michigan	Iron ore	Millions of U.S. dollars	270	241	280	836
Fers et Métaux Recyclés Ltée Quebec and New Brunswick	Scrap	Millions of dollars	76	51	57	52
GenAlta Recycling Inc. Alberta	Scrap	Millions of dollars			2	7

Manufactured Products

Company	Products	Net sales/ shipments	1998	1999	2000	Employees
Stelwire Ltd. Hamilton, Ontario	Wire and nails	Millions of dollars Thousands of tons	197 240	188 230	137 166	435
Stelfil Ltée Lachine, Quebec	Wire and wire products	Millions of dollars Thousands of tons	79 83	85 88	83 84	303
Stelpipe Ltd. Welland, Ontario	Tubular products ranging in diameter from 0.5 inches to 16 inches	Millions of dollars Thousands of tons	99 122	100 129	123 144	464
Welland Pipe Ltd. Welland, Ontario	Large-diameter transmission pipe for the oil and gas industry	Millions of dollars Thousands of tons	231 178	104 78	78 80	169
Camrose Pipe Company Camrose, Alberta	Large- and small-diameter pipe for the oil and gas industry	Millions of dollars Thousands of tons	248 234	134 133	66 77	135
MOLY-COP Canada Kamloops, B.C.	Forged grinding balls for the mining and mineral industry	Millions of dollars Thousands of tons	43 67	47 75	52 83	51
D.C. Chrome Limited Stoney Creek, Ontario	Metal plating and finishing	Millions of dollars	15	11	4	23

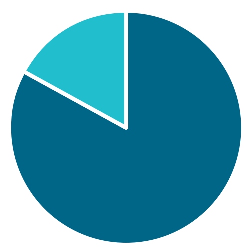
% owned	Major markets
100	Automotive, steel service centres, appliances, energy, construction, pipe and tube, and wire and wire products
100	Automotive, pipe and tube, energy, and steel service centres
100	Automotive, construction, mining, transportation, and steel service centres
100	Mining, manufacturing, energy, construction, and steel service centres
100	Construction, pressure vessel, shipbuilding, and mining
100	Automotive
60	Automotive and construction
50	Construction, agricultural, transportation, appliances, and consumer products
100	Steel manufacturing and utilities
38	Steel manufacturing
15	Steel manufacturing
15	Steel manufacturing
15	Steel manufacturing
50	Steel manufacturing and non-ferrous refining and processing
50	Steel manufacturing and non-ferrous refining and processing

SALES BY PRODUCT



30%	Cold Rolled/Coated
28%	Hot Rolled
16%	Rod & Bar
8%	Wire Products
8%	Pipe & Tubular
5%	Plate
5%	Other

CUSTOMER SALES BY SEGMENT

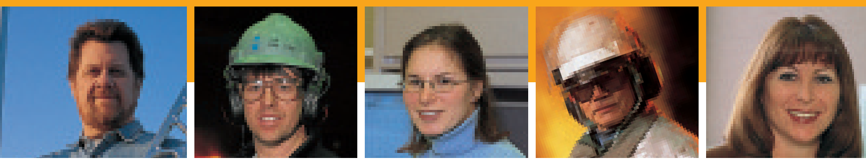


83%	Rolled Steel
17%	Manufactured

% owned	Major markets
100	Automotive, agricultural, construction, and general manufacturing
100	Construction, telecommunications, hydro transmission, recycling, and general manufacturing
100	Plumbing and heating, energy, construction, automotive, and mining
100	Oil and gas transmission
40	Oil and gas collection and transmission
50	Mining and minerals
50	Steel mill services

Net sales include inter-unit transactions at market prices.

For entities in which the Corporation has an ownership interest less than 100%, net sales represent 100% of the business activity of these entities.



Operating and Financial Performance

Semi-finished steel production of 5.6 million tons, an increase of 7% over last year, was a new output record for Stelco. Both Lake Erie Steel Company and Stelco-McMaster Ltée established new production records as they capitalized on recent investments to increase capacity.

Extremely competitive market conditions, higher natural gas prices, and operating cost performance in the second half of the year resulted in a decline in net income to $4 million ($0.04 per common share) in 2000 from $107 million ($0.97 per common share) in 1999.

Markets

Apparent consumption of steel remained strong through the first half of the year. However, imports surged 29% and captured 44% of the Canadian market in 2000, creating an oversupply situation and lower prices in the second half of the year.

Trade actions have been initiated by Stelco and other Canadian producers to address the dumping of unfairly traded steel into the Canadian market.

Capital Investments

In June 2000, the first phase of Lake Erie Steel's hot strip mill upgrade was completed, increasing annual rolling capacity by 500,000 tons.

The addition of a new charging crane at Lake Erie Steel increased annual steelmaking capacity by 110,000 tons.

The upgrade of Hilton Works 4-stand cold rolling mill was completed improving quality through the last half of the year.

Stelco-McMaster's new bar mill was completed, generating improved productivity, quality, and capacity.

A project to modernize AltaSteel Ltd.'s bar rolling facilities has begun which will increase capacity by 30%.

The final phase of the Lake Erie Steel hot strip mill upgrade commenced.

Health, Safety and Environment

Stelco continued to meet its goal of improved safety and environmental performance in 2000.

Lake Erie Steel was the recipient of a Canada 2000 Energy Efficiency Award.

Stelfil Ltée was honoured with a 2000 Biosphere Award for water conservation.

Stelwire Ltd.'s Burlington facility completed its fourth consecutive year without a lost-time accident.

Shareholder Value

3,293,400 common shares were purchased in 2000 for $26 million through Stelco's normal course issuer bid.

$12 million was paid in common share dividends.

Capital investments of $148 million were made to support Stelco's strategic plan of enhancing shareholder value.

STEEL SHIPMENTS
(thousands of net tons)

96	97	98	99	**00**
4,577	4,818	4,607	4,862	**4,684**

PRODUCTION OF SEMI-FINISHED STEEL
(thousands of net tons)

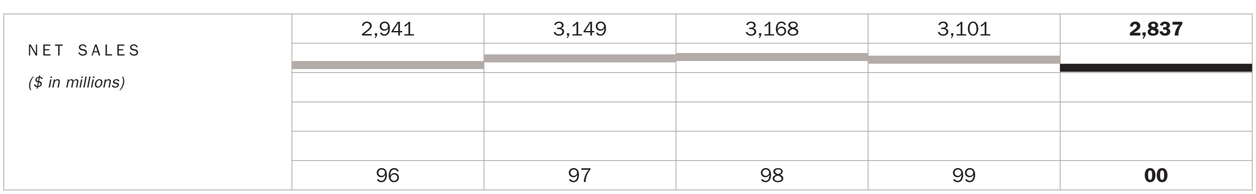
96	97	98	99	**00**
5,009	5,108	5,256	5,217*	**5,594**

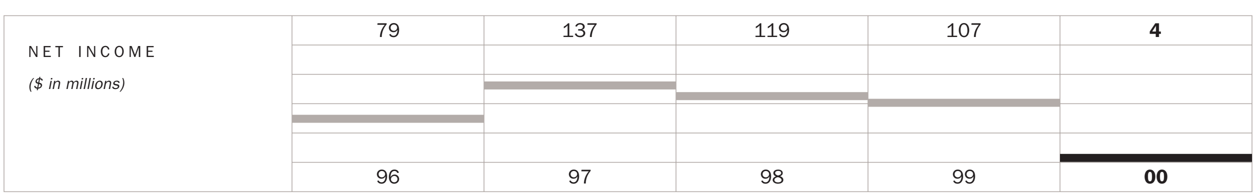
**Production reduced by 280,000 tons due to "E" blast furnace reline*

Years ended December 31 (Dollars in millions except as indicated*)		**2000**	1999††
FINANCIALS			
Net sales	**$**	**2,837**	3,101
Net income	**$**	**4**	107
Income per common share†	***$**	**0.04**	0.97
Dividends declared			
– preferred	**$**		4
– common	**$**	**12**	13
Per common share	***$**	**0.12**	0.12
Common shareholders' equity	**$**	**995**	1,456
Per common share	***$**	**9.73**	13.80
Return on average common shareholders' equity	%	**0.3**	7.3
Return on average capital employed	%	**1.5**	6.2
Cash flow from operating activities	**$**	**75**	224
Capital expenditures	**$**	**148**	222
Debt/equity – % of total capital		**37/63**	31/69
OPERATIONS			
Income from operations per ton shipped	***$**	**11**	40
Average number of employees		**10,811**	11,133
Production of semi-finished steel – thousands of net tons		**5,594**	5,217
Steel shipments – thousands of net tons		**4,684**	4,862

†After dividends on cumulative preferred shares.

††Effective January 1, 2000, the Corporation adopted the new standards of the Canadian Institute of Chartered Accountants concerning Employee future benefits and Future income taxes. The effect of these accounting changes is described in Note 2 to the consolidated financial statements. The Corporation has applied the new standards retroactively without restatement of prior years.





proud people creating value

Our financial results in 2000 were adversely affected by a dramatic change in market conditions in the second half of the year which, along with significantly higher energy costs and operational inefficiencies in the commissioning of new equipment in the Hilton Works cold mill, resulted in losses for the third and fourth quarters of the year. These were the first quarterly losses experienced after twenty-five consecutive profitable quarters and led to a 96% decline in net income to $4 million or $0.04 per share.

The volume of steel imports into Canada surged dramatically in 2000, increasing 29% over 1999, and capturing 44% of the Canadian steel market. This record level of imported steel created an oversupply situation that was compounded by declining demand as the economy weakened in the second half of the year. Consequently, our shipping volume and selling prices deteriorated rapidly resulting in a 9% decline in Net sales to $2,837 million for the year. We believe the majority of the imported steel is unfairly traded, which has led to the filing of antidumping cases for reinforcing bar, galvanized sheet, and hot rolled sheet during the year by Stelco and other Canadian steel producers.

SIGNIFICANT ACHIEVEMENTS

Despite the need to curtail steel production in the fourth quarter to reduce inventory, semi-finished steel production for the year was a record 5.6 million net tons, 6% above the previous high. This level of performance is a result of recent capital investments to upgrade technology and increase productivity at our lowest-cost facilities, Lake Erie Steel Company and Stelco-McMaster Ltée, both of which established new steel production records.

In addition to demonstrating this increased semi-finished steel production capability, several strategic capital projects were completed in 2000 that will enhance shareholder value going forward. The first phase of the Lake Erie Steel hot strip mill upgrade was completed in June. This $120 million investment will increase annual rolling capacity by 500,000 tons and improve product quality. The second phase of this expansion was initiated during the year and, when completed, will increase annual rolling capacity of the mill to 4 million tons of the highest-quality hot rolled sheet.

The installation of a second charging crane and ladle furnace at Lake Erie's steel shop was completed, increasing annual steelmaking capacity by over 100,000 tons to 2.5 million tons.

In addition to our focus on quality improvement, new product development, and enhanced customer service, Stelco participates in key industry activities to grow the North American market for steel.

At Hilton Works, a $48 million investment in upgrading the 4-stand tandem cold mill was completed. While commissioning was slower than expected, productivity improved steadily through the last half of the year, and significantly enhanced quality in gauge, surface, and shape control was achieved. We expect to realize the full benefits of this investment in quality and productivity in 2001.

We are capitalizing on the opportunity to grow our mini-mills. The expansion of the Stelco-McMaster bar mill was completed in the first quarter. Through the year, productivity and product quality steadily improved and new quarterly output records were achieved as annual rolling capacity increased by 38%. At AltaSteel Ltd., a $25 million project to modernize the bar rolling facilities was initiated which will increase capacity by 30% while enhancing product quality. This project will be completed in 2002.

During 2000, expenditures for capital investments were $148 million bringing the total capital investment since 1997 to $834 million. These investments are a key component of our strategic plan to grow our businesses through enhanced performance to create increased shareholder value. Over the past two years, we have achieved cost reductions of approximately $35 per ton as a result of our strategic investments in technology and training.

New long-term labour agreements were reached at Lake Erie Steel and at Stelwire Ltd.'s Parkdale Works of four and five years, respectively.

MARKET GROWTH

In addition to our focus on quality improvement, new product development, and enhanced customer service, Stelco participates in key industry activities to grow the North American market for steel. Acceptance of steel as an effective lightweight material for automotive applications is increasing rapidly as a result of the worldwide UltraLight Steel Auto Body project. We are also having great success in developing new markets for steel. Over the past year, the market for steel used in residential framing and steel utility poles continued to grow.

Through The**Steel**Alliance promotional campaign, we have been very successful in promoting the *New Steel,* which is lighter, stronger, and more versatile. Steel has now achieved the number one position in favourableness ranking with consumers of all competing materials. These, and many other market development activities, are aimed at growing the North American market for steel by 25% by making steel the material of choice.

James C. Alfano, President and Chief Executive Officer (left), and Frederick H. Telmer, Chairman.

OUR PRIORITIES

The health and workplace safety of all our people remains our highest priority and, in 2000, we met our goal of reducing the number of lost-time accidents. We also achieved continuous improvement in enhancing our environmental performance and received recognition by a number of organizations for our accomplishments. Lake Erie Steel was the recipient of a Canada 2000 Energy Efficiency Award, while Stelfil Ltée was honoured with the Biosphere Award for achievements in water conservation.

FOCUSED ON ENHANCING VALUE

As we look ahead, our key objective remains to enhance shareholder value by growing our businesses while maintaining a solid financial position. We are confident that the execution of our strategic plan will deliver this value as steel market conditions recover. Our focus on improving product quality, customer service and supply dependability, growing the value-added mix of products sold, and enhancing our operational performance is working, and we will continue to build on the progress made in 2000.

During the year, $26 million was spent acquiring 3,293,400 common shares through our normal course issuer bid and $12 million was paid to shareholders in dividends.

PROUD PEOPLE CREATING VALUE

We recognize that our most important asset is our people. Through the balance of this year's annual report, you will learn how our employees have embraced our key objective of creating value. Significant investments have been, and continue to be made in training and education to ensure that our people have the skills and the knowledge to contribute to our performance improvement and growth while building a secure and challenging career for themselves. We are very proud of our people and all that they have accomplished, and we face the future confident in our ability to meet our goals and objectives.

OUTLOOK

The year 2001 is expected to be equally as challenging as 2000. The weakened demand for steel and declining prices experienced in the latter part of 2000 will persist into 2001 with the slowing economy. The record high level of imports experienced in 2000 should lessen as a result of trade action during 2001. In addition, we anticipate that natural gas costs for the Corporation will increase significantly over the high levels experienced in 2000. The focus of our people during the year will be to utilize the new technologies with which we have equipped ourselves to achieve significant improvement in operating performance, quality, service, and cost.

During the year, a number of changes occurred in the Board of Directors and the Corporation’s management. In April, Mr. J.D. Muncaster retired from the Board after 15 years of service. We thank Mr. Muncaster for his valuable contributions. Mr. P. Choquette joined the Board of Directors. Mr. Choquette is President and Chief Executive Officer of Methanex Corporation.

Effective September 1, 2000, Paul Paciocco was appointed Vice President, Facilities Planning, Stelco Inc. Marcel Francoeur was appointed Vice President and General Manager, Hilton Works, and Angelo Grandillo was appointed President and Chief Executive Officer of Stelco-McMaster Ltée.

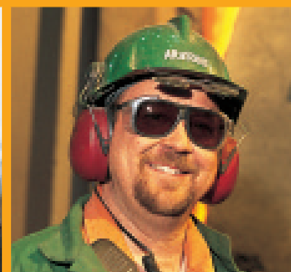
In closing, we would like to thank our customers and suppliers for their support, and our shareholders for their ongoing loyalty. Most importantly, we want to extend our gratitude to all of Stelco's employees, who are truly “Proud People Creating Value”. While the past year was challenging, we continued to execute our strategic plan, positioning the Corporation for improved performance and growth over the long term.

James C. Alfano
President and Chief Executive Officer

Frederick H. Telmer
Chairman

Hamilton, Canada
February 1, 2001






proud people creating value...

At Stelco, we recognize that our people are our most important asset and our most important resource to create value for shareholders. Ongoing investments in new technology and facility upgrades, as well as employee training and education, are providing our people with the tools and the knowledge to contribute meaningfully to operating performance improvements and growth as they build challenging and rewarding careers. Ultimately, it is through our people that we will meet our objective of enhancing value for our customers, our employees, our communities, and

...for our shareholders.

creating value through technology

Capital investments that improve productivity and quality while increasing capacity and lowering costs are an important component of Stelco's strategic plan to improve performance. Over the past four years, Stelco has invested more than $800 million in new technologies and other strategic capital programmes, including Lake Erie Steel Company's blast furnace and caster improvements and the first phase of the upgrade to its hot strip mill; Hilton Works coke oven refurbishment and upgrades to the plate mill and 4-stand cold mill; Stelco-McMaster Ltée's bar mill; and AltaSteel Ltd.'s ladle furnace and automated bar bundling system. Ongoing projects include the second phase of Lake Erie Steel's hot strip mill upgrade and AltaSteel's new bar mill.

These projects have produced a number of benefits. Steelmaking capacity at our lowest-cost facilities has increased significantly. Productivity has doubled since 1990. Quality has been enhanced, while at the same time cost savings of approximately $35 per ton have already been realized. As a result of the production systems and technology upgrades, Stelco has been transformed into one of North America's most efficient manufacturers of steel and steel products.

Holly Colbeck, Process Engineer, Hot Strip Mill,
Lake Erie Steel Company

"Our new downcoiler is generating much less variance in the shape and presentation of our finished coils, factors that are significantly enhancing quality and adding value for our customers."



creating value through the *New Steel*

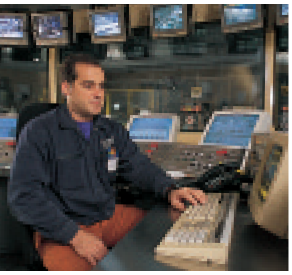
Stelco has been at the forefront of the North American steel industry's market development and promotional activities which are aimed at growing steel demand by 25%. Through technology and research, the "New Steel for the New Century" is being developed. Over half of the steel products sold today were not available ten years ago.

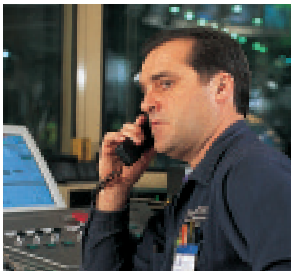
One of Stelco's most important markets is the automotive sector, and acceptance of steel as a cost-effective, light-weight material is increasing rapidly as a result of the worldwide UltraLight Steel Auto Body project. New initiatives, like Advanced Vehicle Concepts and UltraLight Steel Auto Closure programmes, are ensuring that steel remains the material of choice for the global automobile industry.

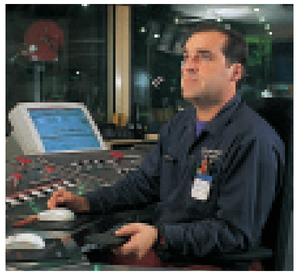
New markets for steel have also been successfully developed. The use of steel in residential construction continues to grow and shipments of steel utility poles have more than doubled in recent years. Consumer promotional campaigns emphasizing steel's benefits as lighter, stronger, and more versatile have also proved highly successful as the *New Steel* has become the most favoured material for consumers when compared with wood, plastic, or aluminum.

Mike Thorpe, Automotive Specialist, Hilton Works

"Through our efforts on initiatives such as the UltraLight Steel Auto Closure project, we are promoting the use of Stelco's value-added products and ensuring steel remains the material of choice for the global automobile industry."







creating value through innovation

Stelco continues to lead the industry in adopting the latest steelmaking technologies and procedures to ensure the highest-quality products are delivered to its customers at the lowest possible cost. Capital investments over the past four years have provided Stelco's people with the latest equipment and methods – tools with which they have achieved significant advances and innovations in both production techniques and new products – designed to meet the specific needs of its customers.

An important component to the fostering of new ideas and practices is education and training, and Stelco continues to invest significantly in its people to ensure it remains at the forefront of adopting the most innovative approaches to the steel business. Stelco also supports education and training initiatives outside the Corporation. Through its sponsorship of McMaster University's Steel Research Centre, Stelco is fostering new approaches to steelmaking and steel applications while producing a stream of knowledgeable specialists ready to build their careers in the steel industry. Participation in a number of educational programmes and courses at the American Iron and Steel Institute and other industry organizations also helps to ensure Stelco remains a leading innovator in the steel industry.

Pierre Mathieu, Bar Mill Operator, Stelco-McMaster Ltée

"The right technology and good communications between the roller and operator are essential for the efficient operation of a modern rolling mill. The result is a successful start-up of our new bar mill that has exceeded expectations in quality and productivity."

creating value for customers

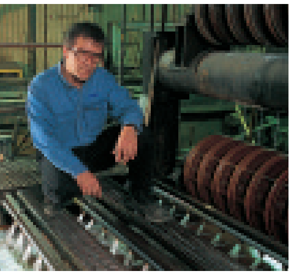
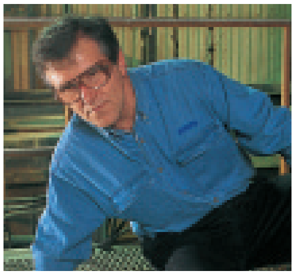
A key component of Stelco's strategic plan is to consistently improve product quality and customer service and supply dependability. Capital projects have significantly increased steelmaking capacity to improve reliability, while the implementation of new technologies and systems has enhanced quality. Through technology and the innovation of our people, Stelco has enhanced its position in value-added markets.

Stelco's people are engaged in close working relationships with customers to develop products that meet their specific needs. By providing customer support throughout the product development cycle, Stelco's products continue to meet exacting quality standards.

As examples, bake-hardenable steels, for dent resistance and formability, and extra-high-strength hot rolled sheet have been developed to meet the rigorous standards of the automotive industry. Among other initiatives, cold drawn bar processing and micro-alloyed high-strength steels are being developed for specialty spring applications, while non-chrome primers are being researched for our prepainted sheet products.

Farid Hassani, Research Associate, Hilton Works

"Our research is leading to new dual-phase and transformation-induced-plasticity steels that provide our automotive customers with higher-strength and more formable materials, helping them meet their goal of producing lighter and safer vehicles."


creating value for our employees and our communities

Stelco's top priority is to create and maintain healthy and safe workplaces for all its people while preserving and enhancing the environment through responsible and environmentally oriented operating practices.

In 2000, Stelco once again improved on its safety performance by reducing lost-time accidents. For example, Hilton Works reduced lost-time accidents by 24%, Stelco-McMaster decreased accident severity by 49%, while Stelwire Ltd.'s Burlington Works completed its fourth consecutive year without a lost-time accident. An important component of each business unit's objectives for 2001 is to continue to improve on this stellar safety record.

Stelco has also embraced the initiative of the International Iron and Steel Institute to go beyond the traditional methods of managing safety to create Accident-Free steel. Employees are encouraged to focus on the realization that all accidents can be avoided and are empowered to report situations where safety can be improved and potentially hazardous practices eliminated.

Environmental performance also improved significantly in 2000 with prestigious environmental awards being presented to Lake Erie Steel and Stelfil Ltée.

Denis Barras, Engineering Manager, Stelfil Ltée

"We are all very proud of our 2000 Biosphere Award in recognition of Stelfil's 50% reduction in waste water discharge. While initiatives to improve environmental performance add value to our communities, they also add value through reduced cost and improved productivity."

financial review

The purpose of this Management's Discussion and Analysis (MD&A) is to provide Stelco management's commentary on the Corporation's financial situation and future prospects. The discussion focuses on the two segments of Stelco Inc.'s business: rolled steel products and manufactured products. This MD&A should be read in conjunction with the audited consolidated financial statements contained on pages 30 to 47 of this Annual Report.

INCOME

SUMMARY

Net income was $4 million ($0.04 per common share) in 2000, down from $107 million ($0.97 per common share) in 1999. Included in income for 2000 is a non-cash charge of $18 million (net of tax of $9 million) or $0.17 per share pertaining to new accounting rules for pensions and other benefits adopted on January 1, 2000. Operating income declined to $50 million from $194 million in 1999. The major factors causing the decline in income were extremely competitive market conditions, higher natural gas prices, and operating cost performance in the second half of the year.

Net sales for 2000 were $2,837 million, down from $3,101 million in 1999. Shipments were 4,684,000 tons, down from 4,862,000 tons in 1999. Average revenue was $606 per ton compared with $638 per ton in 1999. Shipments and revenue in the second half were severely constrained by market disruptions caused by an influx of low-priced imported steel, weaker market demand, and depressed spot market prices. A shift in the mix of products sold, namely a lower proportion of cold rolled and coated sheet, also contributed to the decline.

Cost per ton was essentially unchanged in 2000 compared with 1999. Cost reductions resulting from operating efficiencies related to capital projects completed in 1999 and 2000 and the mix of products sold were offset by other factors. These factors included a 40% increase in the cost of natural gas, increased costs due to operational inefficiencies resulting from the commissioning of new equipment, and the cost effect of the curtailment of steel production and certain downstream operations in the fourth quarter.

Depreciation and amortization expense increased slightly due to the full-year charge for equipment started up in 1999.

Interest on long-term debt declined slightly to $55 million from $57 million in 1999. Average long-term debt outstanding in 2000 was lower than in 1999 as a result of principal repayments. Other interest – net, at $7 million, was $6 million lower than 1999, reflecting lower average cash balances in 2000.

Income tax includes Canadian federal and provincial income taxes as well as Canadian Large Corporation Tax, and federal and state income taxes pertaining to the Corporation's activities in the United States. An income tax recovery of $2 million was recorded in 2000 versus an income tax expense of $43 million in 1999. In 2000, tax recoveries from loss jurisdictions more than offset the tax expense in lower-taxed profitable jurisdictions. In 1999, federal and provincial tax losses from previous years were utilized to reduce income taxes. The components of consolidated income taxes for 2000 and 1999 are presented in Note 4 to the financial statements on page 37 of this report.

Declared dividends on common shares were $12 million, or $0.12 per common share, unchanged from 1999. On November 1, 1999, the 2.7 million Series C Preferred Shares outstanding were redeemed and as a result there were no preferred share dividends in 2000.

OPERATING REVIEW

The two segments of Stelco's business are rolled steel products and manufactured products. Results for the operations of these segments for 2000 and 1999 are summarized in the following table.

Operating income (loss) by operating segment

2000

($ millions)	**Rolled steel products**	**Manufactured products**	**Intersegment sales**	**Total**
Net sales	**$ 2,631**	**$ 472**	**$ (266)**	**$ 2,837**
Costs	**2,410**	**494**	**(266)**	**2,638**
Depreciation and amortization	**145**	**4**		**149**
Operating income (loss)	**$ 76**	**$ (26)**		**$ 50**
Average revenue per ton	**$ 563**	**$ 866**		**$ 606**
Tons shipped (000's)	**4,672**	**545**	**(533)**	**4,684**

1999

($ millions)	Rolled steel products	Manufactured products	Intersegment sales	Total
Net sales	$ 2,827	$ 561	$ (287)	$ 3,101
Costs	2,491	561	(287)	2,765
Depreciation and amortization	137	5		142
Operating income (loss)	$ 199	$ (5)		$ 194
Average revenue per ton	$ 586	$ 908		$ 638
Tons shipped (000's)	4,822	618	(578)	4,862

ROLLED STEEL PRODUCTS SEGMENT

The rolled steel products segment of the Corporation comprises those business units and joint ventures which are wholly or primarily associated with the production of steel and its conversion into a variety of rolled steel products. The entities included in this segment are listed in the Stelco At-A-Glance foldout at the front of this report.

The main markets served by this segment are the automotive and construction industries, steel service centres, pipe and tubular products manufacturers, and steel fabricators. In addition, this segment supplies much of the steel used by the manufactured products segment of the Corporation.

NET SALES

North American demand for rolled steel products remained strong through the first half of 2000. Apparent Canadian steel consumption in 2000 matched the very high levels achieved in 1999. However, market conditions for steel products were negatively influenced by an influx of low-priced imports, the majority of which were unfairly traded. In Canada, the import share of steel consumption in 2000 increased to 44% from 38% in 1999. As a result, shipments by domestic producers were constrained and spot market prices severely depressed, particularly in the second half of 2000.

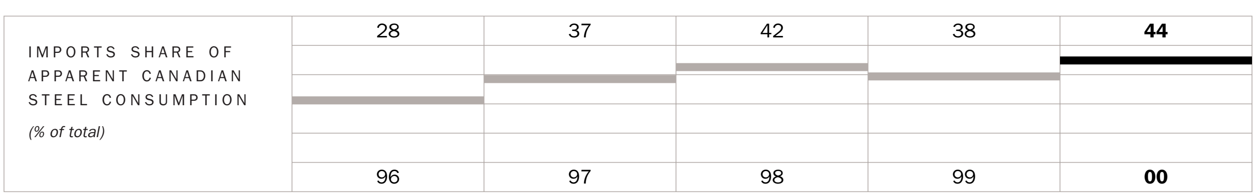
The Corporation continues to participate in trade actions designed to curb those imports which are being unfairly traded. In January 2000, the Canadian International Trade Tribunal (CITT) ruled that dumped imports of steel reinforcing bar from Cuba, South Korea, and Turkey had injured producers in Canada and imposed a requirement that imports enter Canada at non-dump prices or be subject to duty to bring prices up to “normal value.” In June, the CITT renewed an antidumping ruling on welded standard pipe from South Korea. Also in June, the CITT ruled that dumped carbon steel plate from Brazil, Finland, India, Indonesia, Thailand, and Ukraine, as well as subsidized plate from India, Indonesia, and Thailand, had materially injured Canadian producers, and dumping margins averaging 39.6% were imposed. In November 2000, the Canada Customs and Revenue Agency (CCRA) began its investigation into a complaint filed by the Corporation that unfairly traded steel reinforcing bar originating in Indonesia, Japan, Latvia, Moldova, Poland, Taiwan, and Ukraine had been injuring the performance of AltaSteel Ltd. and Stelco-McMaster Ltée. On February 1, 2001, the CCRA announced that 100% of the reinforcing bar imports that it had been investigating from these seven countries were dumped at margins as high as 30%. The next step is an injury investigation by the CITT, which is required to rule by June 1, 2001. In December 2000, the CCRA began an unfair trade investigation into allegations of dumping of certain corrosion-resistant steel sheet originating in, or exported from, China, India, Malaysia, Portugal, the Russian Federation, South Africa, and Taiwan, and into allegations of injurious subsidization of the same material originating in or exported from India. In January 2001, the CCRA initiated an investigation into the dumping of hot rolled sheet from Brazil, Bulgaria, China, India, Macedonia, New Zealand, Saudi Arabia, South Africa, South Korea, Taiwan, Thailand, Ukraine, and Yugoslavia, and into the injurious subsidization of the same products by the government of India.

Sales for the major product types sold by the units comprising this segment are shown below:

Rolled steel products: Net sales by product group including intersegment sales

($ millions)	**2000**	1999
Hot rolled sheet	**$ 877**	$ 857
Cold rolled sheet	**238**	325
Coated sheet	**613**	744
Plate	**189**	180
Bar and wire rod	**606**	628
Other	**108**	93
Total	**$ 2,631**	$ 2,827

Sales revenue in 2000 was down by 7% to $2,631 million from $2,827 million in 1999. Shipments of rolled steel products, including intersegment sales, declined by 3% to 4,672,000 tons in 2000 from 4,822,000 tons in 1999. Shipments of the products referred to in the discussion of trade actions above were constrained by the availability of low-priced imports. Sales revenue was also affected by a sharp reduction in average selling prices, particularly for flat rolled products. Of the $23 per ton reduction in average revenue per ton in 2000 over 1999, approximately $11 per ton resulted from selling price reductions, with the balance being mainly due to a lower proportion of higher-priced cold rolled and coated sheet in the mix of products sold.



PRODUCTION AND COSTS

Rolled steel products: Semi-finished steel production

(Tons 000's)	2000	1999
Hilton Works	**2,389**	2,163
Lake Erie Steel Company	**2,356**	2,279
Stelco-McMaster Ltée	**582**	539
AltaSteel Ltd.	**267**	236
Total	**5,594**	5,217

Steel output increased by 377,000 tons in 2000 over 1999. Output at Hilton Works was reduced by approximately 280,000 tons in 1999 by the scheduled reline and upgrade of "E" blast furnace. New steel output records were set at both Lake Erie Steel Company and Stelco-McMaster. Due to oversupply in the market caused primarily by massive imports of dumped foreign steel, "D" blast furnace at Hilton Works was idled on November 28, 2000, for an indefinite period to reduce excess steel inventory.

Costs were $2,410 million in 2000 compared with $2,491 million in 1999. Cost per ton shipped was $516 in 2000, including $4 per ton due to accounting changes for employee future benefits, compared with $512 per ton in 1999 after adjusting for the negative cost impact pertaining to the reline of "E" blast furnace at Hilton Works.

Substantial progress was achieved in reducing operating costs in 2000 through a strategic focus on continuous operational improvement. Capital projects which contributed to the gains in productivity and improved energy usage were the "E" blast furnace reline and upgrade at Hilton Works, which was completed late in 1999; Phase I of the hot strip mill upgrade at Lake Erie Steel; and the bar mill expansion and upgrade at Stelco-McMaster, both of which came on stream in the first half of 2000.

However, the gains in productivity and energy usage were more than offset by cost increases related to:

- rapid escalation in the price of natural gas which increased costs by $45 million in 2000 compared with 1999
- operational inefficiencies pertaining to the commissioning of new equipment at the plate mill and 4-stand cold mill at Hilton Works
- the effect in the fourth quarter of the curtailment of steel production through the idling of "D" blast furnace and reduced operations of certain downstream units at Hilton Works.

DEPRECIATION AND AMORTIZATION

The increase in Depreciation and amortization expense for this segment, from $137 million to $145 million, reflects the impact of the major capital projects which came on stream late in 1999 or in 2000.

OPERATING INCOME

Operating income for this segment declined to $76 million from $199 million in 1999. Operating income for 2000 includes a non-cash charge to pretax income of $16 million resulting from changes to accounting rules adopted by the Corporation on January 1, 2000 for employee future benefits.

MANUFACTURED PRODUCTS SEGMENT

The manufactured products segment of the Corporation includes business units, both wholly and partially owned, involved in the further processing of rolled steel products. Products made by units in this segment include a wide variety of wire and wire products, small- and large-diameter pipe and tubular products, and grinding balls.

Business units in this segment, shown in the Stelco At-A-Glance foldout at the front of this report, service the major industrial and commercial markets in North America, with the automotive, agricultural, construction, oil and gas, mining, and general manufacturing industries forming a major part of the customer base.

Sales of manufactured products declined to $472 million from $561 million in 1999. Sales of wire products were lower in 2000 due to the sale of Frost Wire Products Ltd. in May 1999, and the effects of the three-month strike at the Parkdale Works facility of Stelwire Ltd. Sales of pipe and tubular and other products were also slightly lower in 2000 compared with 1999.

Operating loss for this segment increased from $5 million in 1999 to $26 million in 2000. The operating loss for 2000 includes a non-cash charge to pretax income of $11 million resulting from changes in accounting rules regarding employee future benefits adopted by the Corporation on January 1, 2000. The three-month strike at Stelwire and less profitable large-diameter pipe orders due to lower selling prices were the main causes for the decline in operating income in 2000.

LIQUIDITY AND CAPITAL RESOURCES

To cope with the cyclical nature of the steel industry, the Corporation aims to maintain adequate cash balances, lines of credit, and a reasonable debt-to-equity position. The necessity for such an approach was made evident in the second half of 2000. Surging imports of steel products contributed to a sharp decline in shipments and selling prices. As a result, the Cash and cash equivalents balance was $45 million at year-end, down from $176 million at year-end 1999. Available lines of credit, including amounts for subsidiaries and joint ventures, at year-end 2000 totalled $287 million compared with $297 million at year-end 1999. Usage of these lines at year-end was $43 million. At December 31, 2000, debt/equity as a percent of total capital was 37/63.

OPERATING ACTIVITIES

Net income adjusted for non-cash items was $160 million, down from $264 million in 1999, a direct reflection of lower operating results for 2000.

The net change in Employee pension and other future benefits was a favourable adjustment of $4 million in 2000 compared with an unfavourable adjustment of $31 million in 1999. In 2000, the amount of cash funding for pensions in excess of costs calculated under Canadian generally accepted accounting principles was $25 million compared with $31 million in 1999. In addition, in 2000, as a result of changes in accounting rules adopted by the Corporation on January 1, 2000, $29 million was accrued against income for employee future benefits other than pensions which more than offset the adjustment for cash funding of pensions.

Changes in Operating elements of working capital resulted in a cash outflow of $87 million in 2000 compared with a cash inflow of $43 million in 1999 mainly due to an increase in steel inventories. As noted earlier, shipments were severely constrained in the second half of the year as a direct result of a surge in steel imports, thereby creating this inventory buildup.

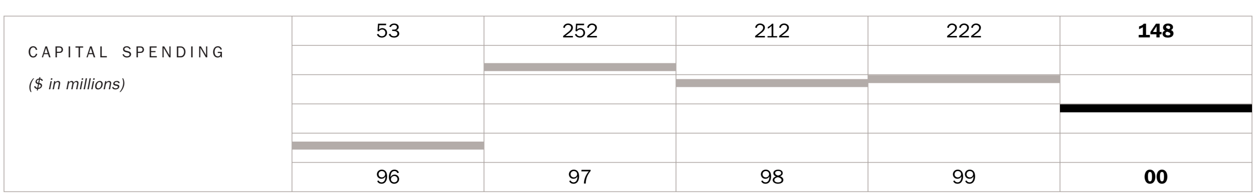
In 1999, $84 million was spent to reline “E” blast furnace at Hilton Works; spending relating to relines in 2000 was $2 million.

INVESTING ACTIVITIES

In June 1996, $69 million was advanced to the Z-Line Company, a 60%-owned partnership, allowing it to eliminate its debt to a consortium of banks. During 2000, the outstanding balance, $6 million, was repaid ($20 million was repaid in 1999).

Investments in capital assets were $148 million in 2000, compared with $222 million in 1999. Expenditures in 2000 were primarily devoted to completing Phase I of the hot strip mill upgrade and the expansion of steelmaking at Lake Erie Steel, the 4-stand cold mill upgrade at Hilton Works, and the bar mill expansion of Stelco-McMaster. Also, some expenditures were devoted to Phase II of the hot strip mill expansion at Lake Erie Steel. During 2000, a $25 million project was approved to modernize the bar rolling facilities at AltaSteel. The project, scheduled for completion by mid-2002, will increase bar rolling capacity by 75,000 tons to serve growing markets in Western Canada and to improve product quality, particularly size tolerances.

At December 31, 2000, the estimated cost of completing approved capital projects was $293 million which is expected to be financed from both internal and external capital sources.



FINANCING ACTIVITIES

In 2000, $1 million was drawn down under a financing arrangement for the AltaSteel bar mill project. In 1999, $20 million was drawn down, including $19 million under a financing arrangement for the bar mill upgrade at Stelco-McMaster. At December 31, 2000, $24 million remained available for drawdown under these arrangements. In February 1999, the Corporation issued $150 million of 8% senior unsecured debentures priced to yield 8.048% which provided proceeds of $148 million.

Repayment of long-term debt totalled $64 million in 2000 ($64 million in 1999). Of this amount, payments of $30 million were made on the Notes payable ($30 million in 1999), $21 million on other term loans ($21 million in 1999), and $13 million against amounts owing by proportionately consolidated joint ventures ($13 million in 1999).

The Corporation has a Key Employee Stock Option Plan, the details of which are set forth in Note 11 to the consolidated financial statements. During the year, no options were exercised. (In 1999, 441,600 options were exercised generating $3 million.) The purpose of this Plan is to more closely align the interests of senior management and shareholders.

During the year, the Corporation acquired for cancellation 3,293,400 of its common shares for $26 million through a normal course issuer bid ($8 million in 1999).

Cash payments for dividends were $12 million, down from $18 million in 1999 due to the redemption of all Series C Preferred Shares outstanding for $67 million on November 1, 1999.

RISKS AND UNCERTAINTIES

STEEL SUPPLY AND PRICES

Unfairly traded steel imports pose a risk to both shipment volumes and prices. In 2000, imports comprised 44% of Canadian apparent steel consumption, up sharply from 38% in 1999.

CYCLICALITY OF THE NORTH AMERICAN STEEL INDUSTRY

The financial conditions and results of operations of companies in the North American steel industry are generally affected by conditions in the local and global economies. The Corporation is particularly sensitive to conditions in cyclical industries, such as automotive, construction, and oil and gas transmission, which are significant markets for the Corporation's products.

VARIABILITY OF OPERATING RESULTS

The Corporation's operational and financial results fluctuate substantially due to factors such as operational performance, specific product competition, the rising price of raw materials and utilities such as natural gas, and delays in capital projects.

CURRENCY

The Corporation is a net purchaser of U.S. dollars with U.S.-dollar denominated purchases of raw materials, supplies, and equipment exceeding U.S.-dollar receipts from sales by US $284 million in 2000 (US $253 million in 1999). As a net purchaser of U.S. funds, the Corporation is negatively affected by a weak Canadian currency. However, a weak Canadian dollar improves the Corporation's competitive position, as well as the competitiveness of its Canadian customers, over U.S.-based counterparts. The average value of the Canadian dollar in U.S. terms was $0.6733, compared with $0.6730 in 1999.

Some of Stelco's business units and subsidiaries enter into forward exchange contracts to protect the value of their U.S.-dollar denominated sales. At year-end, the Corporation had purchased contracts to sell US $27 million.

INTEREST RATES

With the current level of the Corporation's debt load, and at current interest rates, there is no abnormal interest rate risk at Stelco. However, if the Bank of Canada raises interest rates significantly, there could be a negative impact on general economic activity and steel consumption.

LABOUR MATTERS

The union local at Hilton Works complained to the Ontario Labour Relations Board in October 1997 regarding certain pension matters. The issue is set forth in the Note 15 to the consolidated financial statements (see page 47).

The Corporation and its wholly owned subsidiaries are party to 11 collective agreements with trade unions representing approximately 75% of the Corporation's employees. The agreements are limited to single plants. Three agreements expired in 2000; two were renewed during the year at Lake Erie Steel and Stelwire and one was unresolved at year-end at Welland Pipe. One agreement expires in 2001, five expire in 2002, one expires in 2003, two expire in 2004, and one expires in 2005.

While the Corporation's business units attempt to maintain good relations with their unionized employees, no assurance can be given that labour difficulties at any of the Corporation's business units will not have a material adverse effect on the business, financial condition, or results of operations of the Corporation.

ENVIRONMENT

Among the most important responsibilities of the Corporation's business units is complying with environmental laws and regulations concerned with, amongst other things, emissions into the air, discharges to surface ground water, noise control, and the generation, handling, storage, transportation, and disposal of toxic and hazardous substances. These laws and regulations vary depending on the location of the facility and can fall within federal, provincial, or municipal jurisdictions.

In meeting its overall environmental goals and government-imposed standards in 2000, the Corporation incurred operating costs of $61 million ($61 million in 1999) and spent $18 million on capital improvements ($15 million in 1999).

Stelco's Corporate Health, Safety and Environment department regularly reviews and audits each business unit's operating practices to monitor compliance with the Corporation's environmental policies and legal requirements.

The Corporation believes that future costs relating to environmental compliance will not have a material adverse effect on the Corporation's financial position. There is always the possibility, however, that unforeseen changes, such as new laws or enforcement policies, or a crisis at one of our properties or operations, could result in material adverse costs.

TECHNOLOGY AND COMPETITION

The expansion in North America of electric arc furnace steel mills (also referred to as mini-mills), which produce steel from scrap, has contributed to the competitive pressures faced by integrated producers. Although the participation of mini-mills in steel markets was initially limited to structural, bar, and rod products, the situation has changed substantially in recent years. Thin-slab casting technologies are allowing such mills to participate in sheet and plate markets that were previously served by integrated plants. Additionally, demand for high-strength coated sheet for the automotive industry, higher-strength line pipe, and thin-strip casting technologies pose new challenges for the integrated plants.

Stelco is unable to predict the extent and severity of future competition. The Corporation will continue to focus its resources and capital expenditures on maintaining its status as a strong and capable competitor in North American steel markets as both an integrated and mini-mill producer.

OUTLOOK

With the North American economy slowing, highly competitive market conditions are expected to prevail in 2001. The record high level of imports experienced in 2000 should lessen as a result of trade action during 2001. Natural gas prices are expected to remain high and, coupled with reduced production volume, will adversely impact production cost. It is also anticipated that significant year-over-year productivity improvements will occur as a result of several recently completed capital projects.

In view of this outlook, all business units in 2001 will be implementing strict cash conservation/generation measures with the objective of restoring cash balances to a more representative level by year-end 2001. A key component of these measures will be significant inventory reduction through the strict monitoring of production levels relative to shipment volumes. In addition, the projected level of capital spending for 2001 has been reduced to $60 million and the payment of dividends on Series A and Series B Convertible Common Shares has been suspended effective with the May 1, 2001, payment date.

Management of Stelco Inc. is responsible for the preparation of the accompanying consolidated financial statements and related information contained in this Annual Report. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Where alternative accounting methods exist, management has chosen methods which management believes to be appropriate in the circumstances. Where estimates or judgments have been required, management has determined such amounts on a reasonable basis in conformity with Canadian generally accepted accounting principles.

In meeting its reporting responsibility, management has established and followed policies and procedures and systems of internal control designed to (i) provide reasonable assurance that assets were safeguarded from loss or unauthorized use and (ii) produce reliable financial information. These internal control systems were periodically tested and evaluated by both the internal auditors and the external auditors, and management took any action necessary to respond appropriately to their recommendations. Management recognizes the limits inherent in all systems of internal control but believes that Stelco has established effective and responsive systems of internal control through the careful selection of employees, the division of responsibilities, and the application of formal policies and procedures.

The Board of Directors oversees management's preparation of the consolidated financial statements and ultimately approves the financial statements and related disclosure based on a recommendation from the Audit Committee of the Board of Directors. As a basis for recommending approval of the consolidated financial statements to the Board of Directors, the Audit Committee reviews with management the Corporation's internal controls over financial reporting and the accounting policies and procedures employed by the Corporation for financial reporting purposes and, as well, meets independently with internal and external auditors to consider the results of their audits.

Stelco's management believes that the systems of internal control, review procedures, and established policies provide reasonable assurance that the Corporation's operations have been carried out in conformity with the high business standards of the Corporation's Code of Ethics and Business Conduct.

The Audit Committee recommended the appointment of the Corporation's external auditors, KPMG LLP, to examine the 2000 and 1999 consolidated financial statements of the Corporation in accordance with auditing standards generally accepted in Canada. The appointment of the external auditors was confirmed by the Corporation's shareholders. The external auditors' report as to the fairness of presentation of these financial statements and their conformity with Canadian generally accepted accounting principles is included in this Annual Report.

J. C. Alfano	M. C. Steinman
President	Executive Vice President
and Chief Executive Officer	and Chief Financial Officer

Hamilton, Canada
February 1, 2001

TO THE SHAREHOLDERS OF STELCO INC.

We have audited the consolidated statements of financial position of Stelco Inc. as at December 31, 2000 and 1999 and the consolidated statements of income, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation'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 Corporation 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.

KPMG LLP

Chartered Accountants
Hamilton, Canada
February 1, 2001

KPMG

Years ended December 31, (in millions, except per share amounts)	2000	1999
Net sales	**$ 2,837**	$ 3,101
Costs	**2,638**	2,765
EBITDA*	**199**	336
Depreciation and amortization	**149**	142
OPERATING INCOME	**50**	194
FINANCIAL EXPENSE		
Interest on long-term debt	**(55)**	(57)
Other interest – net	**7**	13
INCOME BEFORE INCOME TAXES	**2**	150
Income taxes *(Note 4)* – current	**10**	18
– future	**(12)**	
– deferred		25
NET INCOME	**$ 4**	$ 107
INCOME PER COMMON SHARE		
Basic	**$ 0.04**	$ 0.97
Fully diluted	**N/A**	$ 0.95
Weighted average common shares outstanding – millions	**103.4**	105.8

**Earnings before interest, taxes, depreciation and amortization*

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statement of Retained Earnings

Years ended December 31, (in millions)	2000	1999
Balance at beginning of year as previously reported	**$ 637**	$ 550
Retroactive adjustment on implementation of changes in accounting policies *(Note 2)*	**427**	
Balance at beginning of year as restated	**210**	550
Net income	**4**	107
Premium on common shares purchased for cancellation *(Note 11)*	**(1)**	(3)
Dividends *(Note 11)*	**(12)**	(17)
Balance at end of year	**$ 201**	$ 637

See accompanying Notes to the Consolidated Financial Statements.

At December 31, (in millions)	2000	1999
CURRENT ASSETS		
Cash and cash equivalents	**$ 45**	$ 176
Accounts receivable	**383**	474
Inventories *(Note 5)*	**780**	659
Prepaid expenses	**15**	14
Future income tax assets *(Note 4)*	**14**	
	1,237	1,323
CURRENT LIABILITIES		
Bank indebtedness *(Note 6)*	**43**	6
Accounts payable and accrued	**442**	520
Employee future benefits *(Note 13)*	**42**	
Income and other taxes	**13**	27
Cash dividends payable	**3**	3
Long-term debt due within one year *(Note 9)*	**70**	64
Future income tax liabilities *(Note 4)*	**1**	
	614	620
WORKING CAPITAL	**623**	703
OTHER ASSETS		
Capital assets *(Note 7)*	**1,384**	1,386
Deferred pension cost *(Note 13)*	**257**	174
Future income tax assets – non-current *(Note 4)*	**72**	
Other	**18**	27
	1,731	1,587
TOTAL INVESTMENT	**2,354**	2,290
OTHER LIABILITIES		
Provision for blast furnace relines – beyond one year	**52**	38
Employee future benefits – non-current *(Note 13)*	**792**	
Long-term debt *(Note 9)*	**508**	576
Future income tax liabilities – non-current *(Note 4)*	**7**	
Deferred income taxes		220
	1,359	834
SHAREHOLDERS' EQUITY	**$ 995**	$ 1,456
Derived from:		
Capital stock *(Note 11)*	**$ 781**	$ 806
Contributed surplus	**13**	13
Retained earnings	**201**	637
	$ 995	$ 1,456

See accompanying Notes to the Consolidated Financial Statements.

On behalf of the Board:

James C. Alfano
Director

J. E. Caldwell
Director

Years ended December 31, (in millions)	2000	1999
CASH PROVIDED BY (USED FOR)		
OPERATING ACTIVITIES		
Net income	**$ 4**	$ 107
Adjustments for items not affecting cash		
Depreciation and amortization	**149**	142
Future income taxes	**(12)**	
Deferred income taxes		25
Employee pension and other future benefits	**4**	(31)
Provision for blast furnace relines	**15**	17
Other – net	**–**	4
	160	264
Changes in operating elements of working capital (see below)	**(87)**	43
Blast furnace reline spending	**(2)**	(84)
Other – net	**4**	1
	75	224
INVESTING ACTIVITIES		
Repayment from joint venture *(Note 12)*	**6**	20
Expenditures for capital assets	**(148)**	(222)
	(142)	(202)
FINANCING ACTIVITIES		
Increase (reduction) in bank indebtedness	**37**	(7)
Net proceeds from issue of long-term debt	**1**	168
Reduction of long-term debt	**(64)**	(64)
Redemption of preferred shares	**–**	(67)
Net proceeds from issue of common shares	**–**	3
Purchase of common shares *(Note 11)*	**(26)**	(8)
Cash dividends paid	**(12)**	(18)
	(64)	7
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(131)**	29
CASH AND CASH EQUIVALENTS		
Balance at beginning of year	**176**	147
Balance at end of year	**$ 45**	$ 176
CHANGES IN OPERATING ELEMENTS OF WORKING CAPITAL		
Accounts receivable	**$ 91**	$ (38)
Inventories	**(121)**	67
Prepaid expenses	**–**	10
Accounts payable and accrued	**(55)**	18
Income and other taxes	**(2)**	(14)
	$ (87)	$ 43
Cash paid for:		
Interest	**$ 56**	$ 51
Income taxes	**16**	29

See accompanying Notes to the Consolidated Financial Statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Stelco Inc., its wholly owned subsidiaries, and its proportionate share of the accounts of its joint ventures.

FOREIGN CURRENCIES

Monetary assets and liabilities originating in foreign currencies are translated at year-end exchange rates. All other assets and liabilities originating in foreign currencies are translated at historic rates prevailing when the assets were acquired or the liabilities incurred. Income and expense items, other than those related to assets and liabilities translated at historic rates, are translated at the average rates for the year.

Gains or losses resulting from foreign currency translations are reflected in the Consolidated Statement of Income.

INVENTORIES

Inventories are valued at the lowest of cost, replacement cost, and net realizable value. Physical quantities are normally confirmed once a year.

CAPITAL ASSETS AND DEPRECIATION AND AMORTIZATION

Capital assets are recorded at historical cost less investment tax credits realized and include construction in progress. Depreciation and amortization is provided using the straight-line method applied to the cost of the assets at rates based on their estimated useful life and beginning from the point when production commences. The following annual amortization rates are in effect:

Buildings	2 1/2 to 5%
Equipment	6 to 7 1/2%
Automotive and mobile equipment	10 to 20%
Raw material plants and properties	4 1/2 to 5%

BLAST FURNACE RELINES

The Corporation’s blast furnaces periodically require extensive relining. The estimated future costs of such relines are charged to income on a unit-of-iron-production basis over the period to the next anticipated reline date and are accumulated as a Provision for blast furnace relines. The actual costs of relines are charged against the accumulated provision as incurred.

RESEARCH AND DEVELOPMENT

Expenditures for research are expensed as incurred. Expenditures for development are capitalized when applicable; otherwise they are expensed as incurred. No development expense has been capitalized in 2000 or 1999.

INTEREST

Interest costs are expensed as incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EMPLOYEE FUTURE BENEFITS

The Corporation, its wholly owned business units, wholly owned subsidiaries, and joint ventures maintain a number of defined benefit and defined contribution plans providing pension, other retirement, and post-employment benefits to most of its employees. One subsidiary maintains a multiemployer defined benefit pension plan. Pension plan assets are valued at fair value for purposes of calculating the expected return on plan assets. The cost of pension and other post-employment benefits (including medical benefits, dental care, life insurance, and certain compensated absences) related to the employees' current service is charged to income annually. The cost is computed on an actuarial basis using the projected benefit method estimating the usage frequency and cost of services covered and management's best estimates of investment yields, salary escalation, and other factors. The Corporation has elected to use the corridor method to amortize actuarial gains or losses (such as changes in actuarial assumptions and experience gains or losses) over the average remaining service life of active employees. Under the corridor method, amortization is recorded only if the accumulated net actuarial gains or losses exceed 10% of the greater of the accrued benefit obligation and the value of the plan assets. A valuation allowance is recorded against an accrued benefit asset if the asset, less unamortized past service costs and unamortized actuarial losses, exceeds the present value of future service costs for the current active employees. The multiemployer pension plan is accounted for as a defined contribution plan.

See Note 2 – Change in Accounting Policies.

Salaried employees hired after July 31, 1997, participate in the Corporation's "Opportunity" programme, which includes a flexible credit plan for benefits and a self-directed group RRSP. They do not participate in the defined benefit plans.

STOCK-BASED COMPENSATION PLANS

The Corporation has a stock-based compensation plan which is described in Note 11. No compensation expense is recognized for this plan when stock or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital.

INCOME TAXES

The Corporation follows the liability method of accounting for future income taxes. Under the liability method, future income tax assets and liabilities are determined based on "temporary differences" (differences between the accounting basis and the tax basis of the assets and liabilities), and are measured using the currently enacted, or substantively enacted, tax rates and laws expected to apply when these differences reverse. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized. Income tax expense or benefit is the sum of the Corporation's provision for current income taxes and the differences between the opening and ending balances of the future income tax assets and liabilities. The effect of increases and decreases to future tax assets and liabilities arising from changes in tax rates is recognized in income in the year the changes occur.

See Note 2 – Change in Accounting Policies.

DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation is party to certain derivative financial instruments, principally interest rate swap contracts (used to manage the exposure to interest rate cash flow risk) and forward foreign exchange contracts (used to manage foreign currency exposures on export sales). These instruments are not recognized in the consolidated financial statements on inception. Payments and receipts under interest rate swap contracts are recognized as adjustments to interest expense on long-term obligations. Gains and losses on forward foreign exchange contracts are recognized in revenues in the same period as the foreign currency revenues to which they relate. The carrying amounts of derivative financial instruments are included in accounts receivable in the case of contracts in a net receivable position and in accounts payable and accrued liabilities in the case of contracts in a net payable position.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CHANGES IN ACCOUNTING POLICIES

EMPLOYEE FUTURE BENEFITS

Effective January 1, 2000, the Corporation adopted the new accounting standard of the Canadian Institute of Chartered Accountants (CICA) concerning employee future benefits, which includes pension, other retirement, and post-employment benefits other than pensions. See Note 1 – Summary of Significant Accounting Policies. The new standard moves the accounting for non-pension post-employment benefits to an accrual basis from the cash accounting basis previously used by most companies, and with respect to pensions, requires the use of a prescribed market rate to measure the accrued pension benefit obligation. Prior to adoption of this new accounting standard, pension expense was determined using a long-term rate of return to measure accrued pension benefits. Under the new accounting standard, experience gains and losses and changes in assumptions are amortized over the remaining average service life of active employees only if the accumulated net actuarial gains or losses exceed 10% of the greater of the accrued benefit obligation and the value of the plan assets. Previously, actuarial gains and losses were amortized on a straight-line basis over the average remaining service life of the employees.

The Corporation has adopted the new accounting standard for employee future benefits retroactively without restating the financial statements of any prior periods. As a result, the Corporation has recorded a decrease to Retained earnings of $469 million, an increase to Employee future benefit liabilities of $783 million, an increase to Deferred pension cost of $58 million, and a net increase in future income tax assets of $256 million as at January 1, 2000.

The expense for employee future benefits for the year ended December 31, 2000 is $18 million (net of tax of $9 million) or $0.17 per share higher than it would have been under the previous accounting standard.

INCOME TAXES

Effective January 1, 2000, the Corporation adopted the liability method of accounting for future income taxes in accordance with the new CICA accounting standard. See Note 1 – Summary of Significant Accounting Policies. Prior to adoption of this new accounting standard, income tax expense was determined using the deferral method. Under this method, Deferred income tax expense was determined based on “timing differences” (differences between the accounting and tax treatment of items of expense or income), which were measured using the tax rates in effect in the year the differences originated. Certain deferred tax assets, such as the benefit of tax losses carried forward, were not recognized unless there was virtual certainty that they would be realized.

The Corporation has adopted the new income tax accounting standard retroactively, without restating the financial statements of any prior periods. As a result, the Corporation has recorded an increase to Retained earnings of $42 million and a decrease to the Future income taxes liability, formerly the Deferred income taxes liability, of $42 million as at January 1, 2000. The tax recovery recorded in 2000 was $10 million lower as a result of this accounting change.

3. SEGMENTED INFORMATION

The Corporation operates, primarily within the North American market, as a group of business units producing and marketing a wide range of steel products. Business units comprising the Rolled steel products segment produce raw materials (coal, iron ore, and scrap) and manufacture and sell hot rolled, cold rolled, and coated sheet; plate; bar and rod. Business units comprising the Manufactured products segment manufacture and sell wire and wire products, large- and small-diameter pipe, and forged grinding balls. Intersegment sales are recorded at market value.

($ millions)	**2000**	1999
Net sales		
Trade		
Rolled steel products	**$ 2,631**	$ 2,827
Manufactured products	**472**	561
Intersegment sales		
Rolled steel products	**(264)**	(285)
Manufactured products	**(2)**	(2)
	$ 2,837	$ 3,101
Operating income (loss)		
Rolled steel products	**76**	199
Manufactured products	**(26)**	(5)
	$ 50	$ 194
Assets		
Rolled steel products	**2,775**	2,713
Manufactured products	**193**	197
	$ 2,968	$ 2,910
Depreciation and amortization		
Rolled steel products	**145**	137
Manufactured products	**4**	5
	$ 149	$ 142
Expenditures for capital assets		
Rolled steel products	**145**	219
Manufactured products	**3**	3
	$ 148	$ 222
Geographic segments		
Net sales		
Canada	**2,352**	2,619
United States	**440**	440
Other	**45**	42
	$ 2,837	$ 3,101
Capital assets		
Canada	**1,307**	1,306
United States	**77**	80
	$ 1,384	$ 1,386

4. COMPONENTS OF CONSOLIDATED INCOME TAXES

The income tax expense differs from the amount calculated by applying Canadian income tax rates (Federal and Provincial) to income before income taxes, as follows:

(in millions)	2000	1999
Income before income taxes	**$ 2**	$ 150
Income tax expense computed using statutory income tax rates (2000 – 44%; 1999 – 44%)	**1**	65
Add (deduct):		
Manufacturing and processing credit	**–**	(13)
Mining incentives	**(6)**	(6)
Adjustment to future tax assets and liabilities for enacted changes in tax rates	**10**	
Recognition of tax benefits not previously recognized	**–**	(12)
Resolution of prior years tax issues	**(11)**	–
Minimum tax	**4**	5
Other	**–**	4
	(3)	(22)
Income tax expense (recovery)	**$ (2)**	$ 43

Components of Future income tax assets and (liabilities) are summarized as follows:

(in millions)	2000
Future income tax assets – current	
Employee future benefits	**$ 14**
Future income tax assets – non-current	
Employee future benefits	**237**
Deferred pension cost	**(82)**
Non-capital loss carryforward	**113**
Ontario minimum tax	**13**
Plant and equipment – difference in net book value and undepreciated capital cost	**(185)**
Other	**(24)**
	72
Future income tax liability – current	
Foreign	**(1)**
Future income tax liability – non-current	
Foreign	
Employee future benefits	**27**
Investment in joint ventures	**(30)**
Other	**(4)**
	(7)
Net future income tax asset	**$ 78**

5. INVENTORIES

(in millions)	2000	1999
Raw materials and supplies	**$ 228**	$ 297
Finished and semi-finished products	**492**	362
	$ 780	$ 659

6. BANK INDEBTEDNESS

Bank indebtedness is secured by accounts receivable and inventories.

7. CAPITAL ASSETS

(in millions)	2000	1999
Raw material plants and properties	**$ 406**	$ 400
Manufacturing plants and properties	**3,808**	3,629
	4,214	4,029
Less accumulated depreciation and amortization	**(3,004)**	(2,909)
	1,210	1,120
Construction in progress	**174**	266
	$ 1,384	$ 1,386

8. PROPORTIONATELY CONSOLIDATED JOINT VENTURES AND RELATED COMMITMENTS

The Corporation's joint ventures are an integral part of operations and exist to provide raw materials and certain manufacturing, finishing, and sales functions.

The following is a summary of the Corporation's proportionate share of the financial position, operating results, and cash flows of the joint ventures:

(in millions)	2000	1999
Current assets	**$ 126**	$ 133
Non-current assets	**240**	249
Total assets	**366**	382
Current liabilities	**116**	106
Long-term liabilities	**42**	38
Equity	**$ 208**	$ 238

(in millions)	2000	1999
Revenue	**$ 83**	$ 106
Expenses	**61**	69
Net income	**$ 22**	$ 37

8. PROPORTIONATELY CONSOLIDATED JOINT VENTURES AND RELATED COMMITMENTS (CONTINUED)

(in millions)	2000	1999
Cash provided by (used for)		
Operating activities	**$ 46**	$ 58
Investing activities	**(38)**	(34)
Financing activities	**(13)**	(23)
Net increase (decrease) in cash and cash equivalents	**$ (5)**	$ 1

Included in the liabilities of the joint ventures is $39 million of debt against which certain assets relating to those entities have been pledged ($51 million in 1999).

COMMITMENTS

The Corporation is committed to pay its share of the costs, including minimum charges for principal and interest to cover servicing of long-term debt, of certain joint ventures. The Corporation's share of such minimum charges averages $13 million annually to 2003.

9. LONG-TERM DEBT

(in millions)	2000	1999
10.4% retractable debentures due November 30, 2009 (see (a) and (d) below)	**$ 125**	$ 125
Notes payable at a weighted average interest rate of 10.2% (see (b) below)	**75**	105
8% retractable debentures due February 15, 2006 (see (c) and (d) below)	**150**	150
Term loan at 7.75% or Bankers' Acceptance Rate plus 1% maturing on June 10, 2005 (see (e) below)	**69**	75
Term loan at Bankers' Acceptance Rate plus 1.75% to 2.25% or Canadian Prime Rate plus 0.75% to 1.25% maturing May 15, 2007 (see (e) below)	**19**	19
Term loan at Bankers' Acceptance Rate plus 2.75% or Government of Canada Bond Rate plus 3.55% maturing on January 31, 2003 (see (e) below)	**33**	42
Term loan at 7.71% maturing on November 30, 2003 (see (e) below)	**15**	19
Term loan at 7.01% maturing on January 31, 2008 (see (e) below)	**85**	93
Term loan at Bankers' Acceptance Rate plus 1.125% or Canadian Prime Rate plus 0.5% maturing on July 3, 2003 (see (e) below)	**6**	8
Term loan at Bankers' Acceptance Rate plus 0.5% payable in semi-annual installments ending on January 31, 2000	**–**	3
Other	**1**	1
	578	640
Less amount due within one year, net of prepayments	**70**	64
	$ 508	$ 576

The estimated fair value of the Corporation's long-term debt, net of amount due within one year, was approximately $441 million at December 31, 2000 ($589 million at December 31, 1999). (See Note 14.)

9. LONG-TERM DEBT (CONTINUED)

(a) The Debentures mature on November 30, 2009 but are redeemable after November 30, 1999 at the option of the Corporation at a redemption price equal to the greater of the Canada Yield Price and par. Canada Yield Price means, in effect, a price for the Debentures calculated on the business day preceding the date on which the Corporation gives notice of redemption, to provide a yield to maturity equal to the yield on a non-callable Government of Canada bond, issued at 100% of its principal amount with a term to maturity equal to the remaining term to maturity of the Debentures, plus 0.40%.

(b) Under certain circumstances, which include changes in ownership of the Corporation, the lender can require immediate repayment of principal and accrued interest of this indebtedness. The notes are payable in semi-annual installments ending on May 31, 2003.

(c) On February 15, 1999, the Corporation issued $150 million principal amount of retractable debentures bearing an interest rate of 8.0% payable in semi-annual installments commencing on August 15, 1999. The Debentures are redeemable at the option of the Corporation at a redemption price equal to the greater of the Canada Yield Price and par. Canada Yield Price means, in effect, a price for the Debentures calculated on the business day preceding the date on which the Corporation gives notice of redemption, to provide a yield to maturity equal to the yield on a non-callable Government of Canada bond, issued at 100% of its principal amount with a term to maturity equal to the remaining term to maturity of the Debentures, plus 0.50%.

(d) Throughout the life of the Debentures, upon the occurrence of both a designated event and a rating decline, a holder of Debentures may require the Corporation to purchase all or any portion of such holder's Debentures unless a rating recovery has occurred. For these purposes, designated event includes significant changes in ownership, control or structure of the Corporation or membership of the Board of Directors or certain distributions of cash, property, or securities excluding regular dividends and distributions of non-redeemable and non-retractable shares of the Corporation.

(e) These term loans are secured by claims on the assets of the borrowers and are payable in monthly, quarterly, or semi-annual installments ending on the maturity dates shown.

After allowing for prepayments, annual sinking fund and other repayments of debt over the next five years amount to $70 million in 2001, $72 million in 2002, $65 million in 2003, $32 million in 2004, and $25 million in 2005.

10. COMMITMENTS

(A) CAPITAL PROGRAMMES

The estimated cost to complete capital programmes is $293 million which is anticipated to be spent over a period of three years.

(B) OPERATING LEASES

Future minimum rental payments required under operating leases that have initial or remaining lease terms in excess of one year at December 31, 2000 are:

(in millions)	
2001	**$ 47**
2002	**41**
2003	**21**
2004	**14**
2005	**11**
Subsequent to 2005	**18**
	$ 152

11. CAPITAL STOCK AND DIVIDENDS

(A) AUTHORIZED SHARES

Under the Canada Business Corporations Act, the Corporation is authorized to issue, in series, unlimited numbers of Preferred Shares and Common Shares without nominal or par value.

CAPITAL STOCK

(in millions)	2000	1999
Preferred shares (see (B) below)	**$ –**	$ –
Common shares – stated capital (see (C) below)	**781**	806
	$ 781	$ 806

(B) PREFERRED SHARES

SERIES C

These shares were entitled to a fixed cumulative dividend at the rate of $1.94 per share annually, payable in equal quarterly installments.

The shares were redeemable at $25.00 per share. On November 1, 1999, all 2,687,319 outstanding Series C Preferred Shares with stated capital of $67,182,975 were redeemed for total consideration of $67,182,975 and were cancelled.

(C) CONVERTIBLE COMMON SHARES

	2000			1999		
	Number of shares			Number of shares		
	Series A	**Series B**	**(millions)**	Series A	Series B	(millions)
Opening balance	**105,499,998**	**37,276**	**$ 806**	105,855,186	36,598	$ 809
Transfers between series (see below)	**(7,047)**	**7,047**	**–**	(688)	688	–
Purchased for cancellation (see Normal course issuer bid below)	**(3,293,400)**	**–**	**(25)**	(796,100)	–	(6)
Exercise of stock options (see Stock options below)	**–**	**–**	**–**	441,600	–	3
Fractional shares purchased and cancelled	**–**	**(2)**	**–**	–	(10)	–
Outstanding	**102,199,551**	**44,321**	**$ 781**	105,499,998	37,276	$ 806

The Convertible Common Shares of each series are voting, convertible into one another on a share-for-share basis and rank equally in all respects except that the dividends on the Series B Convertible Common Shares may be paid by way of a stock dividend in Series B Convertible Common Shares in accordance with the conditions attaching to such shares, and dividends on the Series A Convertible Common Shares are normally payable in cash.

11. CAPITAL STOCK AND DIVIDENDS (CONTINUED)

NORMAL COURSE ISSUER BID

In March 2000, the Corporation obtained approval from The Toronto Stock Exchange to purchase up to 5,200,000 of its Series A and B Convertible Common Shares, representing approximately 5% of the 105,537,273 Series A and B Convertible Common Shares outstanding as of February 29, 2000, pursuant to a normal course issuer bid. Purchases will terminate no later than March 15, 2001, or such earlier date as the Corporation may complete its purchase pursuant to the notices of intention filed with the aforementioned stock exchange. The price which the Corporation will pay for any such shares is the market price of such shares at the time of acquisition. In March 1999, approval was obtained to purchase up to 5,295,089 shares pursuant to a normal course issuer bid which expired on March 15, 2000.

In 2000, under terms of the normal course issuer bid, 3,293,400 common shares with stated capital of $25,161,576 were purchased for total consideration of $25,790,978 and were cancelled. In 1999, 796,100 shares with stated capital of $6,082,204 were purchased for total consideration of $8,342,495 and were cancelled. The premium paid in excess of the average carrying value of the common shares was charged against Retained earnings – $629,402 in 2000, $2,260,291 in 1999.

STOCK OPTIONS

The Corporation has a Key Employee Stock Option Plan under which the aggregate number of Convertible Common Shares reserved for issuance is 10,000,000 of which 2,178,664 shares remain available at December 31, 2000. Under the Plan, the exercise price of each option equals the market price of the Corporation's Convertible Common Shares on the date of the grant. Options granted at $11.55, $8.30, $10.90, and $8.80 mature 10 years after the date of the grant. All other options mature seven years after the date of the grant. Options granted at $6.30, $10.35, $11.55, $8.30, $10.90, and $8.80 vest, or vested, 1/3 each year in the first three years after the date of the grant. All other options vest one year after the date of the grant.

Options outstanding at December 31, 2000 are as follows:

Shares	Exercise price per share	Number exercisable	Expiry date
123,000	$7.500	123,000	February 10, 2002
143,000	$6.500	143,000	February 8, 2003
360,000	$6.300	360,000	June 24, 2003
352,000	$7.750	352,000	February 6, 2004
150,000	$10.350	150,000	June 26, 2004
573,669	$11.550	398,665	February 5, 2008
617,667	$8.300	212,332	February 8, 2009
100,000	$10.900	34,000	July 12, 2009
517,000	$8.800	–	February 8, 2010
2,936,336		1,772,997	

A summary of option activity during 2000 and 1999 is as follows:

	2000			1999		
	Shares		**Weighted Average Exercise Price**	Shares		Weighted Average Exercise Price
Outstanding at beginning of year	**2,581,001**	**$**	**8.750**	2,344,600	$	8.567
Granted	**540,000**		**8.800**	838,000		8.610
Exercised	**–**		**–**	(441,600)		7.200
Expired or cancelled	**(184,665)**		**8.351**	(159,999)		9.620
Outstanding at end of year	**2,936,336**	**$**	**8.784**	2,581,001	$	8.750

11. CAPITAL STOCK AND DIVIDENDS (CONTINUED)

SHAREHOLDER RIGHTS PLAN

The shareholders confirmed a shareholder rights plan (the "Plan") on April 28, 1999. Continuation of the Plan depends upon shareholder confirmation every three years beginning with the Annual Meeting for the year ended December 31, 2001. The Plan will expire at the Annual Meeting in 2008. The purpose of the Plan is to give the Board of Directors and the shareholders sufficient time to consider the terms of a takeover bid and allow more time for the Board of Directors to pursue, if appropriate, other alternatives to maximize shareholder value.

Under the Plan, each shareholder will be issued one Common Share Purchase Right ("Right") for each Common Share. The Rights become exercisable at the earlier of (i) the date of acknowledgment that a person or group of affiliated or associated persons (an "Acquiring Person") has acquired beneficial ownership of 20% or more of the Corporation's outstanding voting shares, subject to certain exceptions; (ii) the date of the commencement of or first public announcement of the intent of any person to commence a takeover bid; (iii) the date on which a "Permitted Bid" ceases to qualify as such or such later time as may be determined by the Board of Directors. Should a person become an Acquiring Person (a "Flip-in Event"), each Right entitles the registered holder thereof, other than the Acquiring Person and related persons, to purchase from the Corporation one Common Share at a price equal to 50% the market price per Common Share determined at that time, subject to adjustment.

A Permitted Bid is a takeover bid made to all holders of the Corporation's Common Shares and that is open for acceptance for not less than 60 days. A Permitted Bid represents a means by which a person may acquire shares not in contravention of the intent of the Plan.

Other than as described above, the Rights are not exercisable and cannot be transferred apart from the Common Shares. The holder of a Right, as such, has no rights as a shareholder of the Corporation including, without limitation, the right to vote or to receive dividends. At any time prior to a Flip-in Event, the Board of Directors may redeem the Rights in whole (but not in part) at a redemption price of $0.001 per Right (subject to adjustment in certain events) and subject to shareholder approval.

(D) DIVIDENDS

Dividends declared were as follows:

	2000		1999	
	Per share	**(thousands)**	Per share	(thousands)
Preferred shares				
Series C	**$ –**	**$ –**	$ 1.455	$ 3,910
		–		3,910
Common shares				
Series A	**0.120**	**12,351**	0.120	12,688
Series B (stock)	**–**	**–**	–	–
Series B (cash)	**0.120**	**5**	0.120	5
		12,356		12,693
		$ 12,356		$ 16,603

12. ADVANCE TO JOINT VENTURE

During 1996, Stelco Inc. advanced an amount to the Z-Line Company, a joint venture, replacing a consortium of banks as the long-term lender to the Z-line. The advance was repaid on January 31, 2000. The advance ($6 million at December 31, 1999) is included in Other assets on the Consolidated Statement of Financial Position and bears interest at the average rate for bankers' acceptances for the applicable period.

13. EMPLOYEE FUTURE BENEFITS

The Corporation, its wholly owned business units, wholly owned subsidiaries, and joint ventures maintain a number of defined benefit and defined contribution plans providing pension, other retirement, and post-employment benefits to most of its employees.

The total expense for the Corporation's defined contribution pension plans is $1.5 million in 2000 ($0.6 million in 1999).

One of the Corporation's subsidiaries (Chisholm Coal) participates in a United Mine Workers of America multiemployer defined benefit plan providing pension benefits. This plan, to which contributions totalled $8,000 in 2000, is accounted for as a defined contribution plan but the contributions are not included in the above-noted defined contribution plan expense.

Information about the Corporation's defined benefit plans, other than the multiemployer defined benefit plan, in aggregate, is as follows:

(in millions)	Pension benefit plans 2000	Other benefit plans 2000
Accrued benefit obligation		
Balance at beginning of year	**$ 2,483**	**$ 810**
Current service cost	**44**	**13**
Interest cost	**173**	**57**
Benefits paid	**(156)**	**(41)**
Actuarial gains	**–**	**(15)**
Plan amendments	**27**	**–**
Balance at end of year	**2,571**	**824**
Plan assets		
Fair value at beginning of year	**2,744**	**7**
Actual return on plan assets	**317**	**–**
Employer contributions	**38**	**1**
Benefits paid	**(156)**	**–**
Fair value at end of year	**2,943**	**8**
Funded status – plan surplus (deficit)	**372**	**(816)**
Unamortized net actuarial gain	**(125)**	**(18)**
Unamortized past service costs	**25**	**–**
Accrued benefit asset (liability)	**272**	**(834)**
Valuation allowance	**(15)**	**–**
Accrued benefit asset (liability), net of valuation allowance	**$ 257**	**$ (834)**

The accrued benefit asset (liability) is reflected in the Consolidated Statement of Financial Position as follows:

(in millions)		
Deferred pension cost	**$ 257**	**$ –**
Employee future benefits liability – current	**–**	**(42)**
Employee future benefits liability – non-current	**–**	**(792)**
	$ 257	**$ (834)**

13. EMPLOYEE FUTURE BENEFITS (CONTINUED)

Included in the above accrued benefit obligation and fair value of plan assets at year-end are the following amounts in respect of plans that are not fully funded:

(in millions)	Pension benefit plans 2000	Other benefit plans 2000
Accrued benefit obligation	$ 211	$ 824
Fair value of plan assets	172	8
Funded status – plan (deficit)	$ (39)	$ (816)

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations are as follows (weighted-average assumptions as of December 31):

	Pension benefit plans 2000	Other benefit plans 2000
Discount rate	7.00%	7.00–7.25%
Expected long-term rate of return on plan assets	7.75%	8.50%

The rates used for purposes of adopting the new accounting standard at January 1, 2000 were identical to those listed above.

For measurement purposes, a 6.4% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2001. The rate was assumed to decrease to 4.2% for 2004 and remain at that level thereafter.

The Corporation's net benefit plan expense is as follows:

(in millions)	Pension benefit plans 2000	Other benefit plans 2000
Current service cost	$ 44	$ 13
Interest cost	173	57
Expected return on plan assets	(206)	(1)
Amortization of past service costs	2	–
Other	4	–
Net benefit plan expense	$ 17	$ 69

14. FINANCIAL INSTRUMENTS

RISK MANAGEMENT ACTIVITIES

Interest rate risk

The Corporation has entered into interest rate swap agreements to reduce its interest rate cash flow risk. The swap agreements with notional aggregate principal of approximately $16 million (1999 – $32 million) entitle the Corporation to receive fixed or floating rates on the notional principal amounts of the contracts or oblige it to pay floating or fixed rates. The net interest receivable or payable under the contracts is settled semi-annually with the counterparties, which are Canadian chartered banks.

Foreign exchange risk

The Corporation also enters into forward foreign exchange contracts to hedge its foreign currency exposure on export sales. The contracts oblige the Corporation to sell U.S. dollars in the future at predetermined exchange rates. The contracts are matched with anticipated future sales in foreign currencies. The Corporation's policy is to enter into forward foreign exchange contracts for no more than approximately 50% of export sales anticipated in each month within periods up to the following 12 months. The amount of future export sales is forecast in light of current conditions in foreign markets, commitments from customers, and past experience. At December 31, 2000, the Corporation had purchased contracts to sell US $27 million (1999 – US $81 million) in the next 12 months.

Concentration of credit risk

The Corporation does not have significant exposure to any individual customer or counterparties. The major markets for the Corporation's products are the automotive sector, steel service centres, the construction industry, pipeline systems, various industries that utilize pipe and tube products, and wire and wire products. Except in a few situations where the risk warrants it, the Corporation does not require collateral on trade receivables. The Corporation reviews its customers' credit histories before extending credit and conducts regular reviews of its existing customers' credit performances. Overall, credit risk related to the Corporation's trade receivables is limited due to the large number of customers in differing industries and geographical areas.

FAIR VALUES

The fair value of long-term debt is based on quoted market prices where applicable or on discounted future cash flows, including interest payments, using rates currently available for debt of similar terms and maturities (see Note 9). The carrying value of other financial instruments approximates fair value due to the short maturities or the terms and conditions attached to these instruments.

The interest rate swap agreements, which are in a net unfavourable position, constitute an unrecognized financial liability and have a fair value of $260,000 (1999 – net favourable position and constituted an unrecognized financial asset with a fair value of $350,000).

Forward foreign exchange contracts, which are in a net unfavourable position since their inception, constitute an unrecognized financial liability and have a fair value of $120,000 (1999 – net favourable position and constituted an unrecognized financial asset with a fair value of $3 million).

The fair value of interest rate swap and forward foreign exchange contracts are based on amounts quoted by the Corporation's banker to realize favourable contracts or settle unfavourable contracts, taking into account current interest rates or foreign exchange rates.

15. CONTINGENCY

The union local at Hilton Works has complained to the Ontario Labour Relations Board (the "Board") that representations were made to it in the course of bargaining that solvency deficiency payments would be made to the bargaining unit pension plan over the course of the six-year labour agreement reached in 1996. The hearing before the Board commenced in December 1999 and is continuing. The union is seeking various remedies including a reopening of the 1996 labour agreement or an order that solvency deficiency payments be made. Should the Board order solvency deficiency funding to be made to the plan on a continuing basis, the special employer contribution on account of solvency deficiency payments would be in the range of $67 million for 2000, $75 million for 1999, $65 million for 1998, $60 million for 1997, and $20 million for 1996. In subsequent years, such contributions would depend on a variety of factors such as interest rates and workforce retirement age. The Corporation believes the complaint to be without merit. In any event, the Corporation believes it is unlikely that the Board would order solvency deficiency payments be made as an outcome. Should, however, such an order be made, making such payments to the pension plan would affect the Corporation's cash resources as described above. The accounting treatment of any such payments in the year the complaint is resolved would depend on a variety of factors including the amount of the payments required.

16. COMPARATIVE FIGURES

Certain 1999 comparative figures have been reclassified to conform with the disclosure adopted for 2000.

Historical Summary(1)(3)

Dollars in millions except as indicated*		2000	1999	1998	1997	1996
Operations (Thousands of net tons)						
Production of semi-finished steel		**5,594**	5,217	5,256	5,108	5,009
Steel shipments		**4,684**	4,862	4,607	4,818	4,577
INCOME AND EXPENSE						
Net sales	$	**2,837**	3,101	3,168	3,149	2,941
Costs	$	**2,638**	2,765	2,824	2,760	2,638
EBITDA**	$	**199**	336	344	389	303
Depreciation and amortization	$	**149**	142	135	129	132
Income from operations	$	**50**	194	209	260	171
Financial expense						
Interest on long-term debt	$	**55**	57	50	43	46
Other interest (income) expense – net	$	**(7)**	(13)	(12)	(7)	(6)
Income before income taxes	$	**2**	150	171	224	131
Income taxes - recovery (expense)	$	**2**	(43)	(52)	(87)	(52)
Net income (loss)	$	**4**	107	119	137	79
Net income per common share(2)	*$	**0.04**	0.97	1.04	1.17	0.63
– Fully diluted	*$	**N/A**	0.95	1.03	1.14	N/A
**Earnings before interest, taxes, depreciation and amortization						
FINANCIAL POSITION						
Cash and cash equivalents	$	**45**	176	147	322	165
Other current assets	$	**1,192**	1,147	1,186	1,086	1,021
Total current assets	$	**1,237**	1,323	1,333	1,408	1,186
Bank indebtedness	$	**43**	6	13	22	17
Other current liabilities	$	**571**	614	678	607	549
Total current liabilities	$	**614**	620	691	629	566
Working capital	$	**623**	703	642	779	620
Capital assets (net)	$	**1,384**	1,386	1,309	1,236	1,129
Other non-current assets	$	**347**	201	191	189	173
Total investment	$	**2,354**	2,290	2,142	2,204	1,922
Long-term debt	$	**508**	576	474	486	393
Other non-current liabilities	$	**851**	258	229	264	203
Shareholders' equity	$	**995**	1,456	1,439	1,454	1,326
Preferred shareholders' equity	$	**–**	–	67	166	167
Common shareholders' equity	$	**995**	1,456	1,372	1,288	1,159
Shareholders' equity	$	**995**	1,456	1,439	1,454	1,326
Common shareholders' equity per common share	*$	**9.73**	13.80	12.95	12.00	11.02
CASH FLOWS(2)						
Net cash provided by (used for):						
Operating activities	$	**75**	224	171	291	191
Investing activities						
Expenditures for capital assets	$	**(148)**	(222)	(212)	(252)	(53)
Proceeds from sale of assets	$	**–**	–	–	5	21
Other investment activities (net)	$	**6**	20	20	17	(62)
Financing activities						
Increase (reduction) in bank indebtedness	$	**37**	(7)	(9)		
Net proceeds from issue of long-term debt	$	**1**	168	57	153	11
Reduction of long-term debt	$	**(64)**	(64)	(67)	(57)	(65)
Purchase or redemption of preferred shares	$	**–**	(67)	(98)	–	(6)
Net proceeds from issue of common shares	$	**–**	3	2	14	1
Purchase of common shares	$	**(26)**	(8)	(17)	–	–
Cash dividends paid	$	**(12)**	(18)	(22)	(19)	(13)
Net increase (decrease) in Cash and cash equivalents	$	**(131)**	29	(175)	152	25
Cash and cash equivalents at end of year	$	**45**	176	147	300	148
OTHER DATA						
Return on average capital employed(4)	%	**1.5**	6.2	6.8	7.8	5.5
Return on average common shareholders equity(5)	%	**0.3**	7.3	8.4	10.2	5.9
Debt/equity – % of total capital		**37/63**	31/69	27/73	27/73	25/75
Dividends declared – preferred(6)	$	**–**	4	7	13	13
Dividends declared – common	$	**12**	13	13	9	–
Per common share	*$	**0.12**	0.12	0.12	0.09	–
Common shares outstanding at year-end (millions)		**102.2**	105.5	105.9	107.3	105.2
Average number of employees		**10,811**(7)	11,133(7)	11,670(7)	11,732(7)	12,076(7)
Number of pensioners at year-end		**12,134**	12,019	11,788	11,993	11,961
Pensions paid during the year	$	**156**	145	141	147	142
Total life insurance in force at year-end	$	**670**	685	710	707	713

1995	1994	1993	1992	1991	1990[10]
4,970	4,841	4,924	4,680	3,705	2,785
4,380	4,460	4,492	4,176	3,252	3,390
2,926	2,916	2,491	2,203	1,983	2,101
2,521	2,553	2,314	2,176	1,967	2,199
405	363	177	27	16	(98)
130	138	122	128	130	133
275	225	55	(101)	(114)	(231)
63	75	78	82	86	92
(12)	(2)	7	8	20	19
224	152	(30)	(191)	(220)	(342)
(68)	(37)	(6)	64	84	145
156	115	(36)	(127)	(136)	(197)
1.35	1.01	(0.62)	(1.76)	(3.05)	(5.96)
N/A	N/A	N/A	N/A	N/A	N/A
190	267	111	68	11	7
1,000	962	816	799	811	727
1,190	1,229	927	867	822	734
67	156	176	190	75	138
548	550	452	398	377	383
615	706	628	588	452	521
575	523	299	279	370	213
1,223	1,277	1,194	1,309	1,424	1,532
121	81	243	247	235	255
1,919	1,881	1,736	1,835	2,029	2,000
457	581	695	767	796	826
198	140	112	101	135	182
1,264	1,160	929	967	1,098	992
172	178	178	178	183	185
1,092	982	751	789	915	807
1,264	1,160	929	967	1,098	992
10.39	9.04[8]	8.80	9.46	11.25[9]	22.74
266	253	125	(53)	(102)	186
(79)	(23)	(8)	(12)	(30)	(48)
5	46	–	47	–	–
–	–	(10)	(9)	(5)	(82)
80	–	–	–	–	–
(207)	(202)	(52)	(27)	(27)	(87)
(6)	–	–	(5)	(1)	(3)
1	134	2	1	239	2
–	–	–	–	–	–
(48)	(17)	–	–	(7)	(44)
12	191	57	(58)	67	(76)
123	111	(65)	(122)	(64)	(131)
10.2	8.7	0.5	(4.2)	(4.4)	(6.5)
13.9	12.2	(6.8)	(17.0)	(17.6)	(22.9)
28/72	35/65	50/50	50/50	51/49	50/50
47	17	4	–	–	15
–	–	–	–	–	26
–	–	–	–	–	0.75
105.1	104.9	81.0	80.4	80.1	35.5
12,356[7]	13,120[7]	11,951	12,753	12,890	14,348
11,800	11,735	11,371	11,026	10,736	9,881
141	141	131	129	111	90
694	713	705	726	698	770

1. Effective January 1, 2000, the Corporation adopted the new standards of the Canadian Institute of Chartered Accountants concerning Employee future benefits and Income taxes (See Note 2 on page 35). The new standards were applied retroactively without restatement of prior years.

2. Effective January 1, 1999, the calculation of Cash and cash equivalents excludes Bank indebtedness. 1998 figures have been restated.

3. Effective January 1, 1995, Accounting Standards require that the Corporation proportionately consolidate all joint venture investments. 1994 figures have been restated; 1993 and prior years have not been restated since the financial information required is not reasonably determinable.

4. After adding back interest on long-term debt (net of tax) to net income (loss).

5. After preferred dividends.

6. No dividends were declared in the first three quarters of 1993, or in the years 1992 or 1991. Dividends declared – preferred in 1995, 1994, and 1993 include payment of arrears.

7. The average number of employees of Stelco Inc., its wholly owned business units, and wholly owned subsidiaries was 11,768 in 1994, 11,437 in 1995, 11,141 in 1996, 10,763 in 1997, 10,649 in 1998, 10,193 in 1999, and 9,922 in 2000.

8. Reflects the exercise of 22,200,000 Common Share Purchase Warrants.

9. Reflects the issue of 44,500,000 units.

10. 1990 operations were interrupted by strikes: 106 days at Hilton Works and for various periods at other locations.

December 31, 2000

DIRECTORS

John N. Abell
Corporate Director
A director since 1992.
Marlborough, Wilts., UK.

James C. Alfano
President and
Chief Executive Officer
Stelco Inc.
A director since 1996.
Hamilton, Ontario

John E. Caldwell
President and Chief Executive Officer
Geac Computer Corporation Limited
A director since 1997.
North York, Ontario

Pierre Choquette
President and Chief Executive Officer
Methanex Corporation
A director since 2000.
Vancouver, British Columbia

William P. Cooper
President and
Chief Executive Officer
Cooper Construction Limited
A director since 1989.
Oakville, Ontario

Richard Drouin
Corporate Director
A director since 1996.
Quebec City, Quebec

Gilles Labbé
President and
Chief Executive Officer
Héroux-Devtek Inc.
A director since 1998.
Longueuil, Quebec

Douglas W. Mahaffy
President and
Chief Executive Officer
McLean Budden Limited
A director since 1993.
Toronto, Ontario

The Hon. Barbara J. McDougall
President and Chief Executive Officer
The Canadian Institute
of International Affairs
A director since 1999.
Toronto, Ontario

Peter J. Nicholson
Chief Strategy Officer,
BCE Inc.
A director since 1997.
Montreal, Quebec

Helen K. Sinclair
Chief Executive Officer
BankWorks Trading Inc.
A director since 1995.
Toronto, Ontario

Frederick H. Telmer
Chairman
Stelco Inc.
A director since 1989.
Burlington, Ontario

OFFICERS

Frederick H. Telmer
Chairman

James C. Alfano
President and
Chief Executive Officer

Mark C. Steinman
Executive Vice President and
Chief Financial Officer

G. Blair Cowper-Smith
Corporate Secretary and
Special Counsel

Marcel Francoeur
Vice President and
General Manager –
Hilton Works

William G. Missen
Vice President and
General Manager –
Lake Erie Steel Company

Paul J. Paciocco
Vice President –
Facilities Planning, Stelco Inc.

Brian W. Warry
Vice President –
Purchasing, Raw Materials,
and Pipe Operations

CORPORATE OFFICE

Stelco Inc.
P.O. Box 2030
Hamilton, Ontario L8N 3T1
Tel: (905) 528-2511
Fax: (905) 577-4412
Internet address:
www.stelco.ca or
www.stelco.com
Courier address:
100 King Street West
Hamilton, Ontario L8P 1A2

BUSINESS UNITS

Hilton Works
P.O. Box 2030
Hamilton, Ontario L8N 3T1
Marcel Francoeur
Vice President and
General Manager
Tel: (905) 527-8335
Fax: (905) 308-7002

Lake Erie Steel Company
General Delivery
Nanticoke, Ontario N0A 1L0
William G. Missen
Vice President and
General Manager
Tel: (519) 587-4541
Fax: (519) 587-7705

SUBSIDIARY COMPANIES, WHOLLY OWNED

Stelco-McMaster Ltée
P.O. Box 249
Contrecoeur, Quebec J0L 1C0
Angelo Grandillo
President and
Chief Executive Officer
Tel: (450) 587-2012
Fax: (450) 587-1101

AltaSteel Ltd.
P.O. Box 2348
Edmonton, Alberta T6B 2X6
H. James Lepp
President and
Chief Executive Officer
Tel: (780) 468-1133
Fax: (780) 468-7335

Stelwire Ltd.
P.O. Box 2030
Hamilton, Ontario L8N 3T1
Jan K. Prikryl
General Manager
Tel: (905) 528-9473
Fax: (905) 577-4409

Stelfil Ltée
303 St. Joseph Blvd.
Lachine, Quebec H8S 2K9
Bernard M. Guay
General Manager
Tel: (514) 367-2424
Fax: (514) 367-2408

Stelpipe Ltd.
P.O. Box 1010
Welland, Ontario L3B 5Y6
J. E. Fry
General Manager
Tel: (905) 735-7473
Fax: (905) 735-9069

Welland Pipe Ltd.
P.O. Box 99
Welland, Ontario L3B 5P2
David S. Hunter
General Manager
Tel: (905) 735-8338
Fax: (905) 735-4387

CHT Steel Company Inc.
300 Newkirk Road
Richmond Hill, Ontario L4C 4Y8
Richard E. Taylor
Vice President and
General Manager
Tel: (905) 884-5000
Fax: (905) 884-7956

Stelco USA, Inc.
2855 Coolidge Hwy., Suite 203
Troy, Michigan
U.S.A. 48084
Lincoln S. Simpson
Vice President and
General Manager
Tel: (248) 649-3460
Fax: (248) 649-1104

Chisholm Coal Company
32601 State Highway 194 E
Phelps, Kentucky
U.S.A. 41536
Robert C. Miser
Vice President and
General Manager
Tel: (606) 456-3432
Fax: (606) 456-8565

Ontario Coal Company, Delaware
Ontario Eveleth Company, Minnesota
Ontario Hibbing Company, Minnesota
Ontario Tilden Company, Michigan
Stelco Holding Company, Delaware
Stelco Coal Company, Pennsylvania

OTHER OFFICES

Longueuil Sales Office
110, rue de la Barre,
Bureau 224
Longueuil, Quebec J4K 1A3
Tel: (450) 442-3555
Fax: (450) 442-0364

Windsor Sales Office
4520 Rhodes Drive, Unit 100
Windsor, Ontario N8W 5C2
Tel: (519) 251-1050
Fax: (519) 251-1650

JOINT VENTURES

	% owned
Iron Ore	
Wabush Mines, Nfld. & Que.	37.9
Hibbing Development Company, Minn.	24.1
Eveleth Mines L.L.C., Minn.	15.0
Tilden Mining Company L.C., Mich.	15.0
Ontario Iron Company, Minn.	10.0
Hibbing Taconite Company, Minn.	6.7
Other	
PCI-Hilton Corporation, Ont.	89.0
Z-Line Company, Ont.	60.0
Baycoat, Ont.	50.0
Fers et Métaux Recyclés Ltée, Que. (A corporate joint venture of Stelco-McMaster Ltée)	50.0
MOLY-COP Canada, B.C. (A partnership of AltaSteel Ltd.)	50.0
GenAlta Recycling Inc., Alta. (A corporate joint venture of AltaSteel Ltd.)	50.0
D.C. Chrome Limited, Ont.	50.0
Camrose Pipe Company, Alta.	40.0
Arnaud Railway Company, Que.	37.9
Wabush Lake Railway Company, Limited, Nfld.	37.9
Knoll Lake Minerals Limited, Nfld.	22.1
Northern Land Company Limited, Nfld.	18.9
Twin Falls Power Corporation Limited, Nfld.	6.5

*Excludes inactive companies

SHARES

The Series A and Series B Convertible Common Shares are listed on The Toronto Stock Exchange. The rights and privileges of each class of shares are set out in the notes to the consolidated financial statements in this Annual Report.

At December 31, 2000, there were 8,162 registered holders of common shares. Approximately 96% of the Corporation's issued common shares were held by shareholders with Canadian addresses.

QUARTERLY COMPARISON (in millions except as indicated*) (Unaudited)

Quarter		1		2		3		4	
		2000	1999	**2000**	1999	**2000**	1999	**2000**	1999
Net sales	$	**796**	810	**804**	798	**625**	722	**612**	771
Operating income (loss)	$	**58**	49	**55**	52	**(1)**	63	**(62)**	30
Net income (loss)	$	**29**	26	**29**	29	**(8)**	37	**(46)**	15
Income (loss) per common share†	*$	**0.28**	0.24	**0.28**	0.26	**(0.07)**	0.33	**(0.46)**	0.14
– fully diluted	*$	**0.27**	0.23	**0.27**	0.26	**N/A**	0.32	**N/A**	0.14
Series A Common Shares									
High	*$	**11.25**	10.50	**8.70**	12.20	**7.45**	12.10	**6.55**	11.15
Low	*$	**7.15**	7.50	**6.75**	9.15	**6.00**	9.75	**2.80**	8.75
Trading volume		**21**	21	**14**	24	**18**	17	**31**	16

†Income (loss) per common share is calculated using the average number of common shares outstanding during the quarter. Income per common share for the year is calculated using the average number of common shares outstanding during the year.

DIVIDENDS

Dividends on common and preferred shares were paid quarterly on February 1, May 1, August 1, and November 1 of 2000 and 1999.

TRANSFER AGENT

The Series A and Series B Convertible Common Shares are transferable through the Corporation's Transfer Agent, CIBC Mellon Trust Company, at their offices in Toronto, Montreal, and Vancouver.

Investor Inquiries

Questions and comments regarding Stelco Inc. or any information appearing in the Annual Report, Quarterly Reports, or any other corporate publication may be directed to:

Stelco Inc.
Office of the Secretary,
P.O. Box 2030
Hamilton, Ontario L8N 3T1
Telephone: (905) 528-2511
Ext. 4985
Fax: (905) 577-4575
The Corporation's annual and quarterly reports, media releases, and other investor information may be found at Stelco's web site: www.stelco.ca.

Pour obtenir un exemplaire de la version française de ce rapport, veuillez écrire à :
Stelco Inc.
Bureau du Secrétaire
C.P. 2030
Hamilton (Ontario) L8N 3T1

EMPLOYEES FEATURED

Front Cover
From left to right: Holly Colbeck, *Lake Erie Steel Company;* Mike Thorpe, *Hilton Works;* Pierre Mathieu, *Stelco-McMaster Ltée;* Farid Hassani, *Hilton Works;* Denis Barras, *Stelfil Ltée*

Page Four
From left to right: Terry Charters, *Hilton Works;* Guy Tremblay, *Stelco-McMaster;* Stacey Rodgers, *Hilton Works;* Nhon Cao, *AltaSteel Ltd.;* Brenda Baynham, *General Office*

Page Six
From left to right: Deborah Budd, *Stelfil;* Vince Naidu, *AltaSteel;* Sarah Mann, *Hilton Works;* Laurent Lachapelle, *Stelfil*

Page Nine
From left to right: Jean-Francis Petit, *Stelco-McMaster;* Gwen Tran, *General Office;* Cameron Crooks, *AltaSteel;* Graeme Hope, *AltaSteel*

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